

**This document is important and requires your immediate attention.
If you are in any doubt as to how to deal with it, you should consult your legal, financial or
other professional adviser as soon as possible.**

BIDDER'S STATEMENT

by

Probiomics Limited

(ABN 97 084 464 193)

to acquire all of your:

Shares, Options and Tranche 1 Note Interests in

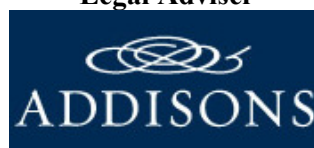
Hunter Immunology Limited

(ABN 92 106 556 094)

Please call Probiomics Limited on 02 9844 5422 (callers in Australia) or +61 2 9844 5422 (callers outside Australia) if you have any queries in relation to any Takeover Offer.

The Takeover Offers are each dated 13 December, 2011 and are currently scheduled to close at
5.00 p.m. (AEDST) on 9 March, 2012, unless extended.

Legal Adviser



Important Information

Bidder's Statement and Takeover Offers

This is a Bidder's Statement dated 13 December, 2011 given by Probiomics to Hunter and each Hunter Securityholder under the provisions of Part 6.5 of Chapter 6 of the Corporations Act. It sets out the disclosures required by the Corporations Act together with the terms of each Takeover Offer.

You should read this Bidder's Statement carefully and in its entirety.

This Bidder's Statement was approved by a unanimous resolution of the Directors. It includes Takeover Offers each dated 13 December, 2011 being the date of first issue of this Bidder's Statement.

Australian Securities & Investments Commission

A copy of this Bidder's Statement was lodged with ASIC on 13 December, 2011.

Neither ASIC nor any of its officers takes any responsibility for the contents of this Bidder's Statement.

Investment decision

This Bidder's Statement does not take into account the individual investment objectives, financial situation or any particular needs of any Hunter Securityholder or any other person. Hunter Securityholders may wish to seek independent legal, financial and taxation advice before making a decision as to whether or not to accept a Takeover Offer.

Forward looking statements

Some of the statements appearing in this Bidder's Statement 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 Probiomics or Hunter and cannot be predicted with assured accuracy by Probiomics 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 Probiomics or Hunter, their respective related bodies corporate and/or joint ventures and associated undertakings operate or propose to operate; and
- include general economic conditions, acts of terrorism, health epidemics, acts of nature 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 Probiomics believes that the expectations reflected in any forward looking statements included in this Bidder's Statement 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 this Bidder's Statement.

None of Probiomics, or its respective officers, or persons named in this Bidder's Statement with their consent or any person involved in the preparation of this Bidder's Statement 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.

All Hunter Securityholders 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 this Bidder's Statement reflect views held only as at the date of this Bidder's Statement.

Privacy Statement

Personal information relating to your Hunter Securities will be collected by Probiomics in accordance with its rights under the Corporations Act. Probiomics will share this information with its advisers and service providers where necessary for the purposes of a Takeover Offer. Probiomics and its agents retained for the purposes of the Takeover Offers will use the information solely for purposes relating to the Takeover Offers. Generally, you have a right to access the personal information which Probiomics and its agents may hold about you. You can contact Probiomics on 02 9844 5422 (toll free) from within Australia or on +61 2 9844 5422 from outside Australia, if you have any queries about the privacy practices of Probiomics.

How to accept a Takeover Offer

Acceptances must be received by the Closing Date. **Full details of how to accept a Takeover Offer are set out in Section 2 and Section 7 of Appendix 1 and in the instructions set out in the Acceptance and Transfer Form.**

Notice to non-Australian Hunter Securityholders

The distribution of this Bidder's Statement may, in some countries, be restricted by law or regulation of those countries. Accordingly, persons who come into possession of this Bidder's Statement should inform themselves of, and observe, those restrictions.

Enquiries

If you are in any doubt as to how to deal with any of the matters raised in this Bidder's Statement, you should consult with your broker or your legal, financial or other professional adviser.

Should you have any questions about any of these Takeover Offers or how to accept any of them, please call Probiomics' Takeover Offers Information Line on 02 9844 5422 (toll free) from within Australia or on +61 2 9844 5422 from outside Australia.

Defined terms

Defined terms used in this Bidder's Statement are capitalised. Definitions of these terms are set out in **Section 10**. Unless the contrary intention appears, the context requires otherwise or terms are defined in **Section 10**, words and phrases contained in this Bidder's Statement have the same meaning and interpretation as given to them in the Corporations Act.

References to Time

All references to time this Explanatory Statement are references to Australian Eastern Daylight Saving Time (**AEDST**).

Suspension of Probiomics Shares

Shareholders should note that ASX has indicated that the Probiomics Shares will be suspended from Official Quotation, and hence trading on the market operated by ASX, on and from the day of the Meeting and will only be reinstated once Probiomics has satisfied all the requirements of Chapters 1 and 2 of the Listing Rules that are required as a result of the proposed Series of Transactions.

References to Target's Statement

All references in this Bidder's Statement to the Target's Statement or any part or section of the Target's Statement, will be deemed to be part of this Bidder's Statement. Neither Hunter nor any Hunter Director takes any responsibility for the contents of this Bidder's Statement, or any part or parts thereof, including any references herein to the Target's Statement or any part or section of the Target's Statement. Neither Probiomics nor any Probiomics Director takes any responsibility for the contents of the Target's Statement or any part or parts thereof.

References to Prospectus and Notice of Meeting

All references in this Bidder's Statement to the Prospectus or the Notice of Meeting are references to either the prospectus that Probiomics will be issuing in connection with the Public Offer or the notice of meeting that Probiomics will be issuing for the purpose of convening the Meeting. Neither Hunter nor any Hunter Director takes any responsibility for the contents of the Prospectus, the Notice of Meeting or any part or parts thereof.

The Prospectus and the Notice of Meeting will be issued shortly after the date of dispatch of this Bidder's Statement and the Target's Statement.

Important Dates

Event	Anticipated Date
ASX announcement of Takeover Offers and Series of Transactions	11 October, 2011
Lodgement of Bidder's Statement with ASIC	13 December, 2011
Lodgement of Target's Statement with ASIC	13 December, 2011
Takeover Record Date	13 December, 2011
Dispatch of Bidder's Statement and Target's Statement to Hunter Securityholders and commencement of Takeover Bid Period	20 December, 2011
Dispatch of:	5 January, 2012
<ul style="list-style-type: none"> • Notice of Meeting to Probiomics Shareholders; and • Prospectus 	
Close of Public Offer Period (in respect of Public Offer)	6 February, 2012
Convening of Probiomics Shareholder's Meeting	7 February, 2012
Notify ASX of results of Probiomics Shareholder's Meeting	7 February, 2012
Lodge application to ASX for Re-admission of Probiomics Securities	8 February, 2012
Close of Takeover Bid Period †	9 March, 2012
Issue of:	14 March, 2012
<ul style="list-style-type: none"> • Bid Consideration, being Probiomics Shares and Replacement Probiomics Options; and • Public Offer Shares, Public Offer Options and Director Options 	
Share Consolidation takes effect	21 March, 2012
Completion of dispatch of new holding statements to all Probiomics Securityholders to reflect:	28 March, 2012
<ul style="list-style-type: none"> • issue of Probiomics Securities (see immediately above); and • changes in holdings of Probiomics Securities as a result of Share Consolidation 	
Change of Probiomics' name to "Bioxyne Limited" becomes effective	30 March, 2012

Please note that some of the dates set out in the above timetable are likely to be varied in accordance with the Corporations Act and, where required, 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 Probiomics 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 Probiomics Directors and may have to be delayed.

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CHAIRMAN'S LETTER

13 December, 2011

Dear Hunter Securityholder,

On behalf of the Directors, I am pleased to enclose the Takeover Offers by Probiomics Limited (**Probiomics**) to acquire, as applicable, all your Hunter Shares, Hunter Options and Tranche 1 Note Interests in Hunter Immunology Limited (**Hunter**).

Probiomics is offering you:

- (a) 9 Probiomics Shares for each 1 Hunter Share;
- (b) 9 Probiomics Shares for each Tranche 1 Note Interest; and
- (c) 9 Replacement Probiomics Options for each 1 Hunter Option,

that you hold on the Takeover Record Date and that is the subject of a duly completed Acceptance and Transfer Form and otherwise upon the terms and conditions of the Takeover Offers set out in **Appendix 1** and **Appendix 2**.

The Probiomics Directors each recommends that you accept the applicable Takeover Offers in respect of all your Hunter Securities.

Each of the Takeover Offers is subject to a number of Bid Conditions - one of which is the acceptance by Hunter Securityholders of each of the Takeover Offers in respect of no less than 90% (by number) of all Hunter Securities. If all those Bid Conditions are not satisfied in accordance with their terms, or waived, Probiomics may elect to withdraw the Takeover Offers.

Background on Probiomics Limited

Probiomics Limited (ASX: PCC) (formerly known as VRI BioMedical Limited) was incorporated in 1998 and listed on the Australian Securities Exchange in December 2000, to fund the research and development of a portfolio of projects in mucosal immunology.

In late 2003, Probiomics 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 harmful 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 Peyers Patches in the human gut, which then activates an immune response targeting ailments such as those indicated above.

Further detail on Probiomics and its activities is set out in **Section 2**.

Background on 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**). An exacerbation or flare-up is a sudden worsening of symptoms which requires an increase in corticosteroid drugs, antibiotics and often hospitalisation. Exacerbations are often but not always triggered by infections of the airways.

Research efforts by Hunter's clinical team and the Newcastle Mucosal Immunology Group 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 Bidder's Statement.

Background on proposed merger

Earlier this year, the Hunter Directors commenced confidential discussions with the Current Directors with a view to merging the operations of Hunter and Probiomics. It is expected that the combination of resources and overlapping business strategies of the two groups will benefit all Hunter Securityholders who accept the applicable Takeover Offers as well as all Probiomics Shareholders.

Some of the perceived and actual advantages and disadvantages of the proposed merger between Probiomics and Hunter are set out in the immediately following Section headed "Reasons to Accept the Takeover Offers".

Suspension and re-admission of Probiomics to ASX

In light of the fact that the proposed Series of Transactions will result in a significant change to the scale of Probiomics, it will be necessary for Probiomics to apply to ASX, immediately prior to the convening of the Meeting, for the suspension of the Official Quotation of the Probiomics Shares. That suspension will commence after the close of the market operated by ASX on the day immediately preceding the day of the Meeting and hence, occur during the Takeover Bid Period.

Promptly after the Meeting, and irrespective of whether or not the Essential Resolutions are passed at the Meeting, Probiomics will apply to ASX for the Probiomics Shares to be re-admitted to the Official List and for the termination of that suspension. Probiomics will also be applying for the Official Quotation of all Public Offer Options, if there is a sufficient spread of holders of those options.

Assuming that all of the Essential Resolutions are passed at the Meeting, Re-admission will only occur when and if ASX has accepted that all the applicable requirements of Chapters 1 and 2 of the Listing Rules have been satisfied, which include:

- (a) Probiomics 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 Probiomics Shares being at least \$0.20 per Probiomics Share, at the time upon which the termination of the suspension of the trading of the Probiomics Shares occurs;
- (c) the audited or reviewed accounts of Probiomics for the last 3 financial years; and
- (d) Probiomics having a market capitalisation of at least \$10,000,000 and a working capital of at least \$1,500,000.

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

Hunter Directors' recommendation

The Takeover Offers are made to you with the recommendation of all Hunter Directors who are permitted to make that recommendation – namely all members of the Hunter Board other than David Radford who has a material personal interest in the outcome of the Takeover Offers and hence will not be making any recommendation to any Hunter Securityholder or prospective investor in the Public Offer (see **Section 9.14**) – that, in the absence of a superior proposal, you should accept the Takeover Offers in respect of all your Hunter Securities.

More detail relating to, and the reasons for the giving of, that recommendation are set out in **Section 1.1** of the Target's Statement that accompanies, but is wholly independent from and does not constitute any part of, this Bidder's Statement.

Recommendations by Probiomics Directors

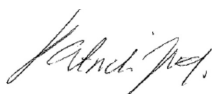
Each of current Directors – being myself, Simon Taylor and Simon O'Loughlin - unanimously recommend this Takeover Bid to you and hope that you will accept the Takeover Offers made in respect of all your Hunter Securities.

However, when considering whether or not you want to participate in this Public Offer, I particularly refer you to **Section 9.14** and **Section 9.15** that sets out the personal interests that each of one of the Proposed Directors and the Current Directors has in the outcome of this Public Offer and the Takeover Bid.

The Takeover Offers are currently scheduled to close at 5.00 p.m. (AEDST) on 9 March, 2012, unless extended in accordance with the Corporations Act. To accept any of the Takeover Offers, please follow the instructions in the enclosed Acceptance and Transfer Form that forms part of this Bidder's Statement (see **Sections 2** and **Section 7** of **Appendix 1** for further details).

In the event you have any queries in relation to any of the Takeover Offers, please call 02 9844 5422 (within Australia) or +61 2 9844 5422 (outside Australia), visit Hunter's website at www.hunterimmunology.com, or consult your financial or other professional adviser.

Yours sincerely



Patrick Ford
Chairman

REASONS TO ACCEPT THE TAKEOVER OFFERS

This summary of why you should accept the Takeover Offers in respect of all or any of your Hunter Securities should be read together with the detailed information set out elsewhere in this Bidder's Statement. *You should read this Bidder's Statement in its entirety before deciding whether to accept the Takeover Offers.*

1. Synergistic benefits

- The major benefits are associated with a common focus upon building both a therapeutic and consumer focused business that have a similar platform on which they can grow. The benefit 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 cross business skills.
- It is expected that the research facilities in Newcastle of Hunter can be utilised to enhance the development of new probiotic opportunities for sale both in Australia and internationally.
- It is expected that the merger will offer some synergies in the management of the businesses of Probiomics and Hunter.
- It is expected that there will be greater liquidity in the Probiomics Shares due to the increased number of Probiomics Shareholders and volume of Probiomics Shares on issue.

2. **Technological Complementaries:** set out below is a summary of the comparisons between Probiomics 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	Probiomics	Hunter
Mucosal immunology-based science	✓	✓
Mechanisms of action proposed as absorption through mucosa and immune response at the Peyers Patches	✓	✓
Scientific Skills required to manage the business/develop business partnerships	✓	✓
Core competency in identification and development of bacteria to be used in products which are then commercialised by partners	✓	✓
Isolation and selection of bacteria using similar techniques of isolation/identification/ characterisation	✓	✓
Fermentation utilising outsource partners	✓	✓
Clinical evaluations required to justify clinical efficacy	✓	✓
Regulatory requirements for product claims and quality of manufacture	✓	✓

3. **Shareholder in a publicly listed company:** By accepting the applicable Takeover Offers, you will become a shareholder of Probiomics, a public company whose shares and Public Offer Options are intended to be quoted and traded on the market operated by ASX, which will enable you to more easily trade your Probiomics Securities.
4. **Experienced Board and Management Team:** The Proposed Directors and Hunter management are experienced industry professionals with proven track records in identifying, acquiring, developing and operating assets in the health and research industries.
5. **Recommendation by Hunter Directors:** The Hunter Directors – other than David Radford - have unanimously recommended that Hunter Securityholders accept the Takeover Offers in the absence of a superior proposal. All of the Hunter Directors have indicated their intention to accept the Takeover Offers in respect of their personal holdings in the absence of a superior proposal.
6. **Tax Rollover Relief:** If the Takeover Offers are successful, you may be eligible for scrip-for-scrip rollover relief.
7. **No Brokerage Fee or stamp duty:** No brokerage fees or stamp duty will be payable by any Hunter Securityholder (other than certain Ineligible Foreign Hunter Securityholders) as a result of accepting any of these Takeover Offers.

SUMMARY OF THE TAKEOVER OFFERS

This Section sets out a summary of the Takeover Offers to acquire all of your Hunter Securities and seeks to pose and answer commonly asked questions regarding a takeover offer in the nature of the Takeover Offers. Please note that all responses are qualified or supplemented, as is applicable, by the detailed information contained in the remainder of this Bidder's Statement.

The complete terms and conditions of each of the Takeover Offers are contained in **Appendix 1** and **Appendix 2**.

Question	Answer
Who is the bidder company?	Probiomics Limited (ABN 97 084 464 193). Please refer to Section 2 for further information on Probiomics.
Who is the target company?	Hunter Immunology Limited (ABN 92 106 556 094). Please refer to Section 4 for further information on Hunter.
What are the Takeover Offers?	Probiomics is making an off-market bid to acquire ALL of your Hunter Securities, through three separate but inter-dependant off-market takeover offers on the terms and conditions set out in Appendix 1 and Appendix 2 .
What is the Bid Consideration being offered?	Probiomics is offering, as applicable: (a) nine (9) Probiomics Shares for every one (1) Hunter Share; (b) nine (9) Probiomics Shares for every one (1) Tranche 1 Note Interest; and (c) nine (9) Replacement Probiomics Options for every one (1) Hunter Option, that you hold on the Takeover Record Date and otherwise upon the terms and conditions of the Takeover Offers set out in Appendix 1 and Appendix 2 .
Who can accept the Takeover Offers?	Any person who is registered as a Hunter Securityholder on the Takeover Record Date, other than certain Ineligible Foreign Hunter Securityholders.

<p>Can I accept the Takeover Offers if I am an Ineligible Foreign Hunter Securityholder?</p>	<p>If you are an Ineligible Foreign Hunter Securityholder, you may accept an applicable Takeover Offer in respect of your Hunter Securities.</p> <p>However, if Probiomics is not satisfied that it is permitted to make a Takeover Offer to you because it may, by making a Takeover Offer to you, breach the applicable laws of the jurisdiction in which you normally reside, you will not be entitled to receive the Probiomics Securities that you would otherwise be entitled to receive under the Takeover Offers as consideration for your acceptance of the relevant Takeover Offer. Instead, you will receive, from the Sale Nominee, the net cash proceeds arising from the sale of those Probiomics Securities.</p> <p>If you are unsure as to whether you are entitled to receive Probiomics Securities on accepting an applicable Takeover Offer in respect of your Hunter Securities, please call the Probiomics' Takeovers Offers Information Line on 1300 369 702 (within Australia) or on +61 3 9415 4283 (outside Australia).</p> <p>(See Section 4 of Appendix 1 for more details.)</p>
<p>When can I accept the Takeover Offers?</p>	<p>At any time during the Takeover Bid Period.</p>
<p>When does the Takeover Bid Period close?</p>	<p>The Takeover Bid is currently scheduled to close at 5.00 p.m. (AEDST) on 9 March, 2012, unless that time and date is extended or the Takeover Offers are withdrawn.</p>
<p>How do I accept the Takeover Offers?</p>	<p>Details are set out in Section 2 and Section 7 of Appendix 1, and on the accompanying Acceptance and Transfer Form accompanying this Bidder's Statement.</p> <p>Essentially, Hunter Securityholders should:</p> <ul style="list-style-type: none"> (a) read this Bidder's Statement and the Target's Statement in full; (b) consider all information provided in this Bidder's Statement and the Target's Statement, including the risk factors set out in Section 7; (c) consult your broker, financial or other professional adviser if you are in any doubt as

	<p>to what action, if any, you should take or how to accept the Takeover Offers; and</p> <p>(d) validly accept the Takeover Offers by completing the enclosed Acceptance and Transfer Form by following the instructions provided on it, and return the signed Acceptance and Transfer Form with your share certificate(s) in the enclosed self-addressed envelope or to the address below:</p> <p>c/- Computershare Investor Services Pty Ltd GPO Box 2115 Melbourne VIC 3001</p> <p>or</p> <p>452 Johnston Street Abbotsford, Melbourne VIC 3067</p> <p>Acceptance and Transfer Forms and share certificates must be received by or on behalf of Probiomics before 5.00 p.m. (AEDST) on 9 March, 2012, being the end of the Takeover Bid Period, unless that time and date is extended or the Takeover Bid is withdrawn. Any change to that time and date will be released to ASX.</p>
<p>If I accept a Takeover Offer, when will I receive the applicable Bid Consideration?</p>	<p>If you validly accept a Takeover Offer and provide all necessary documents at the time of that acceptance, you will be paid by the end of whichever of the following periods ends earlier:</p> <p>(a) 1 month after that Takeover Offer is accepted, or if that Takeover Offer is subject to a Bid Condition, within 1 month after the takeover contract becomes unconditional; and</p> <p>(b) 21 days after the end of the Takeover Bid Period provided that the Bid Conditions are satisfied or waived by the end of the Takeover Bid Period.</p> <p>(See Section 9 of Appendix 1 for more details.)</p>
<p>What rights will attach to the Probiomics Shares issued to me as Bid Consideration?</p>	<p>The Probiomics Shares to be issued as Bid Consideration in accordance with the terms of the applicable Takeover Offers will be fully paid and rank equally in all respects for dividends and all other rights with existing Probiomics Shares.</p> <p>A detailed description of the rights and liabilities attaching to Probiomics Shares is set out in Section 9.3.</p>

<p>What rights will attach to the Replacement Probiomics Options issued to me as Bid Consideration?</p>	<p>The Replacement Probiomics Options to be issued as Bid Consideration will be issued in accordance with the terms of the applicable Takeover Offer and any Probiomics Shares issued pursuant to an exercise of any Replacement Probiomics Options in accordance with its terms, will be fully paid and rank equally in all respects for dividends and all other rights with existing Probiomics Shares.</p> <p>A detailed description of the rights and liabilities attaching to the Replacement Probiomics Options to be issued as Bid Consideration in accordance with the terms of the applicable Takeover Offer is set out in Section 6.2(b) and the General Option Terms set out in Section 3.8.</p>
<p>Will I be able to trade in any or all of the Probiomics Securities (which includes any Replacement Probiomics Options) issued to me as Bid Consideration?</p>	<p>Other than as provided immediately below, any Hunter Securityholder who:</p> <ul style="list-style-type: none"> (a) is, or is proposed or intended to become, a Director of Probiomics or of any other related party of Probiomics; (b) has provided any services to Probiomics or any related entity of Probiomics or who, in the opinion of ASX, is involved in or has had any influence in the Series of Transactions; or (c) holds, or during the 12 months prior to the date of application for Re-admission held, either alone or with any Associate, at least 10% of the number of Voting Shares, <p>(each a Related Hunter Securityholder) will not be permitted to trade in any of the Probiomics Shares issued to that Related Hunter Securityholder as Bid Consideration, until the expiry of the second anniversary of the Re-admission Date.</p> <p>In accordance with the terms of relief obtained by Probiomics from ASX:</p> <ul style="list-style-type: none"> (a) any Hunter Securityholder who is not a Related Hunter Securityholder (each an Unrelated Hunter Securityholder) and who: <ul style="list-style-type: none"> (i) subscribed for Hunter Securities and paid at least \$0.099 per Hunter Security (Bid Consideration Value); or (ii) subscribed for Hunter Securities more than 12 months prior to the Re-admission Date,

will be entitled to trade in any or all of the Probiomics Shares that it is issued with as a result of its acceptance of a Takeover Offer in respect of those Hunter Securities, at any time after the date of that issue;

(b) any:

(i) Related Hunter Securityholder that was issued Hunter Securities for cash consideration; and

(ii) Unrelated Hunter Securityholder who subscribed for any Hunter Securities less than 12 months prior to the Re-admission Date, and

who paid less than the Bid Consideration Value per Hunter Security, will have some or all of the Probiomics Shares that it is issued with as a result of its acceptance of a Takeover Offer, classified as “restricted securities”. The practical effect of that classification will be that that Hunter Securityholder will not be permitted to trade in any of those “restricted” Probiomics Shares until the lapse of the period of restriction – commonly called the “escrow period”.

The number of Probiomics Shares issued under a Takeover Offer to a Hunter Securityholder referred to in this paragraph (b) that will be “restricted” from trading will be determined by application of the following “cash formula”:

$$X = [A/B] \times C$$

Where:

X means the number of “restricted” Probiomics Shares that will not be permitted to be traded for the duration of the escrow period;

A means the monetary amount per Probiomics Share by which the Bid Consideration Value in respect of a Hunter Security exceeds the cash amount paid for that Hunter Security by the Hunter Securityholder;

B means Bid Consideration Value; and

C means the number of Probiomics Shares issued to that Hunter Securityholder as a result of its acceptance of a Takeover Offer; and

	<p>(c) the duration of the escrow period that will be applied to a Hunter Securityholder that is treated by ASX as if they are a “seed capitalist” of Probiomics will be:</p> <ul style="list-style-type: none"> (i) in the case of a Related Hunter Securityholder, 24 months commencing on the Re-admission Date; and (ii) in the case of an Unrelated Hunter Securityholder, 12 months commencing on the date on which the relevant Hunter Securityholder was issued with the Hunter Securities that it agrees to transfer to Probiomics in consideration for Bid Consideration. <p>(See Section 9.5 for more information.)</p>
<p>Will my Probiomics Securities issued to me as Bid Consideration be listed on ASX?</p>	<p>In accordance with the requirements of the Corporations Act:</p> <ul style="list-style-type: none"> (a) Probiomics will have applied within 7 days from the start of the Takeover Bid Period for the quotation by ASX of all Probiomics Shares to be issued and allotted as part of the Bid Consideration; and (b) each Takeover Offer is subject to a condition that ASX must give permission to the quotation of the Probiomics Shares to be issued as Bid Consideration, no later than 7 days after the end of the Takeover Bid Period. <p>Official Quotation of those Probiomics Shares to be issued as Bid Consideration is not automatic and will depend upon ASX exercising its discretion to admit those Probiomics Shares to the Official List. That exercise is expected to occur as apart of the overall Re-admission (see Section 20 of Appendix 1).</p> <p>Subject to a sufficient spread of holders of Public Offer Options being achieved by the end of the Public Offer, Probiomics will be applying for the Official Quotation of all Public Offer Options. Probiomics will also apply for the Official Quotation of any Probiomics Shares that may subsequently be issued pursuant to the exercise of any Probiomics Option in accordance with their respective terms.</p>

<p>What are the tax implications of acceptance?</p>	<p>You should consult a financial, tax or other professional adviser on the tax implications of acceptance. A general summary of the Australian tax consequences for Hunter Securityholders who accept a Takeover Offer is set out in Section 8.</p>
<p>Do I pay brokerage fees or stamp duty if I accept?</p>	<p>If you are not an Ineligible Foreign Hunter Securityholder, you will not pay any brokerage fees or stamp duty on the disposal of any of your Hunter Securities if you accept a Takeover Offer.</p> <p>All such stamp duty will be paid by the Company. It is estimated that stamp duty of approximately \$176,000 will be payable in connection with the Hunter Acquisition.</p> <p>If you are an Ineligible Foreign Hunter Securityholder who:</p> <ul style="list-style-type: none"> (a) accepts an applicable Takeover Offer in respect of your Hunter Securities; and (b) normally resides in a jurisdiction, the applicable laws of which, in the opinion of Probiomics, prohibit or render impracticable the making of a Takeover Offer to you, <p>you will receive from the Sale Nominee the proceeds of sale of that number of Probiomics Securities to which you would otherwise be entitled to receive under the Takeover Offers, less your proportionate share of the expenses of the sale and of appointing the Sale Nominee (including brokerage, stamp duty and other selling costs, taxes and charges).</p>
<p>Can Probiomics extend the Takeover Bid Period?</p>	<p>Yes. Subject to the requirements of the Corporations Act, the Takeover Bid Period can be extended at Probiomics' election. Hunter Securityholders will be sent written notice of any extension, and any extension will also be announced to the ASX.</p>
<p>What happens if Probiomics increases the Bid Consideration?</p>	<p>If Probiomics increases the Bid Consideration for any Hunter Security, all Hunter Securityholders who accept a Takeover Offer (whether they have accepted that Takeover Offer before or after the increase in Bid Consideration is announced) in respect of a Hunter Security of the same bid class will be entitled to receive the increased Bid Consideration, should that Takeover Offer become or be declared Unconditional.</p>

<p>Are there any conditions to the Takeover Offers?</p>	<p>Yes. The terms of the Bid Conditions that apply equally to each of the Takeover Offers are set out in full in Appendix 2. Some of the Bid Conditions include:</p> <ul style="list-style-type: none"> (a) minimum acceptance of more than 90% (by number) of all Hunter Shares, all Tranche 1 Note Interests and all Hunter Options; (b) the cancellation, exercise or transfer of the Tranche 2 Notes to Probiomics; (c) the passage of all the Essential Resolutions at the Meeting; (d) a successful Public Offer under which Probiomics raises no less than \$2,200,000; (e) ASX consenting to the Re-admission; (f) no Material Adverse Change occurring in respect of the Hunter Group or any member of the Hunter Group; (g) no new material commitments being made by any member of the Hunter Group; (h) non-existence or non-exercise of certain rights in relation to the Hunter Group; (i) the Hunter Group not undertaking certain conduct, such as declaring or distributing any dividends, altering their capital structure or making any change to their constitutions, without the consent of Probiomics; (j) the S&P/ASX 200 Index published by ASX being, for not more than 2 consecutive trading days during the Takeover Bid Period, below the level of 3650; (k) no material litigation being commenced against any member of the Hunter Group; (l) Hunter Shareholder approval of the issue of Hunter Shares to David Radford (see Section 9.14 for further details); and (m) certain other prescribed occurrences not occurring. <p>For a complete description of the Bid Conditions, please see Appendix 2.</p>
<p>Is there a minimum acceptance condition?</p>	<p>Yes. Each Takeover Offer is conditional on, inter alia, Probiomics acquiring at least 90% (by number) of all Hunter Securities on issue – see Conditions 1, 2 and 3 in Appendix 2.</p>

<p>When will a Takeover Offer become Unconditional?</p>	<p>See Section 10 and Section 11 of Appendix 1.</p>
<p>What happens if I do not accept a Takeover Offer?</p>	<p>If you do not accept a Takeover Offer, you will remain a holder of the Hunter Security that was the subject of that Takeover Offer and will not be issued with any Probiomics Shares or any Replacement Probiomics Options, as is applicable.</p> <p>However, if Probiomics acquires a relevant interest in at least 90% (by number) of all the Hunter Securities before the end of the Takeover Bid Period, Probiomics intends to proceed to compulsorily acquire all your Hunter Securities.</p> <p>If this occurs, Hunter will be issued with the same Bid Consideration at the conclusion of the compulsory acquisition process, as if you had accepted the applicable Takeover Offer in respect of all your Target Securities. In those circumstances, you will have to make claim on Hunter, as trustee of your consideration for that Bid Consideration later than if you had accepted that Takeover Offer prior to the end of the Takeover Bid Period.</p>
<p>What are the significant risks of the Takeover Offers?</p>	<p>You should carefully consider the risk factors that could affect the performance of Probiomics and the Merged Group before deciding whether or not to accept any Takeover Offer. Many of these risks are outside the control of Probiomics or Hunter, or their respective management, and cannot be mitigated. A summary of these risks is set out in Section 7.</p>
<p>What if I require further information?</p>	<p>Call either:</p> <ul style="list-style-type: none"> (a) Ashok Jairath of Probiomics Limited on 02 9844 5422; or (b) Probiomics' Takeover Offers Information Line on 1300 369 702 from within Australia or on +61 3 9415 4283 from outside Australia.

1. The Takeover Offers

1.1 Summary of the terms of the Takeover Offers

Takeover Offers

Probiomics offers to issue and allot to:

- (a) Hunter Shareholders, nine (9) Probiomics Shares for each one (1) Hunter Share;
- (b) Hunter Optionholders, nine (9) Replacement Probiomics Options for each one (1) Hunter Option; and
- (c) Hunter Noteholders, nine (9) Probiomics Shares for each one (1) Tranche 1 Note Interest,

that Probiomics acquires, and otherwise upon the terms and conditions of the applicable Takeover Offers set out in **Appendix 1** and **Appendix 2**.

Each Takeover Offer relates to the applicable Hunter Securities that exist or will be on issue as at the close of the Takeover Bid Period.

Takeover Bid Period

All Takeover Offers are currently scheduled to close at 5.00 p.m. (AEDST) on 9 March, 2012 but, subject to the Corporations Act, that time and date may be extended.

Payment Date

If a Hunter Securityholder validly accepts a Takeover Offer and provides all necessary documents at the time of that acceptance, that Hunter Securityholder will be issued and allotted with the appropriate number of Probiomics Shares by the end of whichever of the following periods ends earlier:

- (a) 1 month after the Takeover Offer is accepted, or if the Takeover Offer is subject to a Bid Condition, within 1 month after the takeover contract becomes unconditional; and
- (b) 21 days after the end of the Takeover Bid Period provided that the Bid Conditions are satisfied or waived by the end of the Takeover Bid Period.

(See **Section 9** of **Appendix 1** for more details)

Bid Conditions

Each Takeover Offer is subject to the satisfaction of the same conditions, which are summarised as follows:

- (a) minimum acceptance of a Takeover Offer in respect of more than 90% (by number) of all Hunter Shares;
- (b) minimum acceptance of a Takeover Offer in respect of more than 90% (by number) of all Hunter Options;
- (c) minimum acceptance of a Takeover Offer in respect of more than 90% (by number) of all Tranche 1 Note Interests;
- (d) the cancellation, exercise or transfer of all Tranche 2 Notes to Probiomics;
- (e) the passage of all the Essential Resolutions at the Meeting;

- (f) a successful Public Offer under which Probiomics raises no less than \$2,200,000 and no more than \$4,400,000 through the issue of Public Offer Shares at \$0.011 per Public Offer Share or such other value per Public Offer Share as is determined and agreed to by Probiomics, together with 1 Public Offer Option for every 3 Public Offer Shares successfully subscribed for and issued under that offer, for no additional cash consideration and exercisable at \$0.0165 per Public Offer Option on or before 31 March, 2013, and for the purposes set out in Section 2.3 of the Prospectus;
- (g) ASX consenting to the Re-admission;
- (h) no Material Adverse Change occurring in respect of the Hunter Group or any member of the Hunter Group;
- (i) no new material commitments being made by any member of the Hunter Group;
- (j) non-existence or non-exercise of certain rights in relation to the Hunter Group;
- (k) the Hunter Group not undertaking certain conduct, such as declaring or distributing any dividends, altering their capital structure or making any change to their constitutions, without the consent of Probiomics;
- (l) the S&P/ASX 200 Index does not fall below 3650 for more than 2 consecutive trading days during the Takeover Bid Period;
- (m) no material litigation being commenced against any member of the Hunter Group;
- (n) Hunter Shareholder approval of the issue of Hunter Shares to David Radford (see **Section 9.14** for further details); and
- (o) certain other prescribed occurrences not occurring.

This is only a summary of *some* of the Bid Conditions. A complete statement of all terms of all Bid Conditions is set out in **Appendix 2**.

Suspension from Official Quotation

In light of the fact that the implementation of the proposed Series of Transactions will, in the opinion of ASX, result in a significant change to the scale of Probiomics, it will be necessary for Probiomics to apply to ASX, immediately prior to the convening of the Meeting, for the suspension of the Official Quotation of its Probiomics Shares. That suspension will commence after the close of the market operated by ASX on the day immediately preceding the day of the Meeting and hence, occur during the Takeover Bid Period.

Promptly after the Meeting, and irrespective of whether or not the Essential Resolutions are passed at the Meeting, Probiomics will apply to ASX for the Probiomics Shares and Public Offer Options to be re-admitted to the Official List and for the termination of that suspension.

The Probiomics Directors undertake that they will make that application for Re-admission promptly after the Meeting and give all information and do all that is required by ASX, in a complete and timely manner, in order to enable the Bid Condition referred to in **Section 7 of Appendix 2** to be satisfied as soon as possible.

Re-admission will only occur when and if ASX has accepted that all the applicable requirements of Chapters 1 and 2 of the Listing Rules have been satisfied, which include:

- (a) Probiomics having at least 400 shareholders each with shareholdings with a market value 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 Probiomics Shares being at least \$0.20 per Probiomics Share, at the time upon which the termination of the suspension of the trading of the Probiomics Shares occurs;
- (c) the provision to the ASX of audited or reviewed accounts of Probiomics for the last 3 financial years; and
- (d) Probiomics 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 Probiomics Shares from quotation by ASX is expected to 20 working days, but could be longer.

In addition to the above, and in accordance with the provisions of Section 625(3) of the Corporations Act, Probiomics will apply to ASX within 7 days after the start of the Takeover Bid Period for the granting of Official Quotation of the Probiomics Shares to be issued as Bid Consideration (see **Section 19 of Appendix 1** for further details).

1.2 **How to accept a Takeover Offer**

Each Takeover Offer may be accepted in respect of **ALL AND NOT PART ONLY** of your Hunter Securities to which that Takeover Offer relates.

Essentially, to accept a Takeover Offer, a Hunter Securityholder should:

- (a) read this Bidder's Statement in full;
- (b) consider all information provided in this Bidder's Statement, including the risk factors set out in **Section 7**;
- (c) consult his or her broker, financial or other professional adviser if you are in any doubt as to what action, if any, you should take or how to accept the applicable Takeover Offer; and
- (d) must validly accept the Takeover Offer by completing the enclosed Acceptance and Transfer Form by following the instructions provided on it, and returning the signed Acceptance and Transfer Form with your share certificate(s) in the enclosed self-addressed envelope to the address below:

c/- Computershare Investor Services Pty Limited
GPO Box 2115
Melbourne VIC 3001

The Takeover Offers are not registered in any jurisdiction outside Australia and New Zealand (unless an applicable Foreign Law treats it as registered as a result of this Bidder's Statement being lodged with ASIC). It is your sole responsibility to satisfy yourself as to whether you are permitted by any Foreign Law applicable to you to accept a Takeover Offer.

ACCEPTANCE AND TRANSFER FORMS AND SHARES CERTIFICATE(S) MUST BE RECEIVED BY COMPUTERSHARE ON BEHALF OF PROBIOMICS BY NO LATER THAN 5.00 P.M. (AEDST) ON 9 MARCH, 2012 OR SUCH LATER TIME AND DATE THAT PROBIOMICS ELECTS

2. Information on Probiomics

2.1 Overview of Probiomics and its principal activities

Probiomics Limited (ABN 97 084 464 193) is making all Takeover Offers.

Probiomics:

- was listed on ASX in December, 2000 and is a pharmaceuticals, biotechnology and life sciences company; and
- offers probiotic products.

2.2 Probiomics' history

The table below highlights the major developments in Probiomics' history:

Date	Event
2000	Listed on ASX as VRI Limited
2002	Successful commercialisation of ProBioPCC™, a probiotic-based dietary supplement which contains Probiomics' proprietary strain of <i>Lactobacillus fermentum</i> PCC®
2003	Australian Patents Nos. 2003258366 & 2003245473 for PCC®, granted
2005	Change of name of Probiomics to "Probiomics Limited"
2007	Signs Development and License Agreement with Nestle to develop Infants Nutrition Products containing PCC® - this agreement has been terminated, as announced on 2 November, 2011
2009	Signs Global Sales and Distribution Agreement with Chr. Hansen A/S of Denmark

2.3 Overview of activities

Bringing science to wellness

Probiomics' mission statement "*bringing science to wellness™*" signals the focus of the company on commercialising products for health maintenance and disease prevention supported by robust clinical and scientific data.

With the commencement of a molecular discovery program, Probiomics coined the term "probiomics" to describe the study of the molecules on probiotic bacteria which mediate the biological response in the host. Following successful completion of Stage 1 of this program, the Board decided to change the name of Probiomics to "Probiomics Ltd" to reflect the primary focus on probiotics and associated molecules. This change was approved by Probiomics Shareholders in April 2005.

Research & Development

Probiomics' scientific and clinical research has demonstrated that PCC® has a number of unique features which could provide a competitive advantage in the market. With PCC® being supported by patent applications, Probiomics has conducted extensive (randomised, double blind, placebo-controlled) clinical trials to demonstrate the efficacy of PCC® in a range of intestinal, immune and

skin disorders. The data generated from the clinical trials program supports the commercialisation of Probiomics' probiotic products for the dietary supplements and functional food markets, on which some degree of health claims (supported by appropriate evidence) can be made.

Commercialisation

In November 2002, Probiomics concluded its first successful commercialisation agreement, with US-based Pharmanex, a subsidiary of the multi-level marketing company NuSkin Enterprises. ProBioPCC™, a probiotic-based dietary supplement which contains Probiomics' proprietary strain of *Lactobacillus fermentum*, is sold by Pharmanex through its network of distributors in North America and various Asian countries. This agreement has since expired, but the parties have continued their trading relationship on an informal basis.

The experience gained from bringing this first probiotic product to market has assisted in the introduction of further probiotic products to the Australian market, such as:

- Progastrim®, sold exclusively to naturopaths, and
- proTract®, a family of products for intestinal health, diarrhoea and irritable bowel syndrome and for atopic dermatitis, which are sold exclusively through Australian pharmacies.

Progastrim® and the proTract® products contain the special, proprietary strain of *Lactobacillus fermentum*, trademarked PCC®, and are listed on the Australian Register of Therapeutic Goods. Development of novel functional foods containing PCC®, and distribution of PCC®-based OTC products in other countries is underway.

Priorities

- Clinical trials - proving the clinical efficacy of PCC® through the conduct of a comprehensive clinical trials program in intestinal, immune and skin disorders through collaborations with major global companies.
- Product Marketing and Commercialisation - focusing on generating revenue through bringing highly effective products to a range of markets (OTC, dietary supplements, functional foods) based on the collaboration with global distributors and suppliers.
- Pharmaceutical Development - developing novel therapeutics based on PCC® and associated clinically effective molecules.

2.4 Market potential

General overview

Probiomics' probiotic products address significant markets. Firstly, they are relevant to the rapidly growing Wellness Industry - projected to become the next trillion dollar industry, fuelled by an aging population seeking products to maintain health and well being (<http://www.squidoo.com/healthandwellnessindustry>). There is evidence that Probiomics' proprietary probiotic PCC® maintains intestinal health by inhibiting harmful micro-organisms, restoring a healthy balance of friendly bacteria and boosting the immune system.

In addition, PCC® relieves symptoms of gastrointestinal disorders which are triggered by underlying pathogenic organisms. Thus the products are applicable to the gastrointestinal therapeutic market, which accounts for a significant portion of the U.S. market, with the market for "over the counter" (OTC) products estimated at US\$2.4 billion in 2004 (<http://www.bccresearch.com/report/PHM046A.html>).

According to a new technical market research report, *The Probiotics Market: Ingredients, Supplements, Foods*" (FOD035B) from BCC Research (BCCResearch.com), the global market for probiotic ingredients, supplements and foods was worth US\$14.9 billion in 2007. It is expected to be worth US\$19.6 billion in 2013, a compound annual growth rate (CAGR) of 4.3%.

The market is broken down into applications of probiotic ingredients, supplements and foods. Of these, foods have the largest share of the market. Worth an estimated US\$13.8 billion in 2008, this segment should reach US \$17.0 billion in 2013, a CAGR of 4.2%. Food applications for probiotics are found mostly in dairy products, with yogurts, kefir and cultured drinks representing the major categories of probiotic foods. Yogurt products accounted for the largest share of sales, representing 36.6%. Emerging food applications include probiotic cheese, nutrition bars, breakfast cereal, and infant formula.

The second largest segment, probiotic supplements, was worth US\$1.2 billion in 2007. This is expected to increase to US\$1.3 billion in 2013, a CAGR of 5.8%. Probiotics are used in the manufacture of supplements sold in the form of capsules, tablets and powders. Probiotic supplements in capsule form accounted for the largest share of sales, representing 75%.

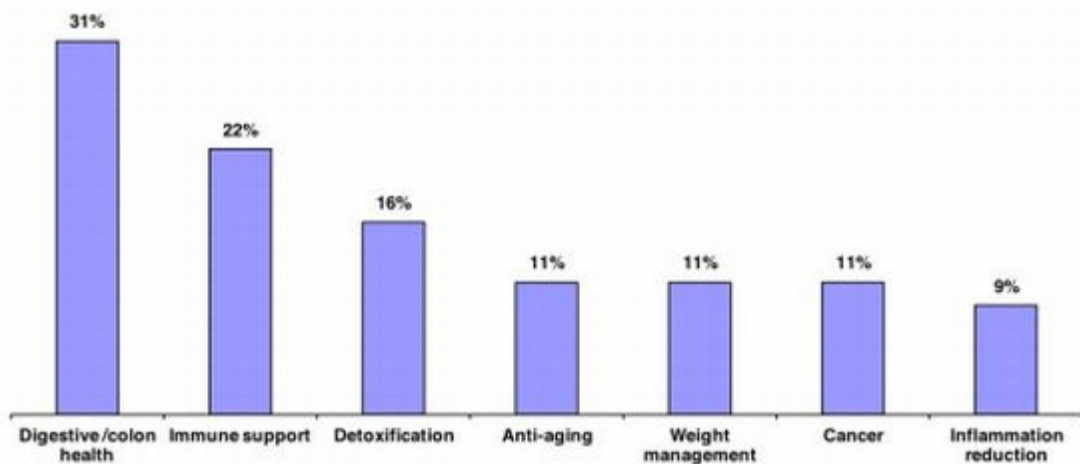
The value of sales of probiotic ingredients are expected to increase to US\$917 million by the end of 2013, a CAGR of 2.8%. Probiotics of the lactobacillus genus accounted for the largest share, representing 61.9% of total sales in 2007.

As outlined in an article written by Steve French in October 2011 and published in the website of Natural Products Insider (www.naturalproductsinsider.com):

- over the past few years, probiotics have entered the mainstream and are becoming a significant mass market opportunity. As the probiotic market continues to gain momentum, it will represent significant opportunities in both dietary supplements and functional food applications;
- some of the dynamics that are facilitating the mainstreaming of probiotics include:
 - high incidence of digestive conditions in the population;
 - increased consumer interest in functional foods;
 - emerging encapsulation processes that allow probiotics to be added to non-refrigerated foods such as breads and cereals; and
 - discovery of links between detoxification of the intestinal tract; and increased health and wellness, energy, skin health and weight loss;
- it is important for manufacturers and marketers to understand how consumers perceive the probiotic landscape, and the challenges and opportunities that exist within this fast-emerging market;
- awareness of the term “probiotics” has grown from a mere 9% in 2002 to 67% of U.S. adults in 2010 — a growth in awareness of more than 600% in only nine years. Much of the increase may be attributed to the media exposure and product marketing of mainstream yogurts and other dairy products publicising the benefits of probiotic content. In fact, much of the increase in awareness occurred after 2006, the year Activia was launched in the US;
- interestingly, while awareness has shown some dramatic gains, use of probiotic foods is rather stagnant with only 12% of the U.S. population indicating they have used probiotic-enriched foods in the past 30 days, compared to 10% in 2008. Comparatively speaking, 8% of the U.S. population uses probiotic supplements;

- these findings highlight several emerging needs within the probiotic market that may help to boost probiotic usage rates even higher across both foods and supplements:
 - continued product expansion outside dairy;
 - consistent and clear educational messaging about the benefits of probiotics; and
 - increased consumer understanding of the benefits beyond digestive health;
- consumers show fragmented understanding of the benefits of probiotics (Figure 1). While less than one-third of consumers associate probiotics with digestive health, other benefits exist, thereby providing additional marketing opportunities beyond digestion:

Figure 1: % U.S. general population associating the following benefits with probiotic use



Source: NMI's 2010 Health and Wellness Trends Database®

- even further, since many digestive problems are acute, consumers may not be concerned about digestive problems until an issue actually manifests itself, lessening the perceived need for continued use of a probiotic product; and
- in fact, according to Natural Marketing Institute's 2011 Supplement/OTC/Rx Database®, the top reason probiotic users have consistently cited as to why they stop using probiotics is that they "only use it when they need it."

Specific Market segments

Irritable Bowel Syndrome (IBS) Market

IBS is a common and significant disorder that involves daytime abdominal pain, bloating and discomfort and altered bowel habits without progressive deterioration or detectable structural, mechanical, biochemical or overt inflammatory abnormalities.

The annual direct and indirect medical cost of IBS management in the US have been reported to be as high as US\$8 billion and US\$25 billion respectively.

It afflicts 12% of adults in the US, and has an incidence among women twice as high as men.

Atopic Dermatitis Market

GlobalData, the industry analysis specialist, has released its new report, "Atopic Dermatitis - Pipeline Assessment and Market Forecasts to 2017". According to an article in

www.articlesnatch.com, the report identifies the key trends shaping and driving the global Atopic Dermatitis therapeutics market. The article also notes that the report provides insights into the competitive landscape and the emerging players expected to alter significantly the positions of the existing market leaders. Most importantly, the report provides valuable insights into the pipeline products within the global Atopic Dermatitis sector (source: http://pressexposure.com/Atopic_Dermatitis).

A summary of the above report found at www.articlesnatch.com:

- estimated that the global atopic dermatitis therapeutics market to be valued at US\$728 million in 2009. It is expected to grow to US\$942 million at a CAGR of 3.3% by 2017. This growth is primarily attributed to an increase in competition among existing products and the presence of a strong pipeline with more emerging therapies. Globally, the US remains the largest market for atopic dermatitis therapeutics, and was valued at US\$415 million in 2009. However, with most of the demand expected to come from developed economies, the centre of global atopic dermatitis therapeutics market activity is potentially due for a paradigm shift;
- referred to data that in 2009, there were approximately 35 million cases of atopic dermatitis reported within US, UK, Germany, France, Spain, Italy and Japan. This equated to a prevalence of approximately 5% of the collective population of those countries;
- estimated that the number of atopic dermatitis patients is forecast to increase to about 42 million by 2017, representing an increase in prevalence. Some of the factors associated with an increased risk of atopic dermatitis include small family size, higher socio-economic and educational levels regardless of ethnicity, movement from a rural to an urban environment and an increased use of antibiotics. Research has indicated that there is a predominance of type-2 helper T cells (Th2) in atopic dermatitis. A higher number of cases would involve the increased uptake of therapeutics, thereby increasing the growth of the market; and
- argued that the global atopic dermatitis market is heavily fragmented, with numerous generic products at relatively low prices. The patent expiry of marketed products such as Protopic and Elidel in the period 2012 – 2015 would allow the further entry of generic products at cheaper prices, causing market growth.

2.5 Probiomics Directors and Company Secretary

Current Probiomics Directors and Company Secretary

As at the date of this Bidder's Statement, the Probiomics Directors and company secretary are:

Patrick Ford, B.Comm (Non-Executive Chairman)

Mr Ford was appointed to the Board on 17 May 2005 and Chairman 24 July 2008. He is a member of the Audit Committee and a member of the Remuneration Committee of the Board.

Mr Ford is a Sydney based stockbroker with Veritas Securities Limited and also provides corporate advisory services through his private company Diskdew Pty Ltd. He has an extensive history of capital raising and supplying advice to the Australian Biotechnology sector.

Mr Ford holds a Bachelor of Commerce degree from the University of Canberra.

Mr Ford has not been a director of any other listed company during the past five years.

Simon O'Loughlin (Non-Executive Director)

Mr O'Loughlin is a solicitor and a founding member of Adelaide based commercial law firm O'Loughlin Lawyers.

Mr O'Loughlin is chairman of the Audit Committee and the Remuneration Committee.

Mr O'Loughlin has had extensive public company board experience. He is currently the Chairman of Bondi Mining Ltd, Avenue Resources Ltd and Kibaran Nickel Ltd and a non executive director of WCP Resources Ltd, Chesser Resources Ltd, Aura Energy Ltd, Petratherm Ltd and Strezlecki Metals Ltd.

Simon Taylor (Non-Executive Director)

Mr Taylor is a geologist with 18 years experience throughout Australia, having held management positions for numerous ASX listed resource companies. He has gained considerable experience in exploration, project assessment and joint venture negotiations. He has significant board experience as a founding director of ASX listed Chesser Resources Ltd, and as managing director of Aguia Resources Limited. Mr Taylor's corporate experience includes project appraisal, advice on placements and fundraising. Mr Taylor is a member of the Australian Institute of Geosciences.

Mr Taylor is a member of the Audit Committee and the Remuneration Committee.

Ashok Jairath, FCPA (Company Secretary)

Mr Jairath has been Company Secretary of Probiomics Limited since July 2007.

Mr Jairath is a Fellow of CPA Australia. He has over 30 years experience in senior finance positions in multinational financial institutions, biotech companies and as a business consultant in start-ups and turnarounds of a number of companies.

Proposed Probiomics Directors and Company Secretary

On completion of the Series of Transaction, it is proposed that Simon Taylor and Simon O'Loughlin will resign their offices as a non-Executive Directors and the Probiomics Board will be comprised of each of the following:

Ian Mutton, LLB (Non-Executive Chairman)

Ian 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.

David Radford, BSc (Hons), MBA (Managing Director)

David 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 currently 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. David is qualified

with 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.

Upon and conditional upon the completion of the Takeover Bid and the Re-admission occurring, David will assume the role of Chief Executive Officer and Managing Director of the Merged Group.

Jeremy Curnock Cook, BA (Hons), MA (Non-Executive Director)

Jeremy is managing director of the IB Australian Bioscience 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, Sugen, Targeted Genetics and Vernalis.

Glenn Crisp, B.Comm, LLB (Non-Executive Director)

Glenn 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.

William Harrison, FRCP, FRCAP, FAFRM (Non-Executive Director)

William Harrison is an Australian citizen who qualified in medicine in the US and received his FRCP Glasgow after training in the UK. He did his subspecialty training in Rheumatology and Rehabilitation in Perth, Western Australia receiving both the FRCAP 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.

Doug Wilson, MB, ChB, PhD, FRACP, FRCPA (Non-Executive Director)

Dr Doug Wilson 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 Auckland Medical School as Associate Professor of Medicine. 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.

Patrick Ford, B.Comm (Non-Executive Director)

As above.

Ashok Jairath, FCPA (Company Secretary)

As above.

2.6 Series of Transactions

In addition to the Takeover Offers, Probiomics is proposing to undertake the following transactions:

- during the course of the Takeover Bid, Probiomics will 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;
- subject to the completion of the Public Offer and the Takeover Offers being declared Unconditional, Probiomics will seek to change its name to “Bioxyne Limited”;
- immediately prior to the Share Consolidation being implemented, and subject to the necessary Probiomics shareholder approval, Probiomics proposes to issue:
 - (i) 20,000,000 Director Options to the current Directors and Company Secretary, in consideration of their past services to Probiomics – refer to **Section 3.7**; and
 - (ii) 150,329,079 Replacement Probiomics Options to holders of Hunter Options – refer to **Section 6.2(b)**; and
- Probiomics will be re-organising its capital structure after completion of the Takeover Bid and Public Offer (and assuming that the Maximum Subscription is received under the Public Offer) by effecting a 1 for 20 consolidation of the Probiomics Shares in order to reduce its share capital from approximately 3.384 billion Probiomics Shares to approximately 169.22 million Probiomics Shares (on an undiluted basis) and 185.38 million Probiomics 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.

2.7 Probiomics’ performance in the last 3 financial years

In the last 3 financial years, Probiomics has achieved the following:

- turnover has remain unchanged due to the impact of the appreciation of the A\$ against the US\$. However, in real terms the volume of goods sold increased by 45% from 2009 to 2011; and

- EBITDA has improved from a loss of \$210,906 in 2009 to a profit of \$1,054 in 2011 due to internal restructuring and judicious management of expenses.

2.8 Financial information of Probiomics Group

The recent performance of the Probiomics Group is summarised below. The historical financial information below relates to the Probiomics Group on a stand alone basis and accordingly does not reflect any impact of the Takeover Bid. It is a summary only and does not contain all the disclosures usually provided in an annual report prepared in accordance with the Australian Accounting Standards and the Corporations Act.

The full financial statements for the Probiomics Group for the financial periods below, which include the notes to the financial statements, can be found in the Probiomics Group's annual reports and half yearly reports for those periods.

The financial statements referred to above were audited by RSM Bird Cameron Partners Chartered Accountants and the audit opinion relating to them was unqualified.

(a) Probiomics Group – consolidated balance sheets

Set out below are the consolidated balance sheets for the Probiomics Group 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

(b) **Probiomics Group –consolidated income statements**

Set out below are the consolidated income statements of the Probiomics Group 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)

2.9 **Corporate Governance**

The Probiomics Board seeks to provide accountability levels that meet or exceed the ASX Corporate Governance Council's Principles for Good Corporate Governance and has adopted or is transitioning to Best Practice Recommendations.

Details on Probiomics' corporate governance procedures, policies and practices can be obtained from its website www.probiomics.com.au or from Probiomics' 2010/2011 Annual Report lodged with the ASX on 27 September 2011.

2.10 Risk management

The Probiomics Board is responsible for overseeing the Probiomics Group's systems of internal control and risk management. The Probiomics Board has adopted a Risk Oversight and Management Policy, a summary of which is available on Probiomics' website www.probiomics.com.au. The policy addresses the overseeing by the Probiomics Board of the management of key business risks relevant to Probiomics.

The Audit Committee assists the Probiomics Board in overseeing the risk management framework and any matters of significance affecting the Probiomics Group's financial reporting and internal controls.

Probiomics' senior management team has responsibility for the day-to-day implementation of the risk management framework and internal controls within the Probiomics Group. Management also reports regularly to the Probiomics Board through the CEO on the Probiomics Group's key risks and the extent to which it believes these risks are being adequately managed.

2.11 Recent announcements to ASX by Probiomics

A list of announcements made by Probiomics to ASX during the 12 months preceding the date of this Bidder's Statement appears in **Appendix 3**. Copies of these announcements may be obtained from the ASX website at www.asx.com.au (ASX: PCC).

Probiomics will provide copies of these announcements free of charge to any Hunter Securityholder who requests a copy during the Takeover Bid Period. To request a copy of any of those announcements, please contact Ashok Jairath on 02 9844 5422.

In addition, Probiomics is required to lodge various documents with ASIC. Copies of documents lodged with ASIC by or in relation to Probiomics may be obtained from, or inspected at, any office of ASIC.

Probiomics will provide a copy of the following documents free of charge to any Hunter Securityholder who requests such documents during the Takeover Bid Period:

- the annual financial report for Probiomics for the financial year ended 30 June 2011; and
- any continuous disclosure notices given by Probiomics after lodgement of the annual report for the financial year ended 30 June 2011 with ASIC and before the lodgement of the Bidder's Statement with ASIC.

Requests for copies of these documents may be made to by Ashok Jairath on 02 9844 5422.

Further information about Probiomics may be found on Probiomics' website www.probiomics.com.au.

2.12 Further information about Probiomics

Due to the fact that Probiomics is offering the Hunter Securityholders Probiomics Shares or, as applicable, Replacement Probiomics Options as consideration under the Takeover Offers, this Bidder's Statement must include all information that would be required for a prospectus for an offer of Probiomics Shares or, as applicable, Replacement Probiomics Options under Section 710 of the Corporations Act. Probiomics does not need to issue a prospectus for the proposed offer of the Probiomics Shares or the Replacement Probiomics Options as the Takeover Offers are occurring under a takeover bid.

Probiomics is a disclosing entity for the purposes of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations imposed by the Listing Rules and the Corporations Act.

In particular, Probiomics is required to continuously disclose to the market any information it has which a reasonable person would expect to have a material effect on the price of value of the Probiomics Shares, subject to certain limited exceptions.

2.13 **Additional disclosure matters**

As announced to the ASX on 2 November, 2011, the Development and Licence Agreement dated 20 August 2007 between Probiomics and Nestec SA has been terminated by mutual consent between the parties as Nestec has decided to change the strategy on allergy prevention across their product range.

3. Information on Probiomics Securities

3.1 Probiomics Securities

As at the date of this Bidder's Statement, Probiomics had on issue the Probiomics Shares and Probiomics Options detailed in the following table.

Class		Number
Quoted Probiomics Shares		327,568,410
Existing Probiomics Options		
Expiry Date	Exercise Price	
25/11/2013	\$0.0200	15,000,000
3/12/2013	\$0.0100	2,000,000
24/05/2014	\$0.0200	2,500,000
31/03/2013	\$0.0200	20,000,000

3.2 Major Probiomics Shareholders

As at the date of this Bidder's Statement, the 4 largest shareholders of Probiomics are as follows:

Shareholder	Number of shares in which relevant interest held	Percentage interest
Nutsville Pty Ltd	24,880,952	8.46
Mckell Place Nominees Pty Ltd	13,295,000	4.52
Symington Pty Ltd	13,250,000	4.50
Jamel Investments Pty Ltd	10,698,323	3.64

3.3 Recent trading history of Probiomics Shares

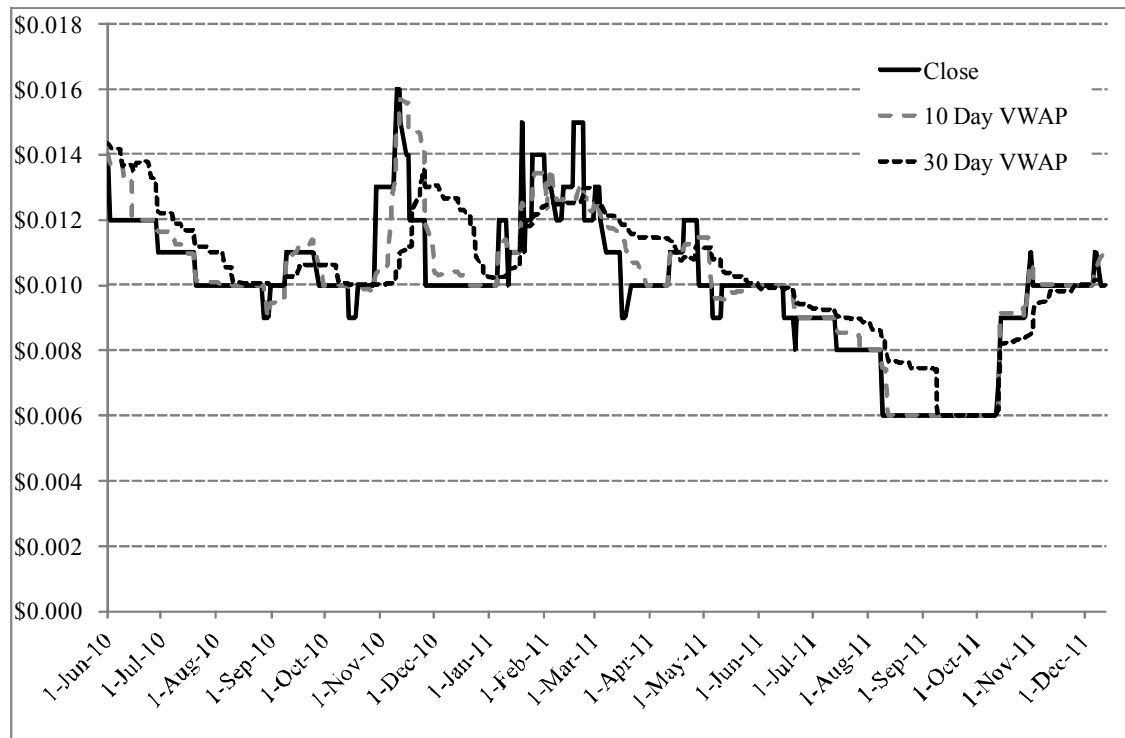
Probiomics is listed on the ASX. The last recorded sale price of the Probiomics Shares on ASX before the date of the public announcement of the Takeover Offers was \$0.006 on 10 October, 2011.

The latest recorded sale price of Probiomics Shares on ASX before the date of the Bidder's Statement was lodged was \$0.010 on 12 December, 2011.

The highest and lowest recorded sale price of Probiomics Shares in 2010 and 2011 were as follows:

Year	High	Low
2010	\$0.027 (21 January, 2010)	\$0.009 (27 August, 2010)
2011	\$0.015 (19 January, 2011)	\$0.006 (9 August, 2011)

Recent trading of Probiomics Shares on the ASX in the approximate 18 months prior to the Announcement Date is shown in the graph below:



3.4 Probiomics' dividend and distribution history

Probiomics did not pay or recommended any dividends in respect of the financial year ending on 30 June 2011 and no dividends have been paid or recommended by Probiomics since the end of that financial year and the date of this Bidder's Statement.

3.5 Current Directors' remuneration and interests in Probiomics Securities

As at the date of this Bidder's Statement, the Current Directors and Company Secretary hold a relevant interest in the following Probiomics Shares and receive annual remuneration from Probiomics:

Name	Remuneration	Number of Probiomics Shares
Patrick Ford	\$26,160*	3,935,999
Simon O'Loughlin	\$26,160*	2,000,000
Simon Taylor	\$26,160*	2,400,000
Ashok Jairath	\$99,000*	1,500,000

* These salaries represent a base salary of \$24,000 per annum and an annual superannuation levy of 9%. Mr Jairath was paid this amount in the form of invoiced fees, as he is a contractor to, as opposed to an employee of, Probiomics and hence does not receive any superannuation contribution from Probiomics.

In addition, as at the date of this Bidder's Statement, Current Directors and the Company Secretary hold a relevant interest in the following Probiomics Options:

	Grant date	Number of Probiomics Options granted	Value per Probiomics Option at grant date	Number of Probiomics Options exercised	Number of Probiomics 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

It is also proposed that 5,000,000 Director Options will be issued to each Current Director and the Company Secretary. Probiomics is seeking the approval of the Probiomics Shareholders to the issue of these Director Options at the Meeting. The Director Options will be issued by Probiomics on, and subject to, receipt of this approval and completion of the Series of Transactions.

Following the Series of Transactions, including the approval of the issue of the abovementioned Director Options, and the completion of the Share Consolidation, the Current Directors and Proposed Directors will hold a relevant interest in the following Probiomics Shares and receive annual remuneration from Probiomics, as follows:

Name	Number of Probiomics Shares	*Number of Options
Patrick Ford	196,800	500,000
Simon O'Loughlin	100,000	500,000
Simon Taylor	120,000	500,000
Ashok Jairath	75,000	350,000
Ian Mutton	nil	nil
David Radford	6,326,020	nil

Name	Number of Probiomics Shares	*Number of Options
Jeremy Curnock Cook	nil	nil
Douglas Wilson	nil	nil
Glenn Crisp	nil	nil
William Harrison	nil	nil

* The number of Options includes the Director Options, on a post Share Consolidation basis, as if the Probiomics Shareholders had already approved the issue of these Director Options at the Meeting. However, the Director Options will not be issued unless and until this approval and the completion of the Series of Transactions, first occurs.

3.6 **Rights and liabilities of Probiomics Shares and Replacement Probiomics Options**

For a summary of the rights and liabilities attaching to:

- (a) the Probiomics Shares, refer to **Section 9.3**; and
- (b) the Replacement Probiomics Options, refer to **Section 6.2(b)** for a description of the specific terms as well as the General Option Terms set out in **Section 3.8** below.

3.7 **Specific Terms of issue of Director Options**

A summary of the material terms and conditions of the Director Options (prior to the implementation of the proposed Share Consolidation) is:

- issue price – no cash consideration;
- exercise price – \$0.02 per Director Option;
- expiry date – 1 January, 2015; and
- entitlement upon exercise – one (1) Share.

3.8 **General Option Terms**

The following terms and conditions apply to all Probiomics Options.

Probiomics Shares issued and allotted pursuant to the exercise of Probiomics Options will rank equally in all respects with the then existing Probiomics Shares and will be subject to the provisions of the Constitution.

Subject to the following paragraphs, a Probiomics Option does not confer the right to participate in new issues of securities by Probiomics without first exercising the Probiomics Option. However, Probiomics will ensure that for the purpose of determining entitlements to any such issue, Probiomics will notify the holder of a Probiomics Option of the details of the new issue by the relevant date for the particular issue as determined in accordance with the Listing Rules.

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

The terms of the Probiomics Options do not prevent the Probiomics Options being reconstructed as required by the Listing Rules on a reconstruction of Probiomics' issued capital. The rights of a holder of a Probiomics Option may be changed to the extent necessary to comply with the Listing Rules that apply to a reorganisation of capital at the time of the reorganisation.

All holders of Public Offer Options and Director Options will be required to exercise or forfeit their respective options within thirty (30) days of receiving written notice from the Company that a "Change of Control" event has occurred. This particular term will not apply to any of the Replacement Probiomic Options. The term "Change of Control" event is intended to mean:

- (a) the occurrence of:
 - (i) the offeror under a takeover bid in respect of all Shares announcing that it has achieved acceptances in respect of 75% or more of the Shares; and
 - (ii) the takeover bid has become unconditional (except any condition in relation to the cancellation or exercise of the Options); or
- (b) the announcement by the Company that:
 - (i) shareholders of the Company have at a Court convened meeting of shareholders, voted in favour, by the necessary majority, of a proposed scheme of arrangement under which all Shares are to be either:
 - 1. cancelled; or
 - 2. transferred to a third party; and
 - (ii) the Court, by order, approves the proposed scheme of arrangement.

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

- in the event of a consolidation of the Probiomics Shares, the number of Probiomics Options will be consolidated in the same ratio as the Probiomics Shares and the Exercise Price will be amended in inverse proportion to that ratio;
- in the event of a subdivision of the Probiomics Shares, the number of Probiomics Options will be subdivided in the same ratio as the Probiomics Shares and the Exercise Price will be amended in inverse proportion to that ratio;
- in the event of a pro-rata cancellation of Probiomics Shares, the number of Probiomics Options will be reduced in the same ratio as the Probiomics Shares and the Exercise Price will be amended in inverse proportion to that ratio; and
- in the event of any other reconstruction of the issued capital of Probiomics, the number of Probiomics Options or the Exercise Price or both will be reconstructed (as appropriate) in a manner which will not result in any benefits being conferred on the holders of the Probiomics Options which are not conferred on Probiomics Shareholders.

Probiomics will apply to the ASX for, and will use its best endeavours to obtain, Official Quotation of all Probiomics Shares issued and allotted on the exercise of a Probiomics Option, but gives no assurance or undertaking that such quotation or listing will be granted or maintained.

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

4. Information on Hunter

4.1 Disclaimer

The following information on Hunter has been prepared by Probiomics using publicly available information, and has not been independently verified. Accordingly, Probiomics does not, subject to the Corporations Act, make any representation or warranty, express or implied, as to the accuracy or completeness of this information.

The information on Hunter in this Bidder's Statement should not be considered comprehensive or complete.

In addition, Hunter Securityholders are directed to the Target's Statement that the Corporations Act requires the independent directors of Hunter to provide to Hunter Securityholders in response to this Bidder's Statement, setting out certain material information concerning Hunter. A copy of the Target's Statement accompanies this Bidder's Statement.

4.2 Overview of Hunter and its principal activities

Hunter is Hunter Immunology Limited (ABN 92 106 556 094).

Hunter Immunology is an Australian biotechnology company that is focused upon developing a treatment for Chronic Obstructive Pulmonary Disease (**COPD**) at Phase IIb trial stage.

Probiomics has recently entered a Memorandum of Understanding to acquire Hunter. Like Probiomics, Hunter's compound in focus, HI-164OV, is absorbed through the body's Peyer's Patches. Where Probiomics' focus has been on treatment for more common ailments such as Irritable Bowel Syndrome (IBS) and digestive health, the emphasis of Hunter's work is the trial of its lead compound on assisting the immune response of moderate to severe sufferers of COPD to a particularly harmful bacteria, *Haemophilus influenzae*.

COPD is the world's fourth leading cause of death. One of the most commonly noted afflictions of COPD is Emphysema, but recently the level of COPD affliction in the general population has been increasing due to factors such as pollution.

Severe sufferers of COPD will regularly experience a 'flare up', or 'exacerbation' in their condition related to the *Haemophilus influenzae* bacteria, and very often this will result in hospitalisation. Clearly, a reduction in the incidence of hospitalisation and usage of antibiotics from this affliction will improve the lives of sufferers of COPD, and have significant cost savings implications to the health systems of countries globally, where a visit to an intensive care ward can cost thousands of dollars per day.

Hunter's treatment for COPD is currently in the midst of Phase IIb trials with 320 patients enrolled in the study. Results on the Phase IIb trials are expected to be released in the second quarter of calendar year 2012. Hunter's focus from that point onwards will be on the sale or licensing of this technology to a pharmaceutical company.

Earlier, smaller Phase IIa trials of Hunter's HI-164OV compound showed a reduction in hospitalisation amongst moderate to severe sufferers of COPD of up to 90%, with attendant significant reductions in the usage of antibiotics in the patient population.

4.3 Publicly available information

Hunter is an unlisted public company that was incorporated on 3 October, 2003.

Because Hunter is not admitted to the Official List, it is not – and has not been - subject to the

periodic and continuous disclosure requirements of the Corporations Act and Listing Rules. Hunter's annual report for the year ended 30 June 2011 was lodged with ASIC on 17 November, 2011.

4.4 Hunter's capital structure

(a) Shares

According to documents lodged by Hunter with the ASIC as at date of this Bidder's Statement, Hunter's issued capital structure is as follows:

Total existing Hunter Shares	165,158,131
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(b) Options

None of the Hunter Options on issue are quoted or traded on any market operated by ASX. The material terms of the Hunter Options as at the date of this Bidder's Statement are as follows:

Expiry Date	Options	Exercise Price
30/9/2012	525,600	\$0.35
21/12/2012	900,000	\$0.39
31/3/2013	1,917,631	\$0.35
1/9/2013	2,360,000	\$0.12
14/5/2014	6,000,000	\$0.35
	11,703,231	

(c) Convertible Notes

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

(i) **Tranche 1 Notes** - 25,000,000 convertible notes dated on or about 20 January 2010 of which:

- 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
- 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.

The Tranche 1 Notes entitle PAM and Soho to interest which accrues, on a proportionate basis, at the rate of \$1,095.93 per day in respect of all the Tranche 1 Notes. 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; and

(ii) **Tranche 2 Notes** - 3,000,000 convertible notes dated on or about 26 October 2011 and 14 November 2011 of which:

- 1,250,000 convertible notes issued to and held by PAM with an aggregate face value of \$1,250,000;

- 500,000 convertible notes issued to and held by Soho with an aggregate face value of \$500,000;
- 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
- 250,000 convertible notes issued to and held by 7 private investors with an aggregate face value of \$250,000.

The Tranche 2 Notes entitle the holders of the Tranche 2 Notes to interest which accrues, on a proportionate basis, at the rate of \$657.50 per day in respect of all the Tranche 2 Notes. In accordance with the provisions of the Tranche 2 Notes, Hunter is permitted to pay that accrued interest by means of issuing additional Hunter Shares (**Tranche 2 Hunter Share**), on the same terms as existing Hunter Shares, at the rate of \$0.05 per Tranche 2 Hunter Share, that being the equivalent of an additional 13,150 Tranche 2 Hunter Shares per day.

In accordance with the applicable Takeover Offer:

- Probiomics is offering the Hunter Noteholders 9 Probiomics Shares (prior to the Share Consolidation) for every one 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, Probiomics would be required to issue 454,545,455 Probiomics Shares (prior to the Share Consolidation) as Bid Consideration to the Hunter Noteholders. This number of Shares is based on the assumption that all Tranche 1 Note Interests 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
- it is a condition of the applicable Takeover Offer – see **Appendix 2, Condition 4** - that all the Tranche 2 Notes must be exercised, cancelled or transferred to Probiomics or be subject to agreements or arrangements entered into by Probiomics and the relevant holder of the Tranche 2 Notes, that will cause them to be cancelled or transferred to Probiomics.

4.5 Substantial Shareholders in Hunter

As at the date of this Bidder's Statement, Hunter has been notified of 3 Hunter Securityholders and their Associates who each hold relevant interests in Hunter Securities that are in excess of 5% of the total number of Hunter Securities. Those Hunter Securityholders are as follows:

Registered Holders	Number of Hunter Securities	% Holding †
Wigram Trading Pty Ltd <The WT Trust>	31,905,834	19.3%
Prof Robert Llewellyn Clancy & Mrs Christine Mary Clancy <Clancy Superannuation Fund>	21,254,200	12.9%
Newcastle Innovation Limited	10,400,000	6.3%
Total	63,560,034	38.5%
† Calculated based on the total issued capital of Hunter as at the date of this Bidder's Statement.		

4.6 Range of Hunter Shareholdings

As at the date of this Bidder's Statement, there were 165,158,131 Hunter Shares on issue held by 283 Hunter Shareholders and the distribution of Hunter Shares was as follows:

Range	Total number of Hunter Shareholders	Number of Hunter Shares held	% of Issued Capital
1-1,000	-	-	-
1,001-5,000	-	-	-
5,001-10,000	13	104,850	0.06%
10,001-100,000	126	6,205,087	3.76%
100,001-over	144	158,848,194	96.18%
TOTAL	283	165,158,131	100.00%

The top 10 Hunter Shareholders as at the date of this Bidder's Statement are as follows:

		Number of Hunter Shares	% Holding
1	Wigram Trading Pty Ltd <The WT Trust>	31,905,834	19.32%
2	Prof Robert Llewellyn Clancy & Mrs Christine Mary Clancy <Clancy Superannuation Fund>	21,254,200	12.87%
3	Newcastle Innovation Ltd	10,400,000	6.30%
4	Hirst Shabian & Hirst Advisory Services Pty Ltd <Shabian A/C>	7,929,816	4.80%
5	Paul Bolt	6,662,500	4.03%
6	Immune Investments Pty Ltd <Mrs TJ's Trust A/C>	4,152,205	2.51%
7	Gerald Pang	3,900,000	2.36%
8	Alcardo Investments Limited <Styled 102501 A/C>	3,140,625	1.90%
9	Prof Alan Jonathan Berrick	3,100,000	1.88%
10	Martin Place Securities Nominees Pty Ltd <Alcardo Investments A/C>	2,898,420	1.75%

4.7 Relevant interests and voting power in Hunter Securities

Neither Probiomics nor any Probiomics Director, 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 Probiomics 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>	8,929,816	4.8%
Total	30,184,016	17.7%

† Calculated based on the total issued capital of Hunter as at the date of this Bidder's Statement.

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 Probiomics 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, Probiomics does not have a relevant interest in any of the following Hunter Securities.

Name	Number of Hunter Securities	% Holding †
Shareholders		
Wigram Trading Pty Ltd	32,905,834	13.8%
Newcastle Innovation Limited	10,400,000	4.5%
Paul Bolt	6,662,500	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 4.4(c) in respect of both Tranche I Interests and Tranche II Notes.		

Each of the Hunter Directors has also informed Probiomics 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.

4.8 No prior dealings in Hunter Securities

Other than as set out in this Bidder's Statement, in the four months ending on the day immediately

before the Takeover Offer Date, neither Probiomics nor any Probiomics Director, nor any Associate of any of the foregoing, provided or agreed to provide, consideration for any Hunter Securities under a purchase or agreement.

4.9 **No collateral benefit to any Hunter Securityholder**

Other than as set out in this Bidder's Statement, neither Probiomics nor any Probiomics Director, nor any Associate of any of the foregoing, has given, offered or agreed to give, and will not give or agree to give at any time during the Takeover Bid Period, a benefit to another person where the benefit was likely to induce the other person, or an Associate of that person, to:

- (a) accept a Takeover Offer; or
- (b) dispose of their Hunter Securities,

which benefit was not offered to all Hunter Securityholders under that Takeover Offer.

4.10 **No agreements for increased price or other benefits**

Neither Probiomics nor any Probiomics Director, nor any Associate of any of the foregoing, has entered into a transaction whereby a benefit is to be passed and the amount or value of the benefit is determined by reference in whole or part to the consideration offered under any Takeover Offer or the consideration offered for acquisition of any Hunter Securities outside any Takeover Offer during the Takeover Bid Period.

4.11 **No agreement between Probiomics and Hunter or Hunter Directors**

Except as set out elsewhere in this Bidder's Statement, there is no agreement between Probiomics and Hunter, between Probiomics and any Hunter Director, or between any Associate of any of the foregoing, in connection with or conditional upon the outcome of any Takeover Offer.

Without limitation to the foregoing, no pre-bid agreement between any of the abovementioned persons exists in regard to the acquisition of a relevant interest in any Hunter Securities.

4.12 **Hunter Directors' holdings of Hunter Shares and Hunter Options**

As at the date of this Bidder's Statement, Hunter Directors hold a relevant interest in the following Hunter Securities and receive annual remuneration from Hunter, as follows:

Name	Number of Hunter Shares	Number of Hunter Options
Glenn Crisp	Nil	1,000,000
Ian Mutton	808,333	1,000,000

4.13 **Financial Information for Hunter Group**

The recent performance of Hunter Group is summarised below. The historical financial information below relates to Hunter Group on a stand alone basis and accordingly does not reflect any impact of the Takeover Bid. It is a summary only and does not contain all the disclosures usually provided in an annual report prepared in accordance with the Australian Accounting Standards and the Corporations Act.

The full financial statements for Hunter Group for the financial periods below, which include the notes to the financial statements, can be found in Hunter Group's annual reports for those periods.

Consolidated balance sheets

Set out below are the consolidated balance sheets for Hunter Group 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	705,692	3,860,133	878,128
Trade and other receivables	1,040,611	455,488	405,866
Total current assets	1,746,303	4,315,621	1,283,994
Non-current assets			
Deposits	200,000	200,000	-
Plant and equipment	-	-	-
Total non-current assets	200,000	200,000	-
TOTAL ASSETS	1,946,303	4,515,621	1,283,994
LIABILITIES			
Current liabilities			
Trade and other payables	796,357	426,333	552,522
Government Grants			
Financial liabilities			
Total current liabilities	796,357	426,333	552,522
Non Current liabilities			
Interest bearing liabilities	4,581,444	3,931,749	
Deferred tax liability	260,751	365,599	
Total non current liabilities	4,842,195	4,297,348	
TOTAL LIABILITIES	5,638,552	4,723,681	552,522
NET ASSETS	(3,692,249)	(208,060)	731,472
EQUITY			
Issued capital	16,767,001	16,589,039	15,368,796
Reserves	654,146	473,540	293,307
Accumulated losses	(21,113,396)	(17,270,639)	(14,930,631)
TOTAL EQUITY	(3,692,249)	(208,060)	731,472

Consolidated income statements

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

	2011	2010	2009
	\$	\$	\$
Sales Revenue	302,633		
Interest revenue		50,422	50,316
Revenue	302,633	50,422	50,316
Cost of sales			
Gross profit	302,633	50,422	50,316
Other income			
Research and development expenses	(2,143,882)	(978,640)	(938,094)
Business development	(597,239)	(178,826)	(357,566)
Marketing	(58,277)	(35,051)	(108,484)
Intellectual property expenses	-	-	-
Administrative and corporate expenses	(1,820,053)	(1,270,498)	(2,739,792)
Finance costs	(653,354)	(333,857)	(14,130)
Profit /(Loss) before income tax	(4,970,172)	(2,746,450)	(4,107,750)
Income tax refund	1,040,516	406,442	352,000
Profit (Loss) after tax attributable to members	(3,929,656)	(2,340,008)	(3,755,750)
Other Comprehensive Income	-	-	-
Net Comprehensive Profit (Loss)	(3,929,656)	(2,340,008)	(3,755,750)
Basic profit (loss) per share (cents per share)			
Diluted profit (loss) per share (cents per share)			

5. Probiomics' Intentions

5.1 Introduction

This Section sets out Probiomics' intentions, on the basis of the facts and information concerning Hunter which are known to it and the existing circumstances affecting the business of Hunter, in relation to the following:

- (a) the continuation of the various businesses of Hunter;
- (b) any major changes to be made to the businesses of Hunter, including any redeployment of the fixed assets of Hunter; and
- (c) the future employment of the present employees of Hunter.

5.2 Intentions upon acquisition of 90% or more of the Hunter Shares

Set out in this **Section 5.2** are Probiomics' current intentions if it acquires a relevant interest in 90% (by number) or more of the Hunter Shares on issue.

(a) Compulsory acquisition of Hunter Securities

Hunter Shares

If Probiomics acquires a relevant interest in 90% (by number) or more of the Hunter Shares and it becomes entitled to do so under Section 661A of the Corporations Act, Probiomics intends to give notices to compulsorily acquire any outstanding Hunter Shares in accordance with Section 661B of the Corporations Act.

If it is required to do so under Section 662A of the Corporations Act, Probiomics intends to give notices to Hunter Shareholders who did not accept a Takeover Offer during the Takeover Bid Period, offering to acquire their Hunter Shares in accordance with Section 662B of the Corporations Act.

If it is required to do so under Section 663A of the Corporations Act, Probiomics intends to offer to buy all Hunter Options.

If it becomes entitled to do so under Section 664A of the Corporations Act, Probiomics intends to give notices to compulsorily acquire any outstanding Hunter Shares in accordance with Section 664C of the Corporations Act.

Hunter Options

If Probiomics acquires a relevant interest in 90% (by number) or more of the Hunter Options and it becomes entitled to do so under Section 661A of the Corporations Act, Probiomics intends to give notices to compulsorily acquire any outstanding Hunter Options in accordance with Section 661B of the Corporations Act.

If it is required to do so under Section 662A of the Corporations Act, Probiomics intends to give notices to Hunter Optionholders who did not accept a Takeover Offer during the Takeover Bid Period, offering to acquire their Hunter Options in accordance with Section 662B of the Corporations Act.

If it becomes entitled to do so under Section 664A of the Corporations Act, Probiomics intends to give notices to compulsorily acquire any outstanding Hunter Options in accordance with Section 664C of the Corporations Act.

Tranche 1 Note Interests

If Probiomics acquires a relevant interest in 90% (by number) or more of the Tranche 1 Note Interests and it becomes entitled to do so under Section 661A of the Corporations Act, Probiomics intends to give notices to compulsorily acquire any outstanding Tranche 1 Note Interests in accordance with Section 661B of the Corporations Act.

If it is required to do so under Section 662A of the Corporations Act, Probiomics intends to give notices to Hunter Noteholders who did not accept a Takeover Offer during the Takeover Bid Period, offering to acquire their Tranche 1 Note Interests in accordance with Section 662B of the Corporations Act.

If it becomes entitled to do so under Section 664A of the Corporations Act, Probiomics intends to give notices to compulsorily acquire any outstanding Tranche 1 Note Interests in accordance with Section 664C of the Corporations Act.

(b) Directors

Probiomics does not intend to replace the current members of the Hunter Board.

However, it is proposed that after the completion of the Series of Transactions, the Probiomics Board will be altered by the appointment of Ian Mutton (Non-Executive Chairman), David Radford (Managing Director), Jeremy Curnock Cook (Non-Executive Director), Doug Wilson (Non-Executive Director), Glenn Crisp (Non-Executive Director) and William Harrison (Non-Executive Director), and the resignations of Simon Taylor and Simon O'Loughlin. Patrick Ford will remain on the Board as a non-Executive Director. Refer to **Section 2.5** for further information.

(c) Comprehensive review of Hunter's business

Following the close of each of the Takeover Offers, the Merged Group intends to undertake a strategic review of all the businesses of both Probiomics and Hunter, in order to assess and potentially allocate resources towards the future opportunities that exist for the core platform technologies within the Merged Group.

(d) Operations and assets

Subject to the review in **Section 5.2(c)**, in respect of Hunter's operations and assets, Probiomics will seek to ensure that Hunter and each Hunter business division maximises the Probiomics Group's profitability.

Subsequent to determining and considering the results of the review referred to in **Section 5.2(c)** the Merged Group may elect to restructure some of the Merged Group's current businesses, including the closure of unprofitable operations and disposal of assets.

Probiomics' initial view is that the consolidation of Probiomics' and Hunter's businesses can achieve:

- significant increase in the liquidity of the holdings of all Probiomics Shares;
- greater efficiencies in the development of the intellectual property of both Probiomics and Hunter;
- enhanced access to additional capital to fund future development and exploitation of intellectual property of both Probiomics and Hunter.

(e) Employees

Upon completion of the Hunter Acquisition, the Merged Group intends to continue its growth strategy which it believes will continue to require both directly employed and contracted staff. The contracted

staff in the research and development team will be sourced through the University of Newcastle. All other employed or contracted staff will be procured directly by the Merged Group.

(f) **Head office**

Probiomics intends to move to Hunter's office as it can be absorbed in the latter's existing infrastructure. It is currently intended that all operational activities will be conducted in New South Wales.

5.3 Intentions upon acquisition of more than 50% of Hunter Securities but less than 90%

Each of the Takeover Offers is subject to the Minimum Acceptance Condition – i.e. that Probiomics acquires a relevant interest in more than 90% (by number) of the Hunter Shares and Hunter Options on issue.

Probiomics does, however, reserve the right to waive the Minimum Acceptance Condition in accordance with the Corporations Act.

Set out in this **Section 5.3** are Probiomics' current intentions if it acquires more than 50% (by number) of Hunter Shares and Hunter Options but less than 90% (by number) of Hunter Shares and Hunter Options, and consequently agrees to waive the Minimum Acceptance Condition in respect of any or all Takeover Offers.

(a) **Directors**

Probiomics contemplates a board structure the same as is proposed if the Minimum Acceptance Condition would have been satisfied for all Takeover Offers.

(b) **Comprehensive review of Hunter's business**

Refer to **Section 5.2(c)** above.

(c) **Operations and assets**

Refer to **Section 5.2(d)** above. Probiomics or its subsidiaries will seek to enter into arm's length and independently negotiated arrangements for the provision of IT and other operational services to Hunter.

(d) **Employees**

Refer to **Section 5.2(e)** above.

(e) **Head office**

Refer to **Section 5.2(f)** above.

5.4 Intentions upon acquisition of less than 50% of Hunter Securities on issue

Set out in this **Section 5.4** are Probiomics' current intentions if it acquires less than 50% (by number) of Hunter Shares and Hunter Options, and consequently agrees to waive the Minimum Acceptance Condition in respect of any or all Takeover Offers. However, Probiomics gives no assurance or makes no implication that any such waiver will be given.

(a) **Directors**

Probiomics will seek to obtain Hunter board control and/or representation, depending on Probiomics' relative Voting Power.

5.5 **Limitations on intentions**

To the extent that Hunter does not become a subsidiary of Probiomics and Probiomics remains a minority (albeit significant) shareholder of Hunter, Probiomics intends that any of its nominees who are elected as directors of Hunter will act at all times in accordance with their fiduciary duties and statutory obligations to all Hunter Securityholders and that all requisite Hunter Securityholder approvals and other legal requirements are obtained and complied with in pursuing any of the intentions outlined above.

Those requirements may require the approval of Hunter Securityholders to the implementation of any particular objective.

The requirement to have regard to those fiduciary duties, and where required obtain Hunter Securityholder approval, may prevent a particular objective from being achieved.

6. Effect of the Series of Transactions

This Section contains Pro Forma Historical Financial Information which has been prepared to illustrate the financial performance and position of the operations of the Merged Group.

The Pro Forma Historical Financial Information has been prepared in order to give investors an indication of the scale and size of the Merged Group and the hypothetical impact upon the Probiomics Group of acquiring Hunter. It does not necessarily illustrate the financial position that would have been obtained or the financial performance which would have occurred had the acquisition of Hunter by Probiomics occurred on or before 30 June 2011.

The Pro Forma Historical Information presented in this Section should also be read in conjunction with the risk factors set out in **Section 7**, other information contained in this Bidder's Statement and the accounting policies of Probiomics and Hunter as disclosed in their most recent financial reports.

6.1 Share Consolidation

Immediately after the occurrence of the Re-admission Notification Date, Probiomics proposes to re-structure its capital by, in respect of each:

- (a) holder of a Probiomics Share, converting the number of Probiomics Shares held by that holder, by dividing that number by a factor of 20; and
- (b) holder of a Probiomics Option, by dividing the number those Probiomics Options by a factor of 20 and multiplying their respective exercise prices by a factor of 20. The respective periods of time in which those Probiomics Options must be exercised will not change.

All fractional holdings of Probiomics Shares or Probiomics Options arising from the Share Consolidation will be rounded up to the nearest whole number.

The proposed Share Consolidation will not, of itself, alter the value of the Probiomics Shares or Probiomics Options. It will merely reduce the number of Probiomics Shares and Probiomics Options on issue. Consolidated Shares and Consolidated Options held after the Share Consolidation will theoretically be worth twenty (20) times the value of the existing Probiomics Shares or existing Probiomics Options held immediately before Share Consolidation (all other matters being equal). However, the price at which a Consolidated Share or Consolidated Option 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 Probiomics Share or existing Probiomics Option prior to the Share Consolidation.

6.2 Probiomic Securities to be issued pursuant to the Series of Transactions

(a) Shares

It is proposed that Probiomics will, pursuant to the Series of Transactions, issue the following Probiomics Shares:

	Hunter Shares	Bid Consideration Shares	
		Pre Consolidation	Post Consolidation
Total existing Hunter Shares	165,158,131	1,486,423,179	74,321,159
Probiomics Shares to be issued as Bid consideration for the Tranche 1 Note Interests	N/A	454,545,455	22,727,273
Hunter Shares to be issued on conversion of Tranche 2 Notes	60,000,000	540,000,000	27,000,000

Hunter Shares to be issued in consideration for payment of accrued interest on Hunter Convertible Notes	5,493,242 ¹	49,439,182	2,471,959
Hunter Shares to be issued to David Radford prior to the close of the Takeover Bid Period	14,057,821 ²	126,520,391	6,326,020
Total		2,656,928,206	132,846,411
<p>1. 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 4.4(c) in respect of both Tranche I Interests and Tranche II Notes.</p> <p>2. Pursuant to the Hunter Employment Agreement, David Radford will be allotted Hunter Shares equivalent to approximately 5% of the issued capital of Hunter (including the equivalent number of Hunter Shares to be issued on the acquisition and cancellation or conversion, as the case may be, of the Hunter Convertible Notes and Hunter Shares to be issued in payment of accrued interest on the Hunter Convertible Notes). The final number of Hunter Shares to be issued will be dependant on the date of the acquisition and cancellation or conversion, as the case may be, of the Hunter Convertible Notes pursuant to the applicable Takeover Offers (Relevant Date). The number of Hunter Shares estimated herein assumes the Relevant Date to be 31 January 2012.</p>			

(b) Replacement Probiomics Options

It is proposed that Probiomics will, pursuant to the Series of Transactions, issue the following Replacement Probiomics Options, as Bid Consideration for all Hunter Options on issue at the end of the Takeover Bid Period:

Expiry Date	Pre Share Consolidation		Post Share Consolidation	
	Options	Exercise Price	Options	Exercise Price
30/9/2012	4,730,400	\$0.035	236,520	\$0.70
21/12/2012	8,100,000	\$0.039	405,000	\$0.78
31/3/2013	17,258,679	\$0.035	862,934	\$0.70
31/3/2013 [†]	45,000,000	\$0.035	2,250,000	\$0.70
1/9/2013	21,240,000	\$0.012	1,062,000	\$0.24
14/5/2014	54,000,000	\$0.035	2,700,000	\$0.70
	150,329,079		7,516,454	

[†] In addition, Probiomics proposes to issue 45,000,000 Probiomics Replacement Options as Bid Consideration for the 5,000,000 Hunter Options exercisable over Hunter Shares at \$0.35 per Hunter Share 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, all Takeover Offers being declared Unconditional and the Minimum Subscription being received under the Public Offer. The MPS Options are to be issued by Hunter in payment for advisory and other professional services provided by Martin Place Securities Pty Limited to Hunter.

6.3 Capital Structure of the Merged Group after completion of the Series of Transactions

The table on the following page 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
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:

Expiry	Pre Share Consolidation		Post Share Consolidation	
	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).				
^{††} These are the MPS Options referred to in Section 6.2(b)				

6.4 Pro Forma Statement of Financial Position of the Merged Group as at 30 June, 2011

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 this 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 the Notice of Meeting to occur subsequent to the completion of the Takeover Bid.

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

	Probiomics Audited 30-Jun-11 \$	Hunter Audited 30-Jun-11 \$	Subsequent Events \$	Pro-forma Adjustments \$	Unaudited Pro-forma 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.

7. Risks

7.1 General Risks

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 Probiomics' proposed business and its involvement in the medical technology industry. Investment in Probiomics should be considered speculative.

This Section identifies circumstances that the Probiomics Directors regard as the major risks associated with Probiomics' proposed acquisition of Hunter and as a consequence of an investment in Probiomics, as a result of the proposed acceptance of any Takeover Offer.

Hunter Securityholders should:

- be aware that an investment in Probiomics involves many risks that may be higher than risks associated with an investment in other companies or alternate investments;
- read the whole of this Bidder's Statement in order to fully appreciate such matters and the manner in which Probiomics intends to operate before making any decision to accept any Takeover Offer;
- be aware that there are risks associated with any share investment;
- appreciate that the trading price of Probiomics' 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 Probiomics' operating result and results of Probiomics' research and developmental activities.

7.2 Specific Risks relating to Probiomics

Additional Requirements for Capital

Probiomics' capital requirements depend on numerous factors. Depending on Probiomics' ability to generate income from Hunter's products, Probiomics may require further financing in addition to amounts raised under the Public Offer. Any additional equity financing will dilute Probiomics Shareholders, and debt financing, if available, may involve restrictions on financing and operating activities. If Probiomics 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.

Managing Growth

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

Research and Development

Probiomics can make no representations that any of its research and development will be successful or that Probiomics 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.

Regulatory Issues & Government Regulation

Products derived from Probiomics' research and development 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 Probiomics and have a consequent impact on the financial performance of Probiomics and the value of its securities.

Probiomics' 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 Probiomics.

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. Probiomics' 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 Probiomics may own or control or licence now and in the future will afford Probiomics 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 Probiomics.

Dependents on Outside Parties for Manufacture

One of Probiomics' strategies will be to form strategic business relationships with other organisations for the manufacture and distribution of products developed by Probiomics. Probiomics sees the manufacture and global distribution of its products as very important to its overall success. There can be no assurance that Probiomics 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 Probiomics' products will materially affect the business and future profitability of Probiomics.

Reliance on Key Personnel and Need to Attract Qualified Staff

Probiomics 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 Probiomics and impede the achievements of its research and development objectives.

Because of the specialised nature of Probiomics' 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 Probiomics 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.

Risk of Product Liability & Uninsured Risks

Probiomics' 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 Probiomics 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 Probiomics.

No Profit to Date and Uncertainty of Future Profitability

Because Probiomics has made 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.

Probiomics' 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 Probiomics can successfully commercialise its projects.

Other factors that will determine achievement of any future profitability of Probiomics are its ability to manage its costs, execute its development and growth strategies, economic conditions in the markets in which Probiomics 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.

Industry Risk

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

In addition, Probiomics 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 Probiomics' future business, operating results and financial position.

Potential Acquisitions

As part of its business strategy, Probiomics 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 Bidder's Statement. Any such future transactions would be accompanied by the risks commonly encountered in making acquisitions of companies, products and technologies.

Probability of Achieving Profitability

As a company still in the pre-commercialisation stage and not yet earning material revenues, Probiomics' 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 Probiomics is a contributor to it achieving profitability. Therefore the probability of Probiomics 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 Probiomics and its prospects.

Uncertain Market Acceptance of Probiomics' Products

Probiomics believes that its long term growth and ultimate profitability will be influenced by the measure of acceptance of Probiomics' 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 Probiomics' 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 Probiomics' 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 Probiomics' products.

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

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

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

Probiomics sees the effective distribution of Probiomics' products in the US and European markets as important to its prospects. Probiomics 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.

Probiomics 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.

Probiomics 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 Probiomics' business, financial condition and results of operations.

International Markets

There are certain risks inherent in Probiomics' 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 Probiomics' 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.

General Economic Conditions

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

7.3 Specific Risks relating to Hunter

Hunter's Commercial viability and Uncertainty of Future Profitability

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 the diagnostic tests and from other products developed through further research and development.

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 Hunter 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.

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.

There can be no guarantees that 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.

Hunter's capacity to develop a COPD vaccine that is significantly more sensitive and specific than the existing treatment methods.

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 data. Hunter does not represent that its research and development activities will lead to the development and successful commercialisation of its products.

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 IIb 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.

Commercialisation Risk

Hunter intends to commercialise HI-164OV through a license agreement, partnership or outright sale to a pharmaceutical or biotechnology company. Hunter is aiming 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 Probiomics' 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.

However, there can be no guarantee that a suitable arrangement can be completed. This may mean that Hunter needs to raise additional finance to complete further development tasks and potentially market its products directly.

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.

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.

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. 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.

Reliance on Key Personnel

Hunter is and will remain dependent on its management – as well as other personnel currently engaged by Hunter, some of whom have unique experience in the field in which they operate – the loss of whose services could materially and adversely affect Hunter and impede the achievements of its research and development objectives.

Because of the specialised nature of Hunter’s business, the ability to commercialise its products and maintain its research program will depend in part upon its ability to attract and retain suitability qualified management, scientists and research people over time. Where appropriate, Hunter may take out key person insurance.

There can be no assurance that Hunter 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.

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 Hunter. It is possible that investors may lose part or all of the value of their investment.

Protection and Defence of Intellectual Property

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. Hunter'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 Hunter may own or control or licence now and in the future will afford Hunter 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 Hunter.

Hunter has a policy to protect its intellectual property with patents or hold them as trade secrets. All staff and consultants have contracts containing confidentiality clauses and terms which assign all intellectual property developed by an employee or consultant to Hunter. It is possible that key employees will leave Hunter and despite non-compete clauses in their contracts, transfer or disclose trade secrets to others.

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 affect on Hunter's financial condition and value. There is also a risk of damage to Hunter's reputation and image.

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 trials of HI-164OV. Where possible, and if available at reasonable cost, Hunter takes out other appropriate insurance.

8. Taxation considerations

8.1 Introduction

The following is an outline of the principal Australian income tax consequences generally applicable to a Hunter Securityholder who disposes of Hunter Securities by accepting a Takeover Offer. The comments set out below are also relevant to those Hunter Shareholders who do not accept the offer if Probiomics proceeds to compulsorily acquire the Hunter Securities following Probiomics having a relevant interest in at least 90% of the Hunter Securities on issue at any time during the Takeover Bid Period.

For the purposes of this Section 8 only, a reference to ‘Hunter Securities’ does not include a reference to any Tranche 1 Note Interest.

This outline reflects the current provisions of the *Income Tax Assessment Act 1936 (Cth)* and *Income Tax Assessment Act 1997 (Cth)* and the regulations made under those Acts taking into account our understanding of the current administrative practices of the Australian Taxation Office (ATO). The outline does not otherwise take into account or anticipate changes in the law, whether by way of judicial decisions or legislative action, nor does it take into account tax legislation of countries apart from Australia.

The outline is not exhaustive of all income tax considerations which could apply to Hunter Securityholders. In particular, the summary is only relevant to those Hunter Securityholders who hold their shares as capital assets for the purpose of investment and does not address all tax considerations applicable to Hunter Securityholders that may be subject to special tax rules, such as banks, insurance companies, tax-exempt organisations, superannuation funds, dealers in securities or Hunter Securityholders who acquired their Hunter Securities as part of an employee share scheme. For Hunter Securityholders who are non-residents of Australia for tax purposes, it is assumed that their Hunter Securities are not held and have never been held as an asset of a permanent establishment of that Hunter Securityholder in Australia.

The outline does not constitute, and should not be construed as, taxation advice. It is recommended that each Hunter Securityholder consult their own tax adviser regarding the consequences of acquiring, holding or disposing of their Hunter Securities in light of the current tax laws and their particular circumstances.

8.2 Acceptance of a Takeover Offer and disposal and cancellation of Hunter Securities

(a) *Capital gain or loss on post-CGT Hunter Securities*

References below to the disposal of Hunter Securities apply equally to the proposed cancellation and replacement of Hunter Options as set out in this Bidder’s Statement.

The disposal of Hunter Securities pursuant to a Takeover Offer by a Hunter Securityholder that acquired, or is deemed to have acquired, their Hunter Securities on or after 20 September 1985, will constitute a CGT event for Australian income tax purposes.

If CGT roll-over relief is not available, or if a Hunter Securityholder does not choose to obtain the CGT roll-over (refer to **Section 8.2(b)** below):

- a capital gain will arise for the Hunter Securityholder to the extent the capital proceeds received by a Hunter Securityholder from the disposal of Hunter Securities exceed the cost base of the Hunter Securities (or, in some cases, as discussed below, the indexed cost base); or
- a capital loss will be realised for the Hunter Securityholder to the extent the capital proceeds received by a Hunter Securityholder are less than the reduced cost base of the Hunter Securities.

Any capital gain realised in respect of the disposal of the Hunter Securities will be included in the Hunter Securityholder's assessable income for the tax year in which a Takeover Offer is accepted (unless offset against other capital losses of the Hunter Securityholder incurred in the same tax year or carried forward from a prior tax year). Any capital loss realised in respect of the disposal of Hunter Securities by Hunter Securityholders may be applied against other capital gains realised by the Hunter Securityholder in the same income year or, to the extent the capital loss cannot be applied in the same income year, be carried forward to be offset against future capital gains in a later tax year.

(i) Capital proceeds

For the purpose of calculating a capital gain or capital loss on the disposal of the Hunter Securities, the capital proceeds will be equal to the market value of the Probiomics Shares received by a Hunter Securityholder on the date a Takeover Offer is accepted by the Hunter Securityholder.

It should be noted that the market value of Probiomics Shares at the date a Takeover Offer is accepted by the Hunter Securityholder may differ from the value placed on Probiomics Shares for the purposes of the applicable Takeover Offer.

(ii) Cost base

The cost base and reduced cost base of Hunter Securities is generally equal to the amount paid by the Hunter Securityholder for the shares plus certain incidental costs incurred (for example, brokerage fees).

(iii) CGT discount

Individual Hunter Securityholders may be entitled to apply a 50% discount to any net capital gain realised on the disposal of Hunter Securities (i.e. after any capital losses have been applied), provided that the Hunter Securities have been held for at least 12 months prior to the date the relevant Takeover Offer is accepted.

Whether it is better for any given Hunter Securityholder to choose to include indexation in its cost base or apply the CGT discount will depend upon the particular Hunter Securityholder's individual circumstances, including the cost base of the Hunter Securities and whether the Hunter Securityholder has any available capital losses. Hunter Securityholders should consult their own independent professional taxation advisers in this regard.

(b) CGT roll-over relief

CGT roll-over relief may be available where, as a result of the applicable Takeover Offer, Probiomics holds 80% or more of the Voting Shares in Hunter and the relevant Hunter Securityholder:

- exchanges their Hunter Securities for Probiomics Shares by accepting the applicable Takeover Offer;
- acquired their Hunter Securities on or after 20 September 1985 and, but for the rollover,
- a capital gain would arise from the exchange (see **Section 8.2(a)** above);
- is an Australian resident or otherwise holds their shares as taxable Australian property; and
- chooses that the CGT roll-over applies.

If CGT roll-over relief is available, then any capital gain resulting from the disposal by Hunter Securityholders of Hunter Securities pursuant to a Takeover Offer may be disregarded. Any CGT implications are deferred either until the relevant Hunter Securityholders dispose of the Probiomics Shares or Replacement Probiomic Options acquired pursuant to a Takeover Offer or upon the happening of another taxable event in respect of the Probiomics Shares or Replacement Probiomic Options.

The cost base of the Probiomics Shares or Replacement Probiomic Options will be equal to the cost base of the Hunter Securities for which they were exchanged plus any other incidental costs that can be included in the cost base (see **Section 8.5** below).

To choose CGT roll-over relief, a Hunter Securityholder must make a choice before lodging an income tax return for the tax year in which the relevant Takeover Offer is accepted. The manner in which the Hunter Securityholder prepares the income tax return will be evidence of the choice (i.e. no notice is required to be lodged with the ATO).

All Hunter Securityholders, and particularly those not covered by this outline as noted above, should obtain their own independent professional taxation advice as to whether and how a CGT roll-over election should be made.

8.3 **Ownership of Probiomics Shares**

The income tax consequences for Hunter Securityholders owning Probiomics Shares that are issued as Bid Consideration should be substantially the same as the consequences of owning Hunter Securities.

8.4 **Dividends in relation to Probiomics Shares issued as Bid Consideration**

During the period which Hunter Securityholders hold Probiomics Shares that are issued as Bid Consideration, they may receive dividends which may be either franked or unfranked (subject to the terms of the Probiomics Shares in relation to the entitlement to receive dividends).

The dividends, grossed up for any imputation (franking) credits, will be included in the Hunter Securityholder's assessable income and they will receive a tax offset (rebate) equal to the imputation credit included in their income.

There are rules that limit the availability of imputation credits in certain circumstances (e.g. you are generally required to have held your Probiomics Shares at risk for at least 45 days). These rules are complex and you should consult your independent professional taxation adviser regarding their operation.

In some circumstances, to the extent that an individual taxpayer has excess imputation credits (i.e. over and above the taxpayer's tax liability for the relevant tax year), they may be entitled to a refund of the excess amount. Again, Hunter Securityholders should consult their own independent professional taxation advisers in this regard.

Notwithstanding the description of treatment of dividends above, Hunter Securityholders should understand that there is no present intention on the part of Probiomics to pay dividends in the foreseeable future.

8.5 **Disposal of Probiomics Shares issued as Bid Consideration**

The income tax consequences of any disposal by a Hunter Securityholder of Probiomics Shares that are issued as Bid Consideration will generally be the same as for the disposal of Hunter Securities as described in **Section 8.2**, subject to the differences outlined below.

(a) Probiomics Shares acquired where CGT roll-over election was made

Where a choice to apply CGT roll-over relief was made by a Hunter Securityholder in respect of the disposal of Hunter Securities, the cost base of the Probiomics Shares issued to the Hunter Securityholder as Bid Consideration is equal to the cost base of the Hunter Securities that were exchanged for the Probiomics Shares (plus any incidental costs that can be included in the cost base) which will be apportioned across the Probiomics Shares on a reasonable basis.

A Hunter Securityholder will be taken to have acquired the Probiomics Shares or Replacement Probiomic Options issued under the applicable Takeover Offer at the time the Hunter Securities were acquired for CGT purposes. Consequently, the Hunter Shareholder will be entitled to add together the ownership periods for both the Hunter Securities and Probiomics Shares to determine whether the 12 month ownership requirement is satisfied for the discount capital gain rules.

(b) Probiomics Shares acquired where CGT roll-over relief does not apply

Where CGT roll-over does not apply to the disposal of Hunter Securities, the cost base of the Probiomics Shares which are received in exchange for those Hunter Securities is the market value of Hunter Securities at the date of acceptance of the applicable Takeover Offer.

To the extent Probiomics Shareholders hold their Probiomics Shares for at least 12 months before disposing of them, a 50% discount to any net capital gain realised on the disposal of Probiomics Shares may be available. Probiomics Shareholders will not be entitled to add together the ownership periods for both the Hunter Securities and Probiomics Shares to determine whether at the time the Probiomics Shares are disposed of by Probiomics Shareholders, the 12 month ownership requirement is satisfied for the discount capital gain rules.

8.6 GST

The provision, acquisition or disposal of shares for monetary or non-monetary consideration is an input taxed supply for GST purposes and is not subject to GST. Accordingly, no GST should be payable on:

- (a) the disposal of the Hunter Securities to Probiomics;
- (b) the issue of Probiomics Shares to Hunter Securityholders; or
- (c) the future disposal of Probiomics Shares.

8.7 Stamp Duty

NSW stamp duty may arise on the disposal of the Hunter Securities by Hunter Securityholders to Probiomics. The stamp duty will be payable by Probiomics.

The issue of Probiomics Shares to Hunter Securityholders will not give rise to any Australian stamp duty if:

- (a) at the time of the issue of the shares, Probiomics does not (directly or indirectly) have any landholdings (meaning any interest in land, including any leasehold interest) in any Australian State or Territory; or
- (b) Probiomics does have such landholdings.

However:

- (a) Probiomics is listed on the ASX and its shares are quoted, at the time the shares are issued; and
- (b) as a result of the issue of the Probiomics Shares no Hunter Securityholder (or an associate inclusive basis) will:
 - (i) commence to hold an interest of 90% or more in Probiomics; or
 - (ii) having such a 90% or more interest, acquire a further interest in Probiomics.

No Australian stamp duty should be payable on the future disposal of the Probiomics Securities whilst and to the extent that they remain officially quoted by ASX.

9. Additional Information

9.1 Time and Date for determining holders of Hunter Securities

For the purposes of Section 633(2) of the Corporations Act, the time and date for determining the people to whom information is to be sent under items 6 and 12 of Section 633(1) is **5.00 p.m. (AEDST) on 13 December, 2011.**

9.2 Bid Consideration

The Probiomics Shares issued under a Takeover Offer will be issued fully paid and will rank from the date of issue equally for dividends and other rights with existing Probiomics Shares. **Section 9.3** contains a summary of the key rights and liabilities attaching to the Probiomics Securities.

9.3 Rights and liabilities attaching to Probiomics Shares and Probiomics Options

- ***Probiomics Shares***

The Probiomics Shares issued under the applicable Takeover Offer will be fully paid ordinary shares in the capital of Probiomics and will rank equally with Probiomics Shares already on issue.

The following is a summary (though not necessarily an exhaustive or definitive statement) of the rights and liabilities attaching to the Probiomics Shares under the Constitution. The Constitution is available for inspection free of charge at the Probiomics' registered office. The rights and liabilities attaching to the Probiomics Shares may also, in certain circumstances, be regulated by the Corporations Act, the Listing Rules, the Settlement Operating Rules and the common law.

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

Voting rights - at a general meeting of Probiomics, every Hunter Shareholder present in person, by an attorney, representative or proxy has one (1) vote on a show of hands and every Hunter Shareholder present has one (1) vote on a poll. In respect of any partly paid share issued in the capital of Probiomics, the shareholder will, on a poll, have a fraction of a vote equal to the proportion that the amount(s) paid (not credited) on that 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.

Dividend rights - subject to the Corporations Act, the Probiomics Directors may resolve to pay dividends on the Probiomics Shares as the financial position of Probiomics justifies.

Dividends in respect of any partly-paid share issued in the capital of Probiomics will be paid proportionately to the amount(s) paid (not credited) on that share.

Rights on winding-up - if Probiomics is wound up:

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

out as between the shareholders or different classes of shareholders.

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

Variation of rights attaching to Probiomics Shares - the rights attaching to any class of shares in Probiomics 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 75% of the shares of that class.

General meeting - each Hunter Shareholder, each Probiomics Director and the Probiomics' auditor is entitled to receive notice of, and to attend, general meetings of Probiomics.

- ***Public Offer Options***

The material and specific terms and conditions of issue of the Public Offer Options issued under the Public Offer are set out in **Section 2.6** and are supplemented by the General Option Terms.

- ***Director Options***

The material and specific terms and conditions of issue of the Director Options issued under the Public Offer are set out in **Section 3.7** and are supplemented by the General Option Terms.

- ***Replacement Probiomics Options***

The material and specific terms and conditions of issue of the Replacement Probiomics Options issued under the applicable Takeover Offer are set out in **Section 6.2(b)** and are supplemented by the General Option Terms.

9.4 **No agreements between Probiomics and Hunter**

Other than as disclosed in this Bidder's Statement, there are no agreements, arrangements or understandings in existence between on the one hand Probiomics or any Associate of Probiomics, and on the other hand, Hunter or any Associate of Hunter.

9.5 **Regulatory relief**

ASIC has granted the Company relief with respect to:

- (a) Sections 605(2) and 619(2) of the Corporations Act to permit Probiomics to treat the 6 separate classes of Hunter Options as being securities of the same class for the purposes of making one Takeover Offer for all those Hunter Options, notwithstanding that the Hunter Options are exercisable at different exercise prices and/or different expiry dates; and
- (b) Section 631(1)(b) of the Corporations Act to permit Probiomics to make the Takeover Offers more than 2 months after publicly announcing Probiomics' proposal to make the Takeover Bid.

ASX has granted Probiomics with the following relief in relation to Listing Rule 1.1, Condition 9 and Listing Rule 9.1 and Appendix 9B:

- (a) Hunter Securityholders that was issued Hunter Securities for cash consideration (each, a **Relevant Hunter Securityholder**) will be treated as if they are "seed capitalists" of

Probiomics, such that Appendix 9B, Item 1 of the Listing Rules is applicable to Relevant Hunter Securityholders, rather than Appendix 9B, Item 3. The effect of this treatment is that, for the purposes of determining the appropriate restrictions under the Listing Rules to apply to Bid Consideration issued to Relevant Hunter Securityholders in consideration for their acceptance of the applicable Takeover Offers, Relevant Hunter Securityholders will receive the benefit of the “cash formula” (as defined by the Listing Rules and set out in the section of this Bidder’s Statement titled “Summary of the Takeover Offers”), which they would not otherwise have received in the absence of this relief; and

- (b) in determining the appropriate restrictions to apply under the Listing Rules to Bid Consideration issued to Relevant Hunter Securityholders in consideration for their acceptance of the applicable Takeover Offers, the relevant escrow period will commence from the date of issue of the relevant Hunter Securities that are to be transferred by the Relevant Hunter Securityholder to Probiomics in exchange for the Bid Consideration, as opposed to the date of Re-admission. The effect of this relief is that none of the Bid Consideration issued to Unrelated Hunter Securityholders on acceptance of the Takeover Bid will be escrowed.

9.6 **Other material information**

There is no other information material to the making of a decision by a Hunter Securityholder whether or not to accept a Takeover Offer (being information that is known to Probiomics and has not previously been disclosed to the Hunter Securityholders) other than as disclosed in this Bidder’s Statement.

9.7 **Status of Bid Conditions as at the date of this Bidder’s Statement**

Except as otherwise set out in this Bidder’s Statement, Probiomics is not aware of any events or circumstances that would result in a breach or inability to satisfy any of the Bid Conditions set out in **Appendix 2** as at the date of this Bidder’s Statement.

9.8 **Consents**

Each of the parties referred to in this **Section 9.8**:

- (a) does not make, or purport to make, any statement in this Bidder’s Statement, and is not aware of any statement in this Bidder’s Statement which purports to be based on a statement made by any of them, other than as specified in this Section; and
- (b) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Bidder’s Statement other than a reference to its name and a statement included in this Bidder’s Statement with the consent of that party as specified in this Section.

Addisons has given its written consent to the appearance of its name in this Bidder’s Statement in its capacity as legal adviser to Probiomics in the form and context in which it appears and has not withdrawn such consent before lodgement of this Bidder’s Statement with ASIC.

Computershare has given its written consent to the appearance of its name in this Bidder’s Statement in its capacity as share registry to Probiomics in the form and context in which it appears and has not withdrawn such consent before lodgement of this Bidder’s Statement with ASIC.

Hunter Board has given its written consent to the inclusion in this Bidder’s Statement of statements made by the Hunter Board, and statements based on statements made by the Hunter Board, in the form and context in which it appears and has not withdrawn such consent before lodgement of this Bidder’s Statement with ASIC.

RSM Bird Cameron has given its written consent to the inclusion in this Bidder’s Statement of the tax overview in **Section 8** in the form and context in which it appears and to all statements referring

to that report in the form and context in which they appear and has not withdrawn such consent before lodgement of this Bidder's Statement with ASIC.

RSM Bird Cameron Partners Chartered Accountants has given its written consent to the appearance of its name in this Bidder's Statement in its capacity as Auditor to Probiomics in the form and context in which it appears and has not withdrawn such consent before lodgement of this Bidder's Statement with ASIC.

Each person referred to above has not authorised or caused the issue of this Bidder's Statement and, to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any statements or omissions in the Bidder's Statement, except as stated above.

There are a number of persons referred to elsewhere in this Bidder's Statement who are not experts and who have not made statements included in this Bidder's Statement nor are there any statements made in this Bidder's Statement on the basis of any statements made by those persons. These persons did not consent to being named in this Bidder's Statement and did not authorise or cause the issue of this Bidder's Statement.

9.9 **Public announcements in relation to the Takeover Offers**

On 11 October, 2011, Probiomics made a public announcement in relation to the Takeover Offers to the ASX. Copies of that announcement may be obtained by Hunter Securityholders without payment online at www.asx.com.au or by contacting Ashok Jairath at Probiomics Limited, Suite 1A, Level 2, 802 Pacific Highway, Gordon NSW 2072, or facsimile number (02) 9844 5445.

9.10 **Statements made on the basis of ASX Announcements**

This Bidder's Statement includes statements which are made in, or based on statements made in, documents lodged with ASIC or given to ASX. Pursuant to ASIC Class Order 01/1543 the makers of those statements are not required to consent to, and have not consented to, inclusion of those statements in this Bidder's Statement which are made in the abovementioned documents or based on statements made by them in those documents.

If you would like to receive a copy of any of those documents (free of charge) please contact Ashok Jairath at Probiomics Limited, Suite 1A, Level 2, 802 Pacific Highway, Gordon NSW 2072, or facsimile number (02) 9844 5445.

9.11 **Hunter Material Agreements affected by the Takeover Offers**

Probiomics is not aware of any material agreement of Hunter which would be affected by any Takeover Offer.

9.12 **Approvals for the issue of the Bid Consideration**

Transactions involving the transfer of funds or payments to, by the order of, or on behalf of prescribed governments (and their statutory authorities, agencies and entities) and, in certain cases, nationals of prescribed countries may be subject to certain restrictions or prohibitions unless the RBA has given specific approval for the transaction under the *Banking (Foreign Exchange) Regulations 1959* (Cth).

If at the time that you accept a Takeover Offer any of the following:

- (i) *Banking (Foreign Exchange) Regulations 1959* (Cth);
- (ii) *Charter of the United Nations (Dealing with Assets) Regulations 2008* (Cth); or
- (iii) any other laws of Australia,

require that an authority, clearance or approval of the RBA, the ATO or any other governmental authority be obtained before you receive any Bid Consideration for your Hunter Securities, or would make it unlawful for Probiomics to provide any Bid Consideration for your Hunter Securities, you will not be entitled to receive any Bid Consideration for your Hunter Securities until all requisite authorities, clearances or approvals have been received by Probiomics.

Probiomics is not aware of any Hunter Securityholder who requires any approval in order to be entitled to receive any Bid Consideration.

9.13 Withholding amounts

Probiomics is not currently aware of any amounts that are or would be treated as “withholding amounts”, required by a government to be withheld from any consideration payable pursuant to a Takeover Offer (for example, by the Australian Tax Office pursuant to the *Income Tax Assessment Acts 1936* (Cth) and *Income Tax Assessment Acts 1997* (Cth)). However, it is possible that Probiomics may become aware of an obligation in this regard after the date of this Bidder’s Statement.

9.14 Material Personal Interests of Probiomics Directors

David Radford – current Chief Executive Officer of Hunter and proposed Managing Director of the Company

As indicated above, it is proposed that David Radford will be appointed as the Managing Director of the Merged Group.

The Current Directors believe that David Radford has a material personal interest in the completion of the Takeover Bid and Public Offer. Accordingly, in accordance with the applicable provisions of the Corporations Act and ASIC Regulatory Guide 76, David Radford will not make any recommendation about whether or not any Hunter Securityholder should accept a Takeover Offer or participate in the Public Offer.

The details of David Radford’s material personal interest referred to above are that:

- (i) he will be entering into the Amended Hunter Employment Agreement, the material terms of which are set out in **Section 7.6** of the Target’s Statement;
- (ii) subject to the Hunter Acquisition and Public Offer being successfully completed, and in consideration for David Radford entering into the Hunter Employment Agreement, and agreeing to enter into the Amended Hunter Employment Agreement in the circumstances referred to in **Section 7.6** of the Target’s Statement, Hunter proposes to issue to David Radford 14,057,821 Hunter Shares,¹ that will, if David Radford accepts the Takeover Bid for those Hunter Shares, entitle him to be issued with, on a post Share Consolidation basis 6,326,020 Shares, which will represent approximately 4.24% of all Consolidated Shares, on an undiluted basis and assuming a Maximum Subscription is received in the Public Offer.

As a result David Radford may benefit – both indirectly and directly – from the successful completion of the Takeover Offers and the Public Offer.

¹ Pursuant to the Hunter Employment Agreement, David Radford will be allotted Hunter Shares equivalent to approximately 5% of the issued capital of Hunter (including the equivalent number of Hunter Shares to be issued on the acquisition and cancellation or conversion, as the case may be, of the Hunter Convertible Notes and Hunter Shares to be issued in payment of accrued interest on the Hunter Convertible Notes). The final number of Hunter Shares to be issued will be dependent on the date of the acquisition and cancellation or conversion, as the case may be, of the Hunter Convertible Notes pursuant to the applicable Takeover Offers (**Relevant Date**). The number of Hunter Shares quoted herein assumes the Relevant Date to be 31 January 2012.

9.15 Other Personal Interests of Probiomics Directors

Patrick Ford – current Non Executive Chairman of Probiomics

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 (**Veritas**);
- (ii) in consideration for Veritas acting as joint lead manager to the Public Offer and using its best endeavours to place Public Offer Shares and Public Offer Options under the Prospectus, Veritas will be paid 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 Veritas and that are received by the Company under the Public Offer in respect of successful Applications (exclusive of GST); and
 - (B) 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
- (iii) if the Fifth Resolution, as referred to in the Notice of Meeting, 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 9.15** 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.

10. Definitions and Interpretation

10.1 Definitions

The following defined terms are used throughout this Bidder's Statement unless the context otherwise requires.

\$ or A\$	Australian dollar
Acceptance and Transfer Form	the form that a Hunter Securityholder must complete and submit to Probiomics during the Takeover Bid Period and otherwise in accordance with the terms and conditions of a Takeover Offer, in order to accept that Takeover Offer, and a copy of which accompanies this Bidder's Statement
Accepted Hunter Securities	those Hunter Securities, and their attaching Rights, that are the subject of an Acceptance and Transfer Form and as further described in Section 8 of Appendix 1
AEDST	Australian Eastern Daylight Saving Time
Amended Hunter Employment Agreement	has the meaning given to that term in Section 7.6 of the Target's Statement
Announcement Date	11 October, 2011, being the date of announcement by Probiomics of the proposal to make the Takeover Bid
Applicant	a person who submits an Application Form (paper or electronic) to subscribe for Public Offer Shares under the Prospectus
Application	a valid application made by an Applicant to acquire Public Offer Shares pursuant to the Public Offer
Application Form	an application form accompanying this Prospectus, including an entitlement and acceptance form under the Priority Offer, as defined in the Prospectus
Application Monies	monies received from Applicants in respect of their Applications
ASIC	Australian Securities & Investments Commission
Associate	has the same meaning as given to that term in Section 12(2) of the Corporations Act
ASX	Australian Securities Exchange as operated by ASX Limited (ABN 98 008 624 691)
ASX Settlement	ASX Settlement Pty Ltd (ABN 49 008 504 532), the body which administers the CHESS system in Australia
ASX Settlement Operating Rules	the settlement operating rules of ASX Settlement which govern the administration of CHESS.
ATO	Australian Taxation Office
Bid Conditions	the defeating conditions of the Takeover Bid, as are more particularly set out in Appendix 2 and for the sake of clarity, includes the Minimum Acceptance Condition

Bid Consideration	the consideration payable for acceptance of a Takeover Offer as set out in Section 3 of Appendix 1
Bid Consideration Value	the monetary value of a Takeover Offer for each Hunter Share or each Tranche 1 Note Interest, being A\$0.099
Bidder's Statement	this Bidder's statement for and in connection with each of the Takeover Offers
Broker	a person who is a share broker and participant in CHESSE
Business Day	has the same meaning as given to that term in Section 9 of the Corporations Act
CAGR	compound annual growth rate
CHESSE	Clearing House Electronic Sub-registry System, which provides for electronic share transfers in Australia
CHESSE Holding	a holding of Hunter Securities on the CHESSE subregister of Hunter
Closing Date	the date on which the Takeover Bid Period ends, currently scheduled to be 5.00 p.m. (AEDST) on 9 March, 2012 unless extended under Section 5 of Appendix 1
Company Secretary	Ashok Jairath
Completion Date	the first Business Day succeeding the last day of the Takeover Bid Period, where the Takeover Bid has been declared Unconditional
Computershare	Computershare Investor Services Pty Limited ABN 48 078 279 277
Consolidated Option	a Probiomics Option after the implementation of the Share Consolidation
Consolidated Share	a Probiomics Share after the implementation of the Share Consolidation
Constitution	the constitution of Bidder
Control	has the meaning given to that term in Section 50AA of the Corporations Act
Controlling Participant	the Participant who is designated as the controlling participant for Hunter Shares in a CHESSE Holding in accordance with the ASTC Settlement Rules (usually your Broker)
Corporations Act	<i>Corporations Act 2001</i> (Commonwealth)
Current Directors	Patrick Ford, Simon Taylor and Simon O'Loughlin
Director Options	the Options to be issued to the Current Directors and Company Secretary, more particularly referred to in Section 3.7
Encumbrance	means: <ul style="list-style-type: none"> (a) a mortgage, charge, pledge, lien, hypothecation or a title retention arrangement; (b) a notice under Section 255 of the Income Tax Assessment Act 1936 (Cth), subdivision 260-A in schedule 1 to the Taxation Administration Act 1953

	(Cth) or any similar legislation;
	(c) any other interest in or right over property (including a right to set off or withhold payment of a deposit or other money);
	(d) any other thing that prevents, restricts or delays the exercise of a right over property, the use of property or the registration of an interest in or dealing with property; or
	(e) an agreement to create anything referred to above or to allow any of them to exist
Essential Resolutions	the Resolutions set out in Section 5 of Appendix 2 of the Bidder's Statement
Excluded Offer	the proposed issue of 33,333,334 Probiomics Shares at A\$0.006 per Probiomics Share or such other value per Probiomics Share as is determined by Probiomics for the purpose of obtaining additional working capital
Foreign Hunter Securityholder	any Hunter Securityholder: <ul style="list-style-type: none"> (a) whose address shown in Hunter's register of members is a jurisdiction outside Australia and its external territories and New Zealand; or (b) who is a citizen or resident of a jurisdiction other than Australia and its external territories and New Zealand
Foreign Law	a law of any jurisdiction other than an Australian jurisdiction
General Option Terms	the terms and conditions of issue of, and that apply equally, to all Probiomics Options, which are set out in Section 3.8
Hunter	Hunter Immunology Limited (ABN 92 106 556 094)
Hunter Acquisition	the proposed acquisition of the Hunter Securities pursuant to the Takeover Offers
Hunter Board	the board of Hunter Directors, as constituted from time to time
Hunter Convertible Note	either a Tranche 1 Note or a Tranche 2 Note
Hunter Director	a director of Hunter, as at the date of this Bidder's Statement or at any time thereafter
Hunter Employment Agreement	has the meaning given to that term in Section 7.6 of the Target's Statement
Hunter Group	Hunter and each of its related bodies corporate or controlled entities
Hunter Option	an option to acquire a Hunter Share, details of which are set out in Section 4.4(b)
Hunter Optionholder	the holder of a Hunter Option
Hunter Noteholder	the holder of a Tranche 1 Note

Hunter Security	either or any of: <ul style="list-style-type: none"> (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 Record Date to and including the last day of the Takeover Bid Period; or (d) a Hunter Option
Hunter Securityholder	a holder of a Hunter Security as at and including the last day of the Takeover Bid Period
Hunter Share	a fully paid ordinary share in the capital of Hunter that has been disclosed as, and remains, issued at the end of the Takeover Bid Period
Hunter Shareholder	a holder of a Hunter Share as at the Takeover Record Date
Independent Expert	DMR Corporate Pty Limited of Level 7, 470 Collins Street, Melbourne Victoria
Independent Expert's Report	the report of the Independent Expert as set out in the Target's Statement
Ineligible Foreign Hunter Securityholder	any Foreign Hunter Securityholder to whom it is unlawful, or in all the relevant circumstances impracticable, under any law or regulation of any of those jurisdictions for Probiomics to make a Takeover Offer or for whom it is unlawful to accept a Takeover Offer
Issuer Sponsored Holding	a holding of Hunter Securities on the issuer sponsored sub-register of Hunter (i.e. where there is no Controlling Participant)
Listing Rules	the listing rules and requirements from time to time of ASX
Material Adverse Change	means: <ul style="list-style-type: none"> (a) any matter, event or circumstances which happens, is announced or becomes known to Hunter after the date of this document which (individually or when aggregated with all those matters, events or circumstances) has resulted in or is likely to result in either: <ul style="list-style-type: none"> (i) the value of consolidated net assets of the Hunter Group being reduced by at least \$100,000 against what they would have been but for the matters, events or circumstances; or (ii) the net debt of the Hunter Group (being amounts owing under loans and overdraft facilities less cash and cash equivalents) being increased by at least \$100,000 against what it would have been but for the matters, events or circumstances; or (b) Hunter has breached its continuous disclosure obligations under the

Corporations Act in a material respect,

but does not include:

- (c) any matter, event or circumstance arising from changes in economic or business conditions which impact on the Hunter Group and its competitors in a similar manner;
- (d) any change in taxation rates or taxation laws which impact on the Hunter Group and its competitors in a similar manner, or
- (e) any change in accounting policy required by law.

Maximum Subscription	Probiomics receiving valid applications and application monies for 400 million Public Offer Shares to raise \$4,400,000 under the Public Offer
Meeting	the meeting of Probiomics Shareholders to be convened on 7 February, 2012 to consider and, if thought fit, pass the Probiomics Resolutions
Merged Group	the Probiomics Group after Hunter becomes a wholly owned subsidiary of Probiomics
Minimum Acceptance Condition	the Bid Conditions referred to in Sections 1, 2 and 3 of Appendix 2
Minimum Subscription	Probiomics receiving valid applications and application monies for 200 million Public Offer Shares to raise \$2,200,000 under the Public Offer
Notice of Meeting	the notice of the Meeting dated on or about the date of this Bidder's Statement that seeks to convene the Meeting
Official List	the official list of entities that ASX has admitted and not removed
Official Quotation	official quotation of a security on a market operated by ASX
Participant	has the meaning given to that term in the ASTC Settlement Rules
pay or payable	in relation to any Bid Consideration that is required to be paid or provided under the terms of either a Takeover Offer, means the payment of that consideration or any part thereof
Prescribed Event	any event more particularly referred to in Section 20 of Appendix 2
Probiomics	Probiomics Limited (ABN 97 084 464 193)
Probiomics Board	the board of Probiomics Directors, as constituted from time to time
Probiomics Director	a director of Probiomics, being at the date of this Bidder's Statement, the Current Directors
Probiomics Group	Probiomics and each of its related bodies corporate or controlled entities, and any Associate of any of the foregoing

Probiomics Option or Option	an option to acquire a Probiomics Share, and includes for the sake of clarity, any Public Offer Option, Director Option and Replacement Probiomics Option
Probiomics Resolutions	each of the resolutions referred to and the subject of the Notice of Meeting
Probiomics Share or Share	a fully paid up ordinary share in the capital of Probiomics
Probiomics Shareholder	a registered holder of a Probiomics Share
Probiomics Security	a Probiomics Share, Probiomics Option or a Replacement Probiomics Option
Proposal	<p>a proposed transaction or formal offer, which, if accepted or completed, would result in or would, on the balance of probabilities, result in:</p> <ul style="list-style-type: none"> (a) a person directly or indirectly acquiring an interest in the whole or a substantial or material part of the business or assets of Hunter or any of other Hunter Group member, including by way of a takeover bid, scheme of arrangement, capital reduction, sale of assets, sale of shares, joint venture or any other means; (b) a person acquiring Control of Hunter; (c) the issuance by Hunter of that number of new Hunter Shares that is greater than 15%, in number, of the total number of Hunter Shares on issue immediately prior to the Takeover Offer Date, other than any Shares issued pursuant to the Excluded Offer or the Public Offer; (d) Hunter effecting or implementing any reorganisation, recapitalisation or dissolution; or (e) a person acquiring, or merging or amalgamating (including by reverse takeover bid or dual listed structure) with Hunter
Proposed Directors	the proposed directors of Probiomics, being Ian Mutton, David Radford, Jeremy Curnock Cook, Douglas Wilson, Glenn Crisp and William Harrison
Prospectus	the prospectus proposed to be issued by Probiomics under the Public Offer
Public Authority	<ul style="list-style-type: none"> (a) any government or any governmental, semi-governmental, administrative, statutory or judicial entity, authority or agency, whether in Australia or elsewhere, including the Australian Consumer and Competition Commission; and (b) any self-regulatory organisation established under statute or any stock exchange, <p>and includes ASX, Takeovers Panel, ASIC and ATO</p>
Public Offer	the proposed issue of no less than 200,000,000 Public Offer Shares and no more than 400,000,000 Public Offer Shares at A\$0.011 per Public Offer Share, together with 1 Public Offer Option for every 3 Public Offer Shares successfully subscribed for and issued under that offer, for no additional cash consideration and exercisable at \$0.0165 per Option on or before 31 March, 2013, and for the purposes set out in Section 2.3 of the Prospectus

Public Offer Options	Options issued under the Prospectus, being 1 Option for every 3 Public Offer Shares, on the terms described in Section 2.7 and the General Option Terms
Public Offer Shares	Shares issued under the Public Offer
RBA	Reserve Bank of Australia
Re-admission	re-admission of Probiomics to the Official List and termination of the suspension from Official Quotation of the Probiomics Securities, after Probiomics has satisfied the applicable requirements of Chapters 1 and 2 of the Listing Rules
Re-admission Date	the first date after the Meeting upon which ASX re-admits Probiomics to the Official List and terminates the suspension from Official Quotation of the Probiomics Shares
Re-admission Notification Date	the date upon which Probiomics receives from ASX written confirmation that ASX will re-admit Probiomics to the Official List and termination of the suspension from Official Quotation of the Probiomics Shares, subject to the performance of such terms and conditions (if any) as are prescribed by Listing Rules
related body corporate	has the same meaning given to that term in Section 50 of the Corporations Act
Related Hunter Securityholder	has the meaning to that term in the section of this Bidder's Statement titled "Summary of the Takeover Offers" (page 13)
relevant interest	has the same meaning given to that term in Sections 608 and 609 of the Corporations Act
Replacement Probiomics Option	an Option that is issued as Bid Consideration to Hunter Optionholders in accordance with the terms of an applicable Takeover Offer of a Hunter Option
Resolution	any one of the resolutions set out in the Notice of Meeting
Rights	all accretions, rights or benefits of whatever kind attaching to or arising from Hunter Securities directly or indirectly after the date of this Bidder's Statement, including, without limitation, all dividends and other distributions, and all rights to receive dividends or other distributions or to receive or subscribe for shares, stock units, notes, bonds, options or other securities, declared, paid or issued by Hunter or any of its controlled entities
Sale Nominee	Martin Place Securities Pty Limited (ABN 30 094 927 947), holder of AFSL 247404
Settlement Operating Rules	the settlement operating rules and requirements from time to time of the ASX.
Series of Transactions	each of: <ul style="list-style-type: none"> (a) the passing of the Probiomics Resolutions at the Meeting; (b) the Takeover Bid; (c) the Public Offer; and

(d) the Share Consolidation,

as more fully described in **Section 2.6**

Share Consolidation	the consolidation of the capital of Probiomics in the manner referred to Section 6.1
subsidiary	has the same meaning as given to that term in Section 46 of the Corporations Act
Superior Proposal	a Proposal in relation to Hunter which satisfies each of the following criteria: <ul style="list-style-type: none">(a) it is bona fide and was not solicited by Hunter after the date of this Bidder's Statement;(b) it is proposed in writing by or on behalf of a person who is of reputable and solvent commercial standing;(c) in the determination of the Probiomics Directors, after consultation with their and Probiomics' advisors, it is capable of being completed, taking into account all aspects of such Proposal and the person making such Proposal; and(d) in the determination of the Probiomics Directors, after consultation with its advisors, it would, if consummated in accordance with its terms, or may on the balance of probabilities and with the passage of time, result in a transaction more favourable from a financial point of view to the Hunter Securityholders than the Series of Transactions or any counterproposal (if any), as the case may be, taking into account all the terms and conditions of such Proposal
Takeover Bid	a takeover bid by Probiomics for all Hunter Securities, in accordance with the terms and conditions set out in this Bidder's Statement
Takeover Bid Period	the period referred to in Section 5, paragraph (a) of Appendix 1
takeover contract	has the same meaning given to that term in Section 9 of the Corporations Act
Takeover Offer	Probiomics' offer to acquire a Hunter Security on the terms and conditions set out in Appendix 1 and Appendix 2 as they relate to that Hunter Security and as such offer may be varied in accordance with the Corporations Act
Takeover Offer Date	the date of this Bidder's Statement being 13 December, 2011
Takeover Record Date	the date referred to in Section 6(a)(i) of Appendix 1 and being the date prescribed under Section 633(2) of the Corporations Act, in this Bidder's Statement as being the date for determination of to whom this Bidder's Statement should be sent
Takeovers Panel	the Panel as that term is defined in Section 9 of the Corporations Act and as used in Division 2 of Part 6.10 of the Corporations Act
Target's Statement	the Target's Statement that is issued by Hunter in response to this Bidder's Statement and otherwise in accordance with the requirements of the Corporations Act

Tranche 1 Note	a convertible note issued by Hunter that is referred to in Section 4.4(c)(i) , at a face value of \$0.20
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 Note	a convertible note referred to in Section 4.4(c)(ii) , at a face value of \$1.00
Unconditional	in relation to the Takeover Bid becoming unconditional, the date upon which Probiomics issues a notice in accordance with Section 630(3) of the Corporations Act that declares that a Takeover Offer is freed from any defeating conditions otherwise applicable to that Takeover Offer
Unrelated Hunter Securityholder	a Hunter Securityholder that is not a Related Hunter Securityholder
UK	United Kingdom
US	United States of America
US\$	US dollar
Veritas	Veritas Securities Limited (ABN 94 117 124 535)
voting power	has the meaning given to that term in Section 610 of the Corporations Act
Voting Share	a Probiomics Share to which voting power attaches
VWAP	the volume weighted average price of Probiomics Shares sold on the ASX during a prescribed number of trading days immediately preceding and including the date on which such price is to be determined, but does not include any transactions defined in the ASX Business Rules as ‘special’ crossings prior to the commencement of normal trading, crossings during the after hours adjust phase nor any overseas trades or trades pursuant to the exercise of options over ordinary shares in the capital of Probiomics

10.2 Interpretation

In this Bidder’s Statement, 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 person in this Bidder’s Statement or any other document or agreement includes its successors and permitted assigns;
- (c) a reference to a gender includes any gender;
- (d) a reference to an item in a section, schedule, annexure or appendix is a reference to an item in the section of or schedule, annexure or appendix to this Bidder’s Statement and references to this Bidder’s Statement include its schedules and any annexures;
- (e) if a word or phrase is defined, then other parts of speech and grammatical forms of that word or phrase have a corresponding meaning;

- (f) 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;
- (g) headings are included for convenience only and do not affect interpretation;
- (h) a reference to a document or agreement including this Bidder's Statement, includes a reference to that document or agreement as amended, novated, supplemented, varied or replaced from time to time;
- (i) a reference to a thing includes a part of that thing and includes but is not limited to a right;
- (j) 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;
- (k) a reference to a statute or statutory provision includes but is not limited to:
 - (i) a statute or statutory provision which amends, extends, consolidates or replaces the statute or statutory provision;
 - (ii) a statute or statutory provision which has been amended, extended, consolidated or replaced by the statute or statutory provision; and
 - (iii) subordinate legislation made under the statute or statutory provision including but not limited to an order, regulation, or instrument;
- (l) 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;
- (m) 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.

11. Approval of Bidder's Statement

DATED: 13 December, 2011

Signed for and on behalf of Probiomics by Patrick Ford, the Chairman of Probiomics, who is authorised to sign pursuant to an unanimous resolution passed by all the directors of Probiomics on **6 December, 2011**.



Patrick Ford
Chairman
Probiomics Limited

Appendix 1 - Terms and conditions of Takeover Offers

1. Date of the Takeover Offers

The date of each Takeover Offer is 13 December, 2011.

2. Takeover Offers

(a) This Bidder's Statement includes Takeover Offers by Probiomics to acquire each and all of the:

(i) Hunter Shares and any Hunter Shares that are issued pursuant to the conversion of a Hunter Convertible Note, the exercise of any Hunter Option or the exercise of any other right attaching to a Hunter Convertible Note, at any time from and including the Takeover Record Date to and including the last day of the Takeover Bid Period;

(ii) Tranche 1 Note Interests; and

(iii) Hunter Options,

but excluding any Hunter Securities held by Probiomics or its subsidiaries, on the terms and conditions of these Takeover Offers. In particular, attention is drawn to the Bid Conditions contained in **Appendix 2**.

(b) You may accept a Takeover Offer only in respect of **all**, but not some, of your holding of the applicable Hunter Securities.

(c) Subject to the Bid Conditions contained in **Appendix 2**, or any waiver thereof, the Takeover Offers also extends to Target Shares that are issued from the conversion of a Hunter Option or Hunter Convertible Notes, or the exercise of any right attaching to a Hunter Convertible Note to be issued a Hunter Share, during the Takeover Bid Period.

By accepting a Takeover Offer in respect of a Hunter Security, you thereby will have undertaken to transfer to Probiomics:

(a) all those Hunter Securities in respect of which you have accepted that Takeover Offer; and

(b) all Rights attaching to those Hunter Securities.

3. Bid Consideration

The consideration that Probiomics offers you is:

(a) 9 Probiomics Shares for each one Hunter Share;

(b) 9 Probiomics Shares for each one Tranche 1 Note Interest; and

(c) 9 Replacement Probiomics Options for each one Hunter Option,

that you hold on the Takeover Record Date and that is the subject of a duly completed Acceptance and Transfer Form.

The terms and conditions of issue of a Replacement Probiomics Option offered to a Hunter Optionholder under a Takeover Offer in consideration for the transfer by that Hunter Optionholder to Probiomics 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 Probiomics Option which will be one tenth of the exercise price of that Probiomics Option. The different classes of Replacement Probiomics

Options are set out in **Section 6.2(b)**.

4. **Ineligible Foreign Hunter Securityholders**

If, at the time you accept a Takeover Offer, you are, or are acting on behalf of, an Ineligible Foreign Hunter Securityholder and Probiomics is satisfied that, without Probiomics incurring any material additional cost:

- (a) it is permitted to make a Takeover Offer to you or the Ineligible Foreign Hunter Securityholder, and
- (b) that you or that Ineligible Foreign Hunter Securityholder are able to accept a Takeover Offer, without acting in breach of the applicable laws of the jurisdiction in which that Ineligible Foreign Hunter Securityholder normally resides,

Probiomics will treat you or that Ineligible Foreign Hunter Securityholder in the same manner as any other Hunter Securityholder for the purpose of that Takeover Offer.

In any other case, if you are an Ineligible Foreign Hunter Securityholder, and you accept an applicable Takeover Offer, you will **not** be entitled to receive Probiomics Shares or Replacement Probiomics Options (as the case may be) as consideration for your Hunter Securities. Instead, Probiomics will:

- (a) arrange for the issue to the Sale Nominee of that number of Probiomics Shares and/or Replacement Probiomics Options to which you are entitled to receive under the Takeover Offers but for this **Section 4** of this **Appendix 1**;
- (b) cause those Probiomics Shares and/or Replacement Probiomics Options to be offered for sale on ASX as soon as practicable after the Closing Date, at such price and on such other terms and conditions as are determined by the Sale Nominee acting in good faith; and
- (c) promptly pay, or procure the Sale Nominee to pay, to you the amount calculated in accordance with the following formula (on an average basis so that all Ineligible Foreign Hunter Securityholders who accept a Takeover Offer in respect of Hunter Securities of the same class will receive the same value for each of those Hunter Securities, subject to rounding) (**Net Proceeds of Sale**):

$$[NP_S \times (A / B)] + [NP_O \times (C / D)] - E$$

Where:

NP_S means the proceeds of sale of that number of Probiomics Shares to which you and all other Ineligible Foreign Hunter Securityholders who accepts an applicable Takeover Offer in respect of their Hunter Shares and/or Tranche 1 Note Interests are entitled to receive under that Takeover Offer less the expenses of that sale (including but not limited to stamp duty and other selling costs, taxes and charges)

NP_O means the proceeds of sale of that number of Replacement Probiomics Options to which you and all other Ineligible Foreign Hunter Securityholders who accepts an applicable Takeover Offer in respect of their Hunter Options are entitled to receive under that Takeover Offer less the expenses of that sale (including but not limited to stamp duty and other selling costs, taxes and charges)

A means the number of Probiomics Shares which, but for this **Section 4** of this **Appendix 1**, would have been allotted and issued to you as consideration for your acceptance of an applicable Takeover Offer in respect of your Hunter Shares and/or Tranche 1 Note Interests.

B means the aggregate number of Probiomics Shares that is allotted and issued to the Sale

Nominee under this **Section 4** of this **Appendix 1** in respect of all Ineligible Foreign Hunter Securityholders as consideration for their acceptance of all applicable Takeover Offers in respect of all their respective Hunter Shares and/or Tranche 1 Note Interests.

C means the number of Replacement Probiomics Options which, but for this **Section 4** of this **Appendix 1**, would have been issued to you as consideration for your acceptance of an applicable Takeover Offer in respect of your Hunter Options.

D means the aggregate number of Replacement Probiomics Options that is issued to the Sale Nominee under this **Section 4** of this **Appendix 1** as consideration for the acceptance of an applicable Takeover Offer by each Ineligible Foreign Hunter Securityholder in respect of their respective Hunter Options.

E means your proportion of the total expense of appointing the Sale Nominee.

- (d) You will be paid your proportion of the Net Proceeds of Sale by the Sale Nominee in Australian currency. Payment will be made by cheque posted to you as soon as practicable, and in any event within the period required by the Corporations Act, by pre-paid mail at your risk to your address as recorded in the most up to date copy of Hunter's register of Hunter Securityholders that is provided to the Sale Nominee before your cheque is produced.
- (e) Under no circumstances will interest be paid on your proportion of the Net Proceeds of Sale by the Sale Nominee, regardless of any delay in remitting those proceeds to you or your receipt of those proceeds.

5. **Takeover Bid Period**

- (a) Each Takeover Offer will remain open for acceptance during the period commencing on the Takeover Offer Date and ending at 5.00 p.m. (AEDST) on 9 March, 2012, unless withdrawn or extended pursuant to the Corporations Act.
- (b) If, within the last seven (7) days of the Takeover Bid Period, either:
 - (i) a Takeover Offer is varied to improve the Bid Consideration offered; or
 - (ii) Probiomics' voting power in Hunter increases to more than 50%,

then the Takeover Bid Period will be automatically extended in accordance with the Corporations Act so that it ends fourteen (14) days after the date of the occurrence of the event referred to in paragraphs (i) or (ii) immediately above, as is applicable. If this occurs, Probiomics will give to Hunter and all Hunter Securityholders who have not yet accepted the applicable Takeover Offer, a written notice that the extension in the Takeover Bid Period relating to that Takeover Offer has occurred. Probiomics will give this notice as soon as possible after the relevant event occurs.

- (c) If Probiomics was to waive all Bid Conditions prior to the expiry of the Takeover Bid Period, it would then become entitled to extend the Takeover Bid Period.

6. **Who may accept a Takeover Offer**

- (a) A Takeover Offer in this form is being made to:
 - (i) each person who is registered or entitled to be registered in a register of Hunter as the holder of a Hunter Security at 9.00 a.m. (AEDST) on the date of this Bidder's Statement (**Takeover Record Date**); and
 - (ii) each other person who becomes so registered before the end of the Takeover Bid Period.

- (b) If at the time a Takeover Offer is made to you (**Original Takeover Offer**), or at any time during the Takeover Bid Period, another person becomes the holder of or entitled to be registered as the holder of a Hunter Security to which a Takeover Offer relates:
- (i) a corresponding new offer, on terms identical in all material respects, to the terms of the Original Takeover Offer (**New Takeover Offer**), will be deemed to have been made to that other person for that Hunter Security;
 - (ii) a corresponding New Takeover Offer will be deemed to have been made to you for any other Hunter Securities you hold or continue to hold, and to which the applicable Takeover Offer relates; and
 - (iii) the Original Takeover Offer is to be treated as having been immediately withdrawn in respect of those Hunter Securities referred to in sub-paragraphs (b)(i) and (ii) immediately above.
- (c) If you are a trustee or nominee for several persons in respect of distinct parcels of Hunter Securities, Section 653B of the Corporations Act deems a Takeover Offer to have been made to you in respect of each distinct parcel. To validly accept a Takeover Offer for each parcel, you must specify (or cause to be specified):
- (i) by written notice accompanying your Acceptance and Transfer Form; or
 - (ii) if the notice relates to Hunter Securities in a CHES Holding, in an electronic form approved by the ASTC Settlement Rules,

that your Hunter Securities consist of distinct parcels and the number of Hunter Securities in each distinct parcel to which the acceptance relates. Section 653B otherwise applies to a Takeover Offer in respect of your Hunter Securities and any acceptance of a Takeover Offer by you.

7. How to accept a Takeover Offer

- (a) You may accept a Takeover Offer at any time during the Takeover Bid Period.
- (b) To accept a Takeover Offer, you must complete, sign and return the accompanying Acceptance and Transfer Form in accordance with the instructions on it and return it together with your Share certificate to the address indicated on the form so that it will be received before the end of the Takeover Bid Period.
- (c) If your Acceptance and Transfer Form is posted and the envelope in which you send that Acceptance and Transfer Form is post-marked before the end of the Takeover Bid Period, Probiomics may, in its sole discretion, determine that acceptance to be a valid acceptance even if received by or on behalf of Probiomics after the end of the Takeover Bid Period. To assist in your acceptance of a Takeover Offer, a reply paid envelope is enclosed with this Bidder's Statement.
- (d) When returning the Acceptance and Transfer Form, you must also enclose and forward all other documents required by the instructions on the Acceptance and Transfer Form.
- (e) Acceptance of a Takeover Offer shall not be complete until the completed Acceptance and Transfer Form has been completed and received by or on behalf of Probiomics in accordance with the requirements of this **Section 7** of this **Appendix 1** and the terms and conditions of the Acceptance and Transfer Form, provided that Probiomics may in its sole discretion waive any or all of those requirements at any time or treat any Acceptance and Transfer Form received as valid despite any of those requirements not having been complied with. Probiomics is not required to communicate with you prior to making its determination and

the determination of Probiomics will be final and binding on all of the parties.

Essentially, to accept a Takeover Offer, a Hunter Securityholder should:

- (a) read this Bidder's Statement in full;
- (b) consider all information provided in this Bidder's Statement, including the risk factors set out in **Section 7** of this **Appendix 1**;
- (c) consult his or her broker, financial or other professional adviser if you are in any doubt as to what action, if any, you should take or how to accept a Takeover Offer; and
- (d) validly accept a Takeover Offer by completing the enclosed Acceptance and Transfer Form by following the instructions provided on it, and return the signed Transfer and Acceptance and Transfer Form in the enclosed self-addressed envelope or to the address below:

c/-Computershare Investor Services Pty Limited
GPO Box 2115
Melbourne VIC 3001

Acceptance and Transfer Forms must be received by or on behalf of Probiomics before the end of the Takeover Bid Period.

8. **Effect of acceptance**

- (a) By signing and returning the Acceptance and Transfer Form or by otherwise accepting a Takeover Offer, you will have:
 - (i) irrevocably accepted that Takeover Offer for all of your Hunter Securities that are the subject of that Takeover Offer (subject to the provisions of this **Section 8** of this **Appendix 1**) and the Rights attaching to all of those Hunter Securities, in respect of which you accept that Takeover Offer and that are referred to in the applicable Acceptance and Transfer Form (**Accepted Hunter Securities**);
 - (ii) irrevocably agreed to transfer the unencumbered legal and beneficial right, title and interest in all the Accepted Hunter Securities to Probiomics, subject to the applicable Takeover Offer and any takeover contract arising from acceptance of that Takeover Offer becoming unconditional;
 - (iii) irrevocably authorised Probiomics to complete your Acceptance and Transfer Form by rectifying any errors in or omissions from it as may be necessary to make it an effectual acceptance of the applicable Takeover Offer in respect of all the Accepted Hunter Securities or to enable registration of the transfer of all the Accepted Hunter Securities that are the subject of your Acceptance and Transfer Form, to Probiomics;
 - (iv) represented and warranted to Probiomics that all the Accepted Hunter Securities will at the time of transfer to Probiomics be fully paid up and Probiomics will acquire good legal and beneficial title to each of them, in each case free from all Encumbrances (whether legal or equitable) and restrictions on transfer of any kind, and that you have full power and authority to sell and transfer all the Accepted Hunter Securities that are the subject of any such acceptance;
 - (v) irrevocably authorised Probiomics to give any other instructions in relation to all the Accepted Hunter Securities on your behalf so that the unencumbered legal and beneficial title and interest in all the Accepted Hunter Securities may be transferred to Probiomics in accordance with the applicable Takeover Offer;
 - (vi) irrevocably appointed Probiomics or any nominee of Probiomics as your attorney to

exercise all your powers and rights, including all Rights, attaching to all the Accepted Hunter Securities including to execute and deliver all forms, notices and instruments (including instruments appointing a Director of Probiomics as a proxy in respect of all the Accepted Hunter Securities), to requisition, convene, attend and vote at all general and other meetings of Hunter, from the time any takeover contract arising from acceptance of the applicable Takeover Offer becomes unconditional, until the earlier of the withdrawal of your acceptance under Section 650E of the Corporations Act or the end of the Takeover Bid Period or, if all of the Bid Conditions have been satisfied or waived, the registration of Probiomics as the holder of all the Accepted Hunter Securities;

- (vii) agreed that in exercising the powers conferred by the power of attorney in **Section 8(a)(vi)** of this **Appendix 1**, Probiomics or its nominee is and will be entitled to act in the interest of Probiomics or any other member of the Probiomics Group;
 - (viii) agreed not to attend or vote in person at any general or other meetings of Hunter or to exercise or purport to exercise any of the powers conferred on Probiomics or its nominee in **Section 8(a)(vi)** of this **Appendix 1**;
 - (ix) authorised Hunter, after any takeover contract arising from acceptances of the applicable Takeover Offer becomes unconditional, but before registration of the transfer of all the Accepted Hunter Securities, to transmit all the Accepted Hunter Securities to any register maintained for Hunter which Probiomics in its absolute discretion considers desirable and regardless of whether or not Probiomics has paid the Bid Consideration, either in whole or in part, due to you under the applicable Takeover Offer at the relevant time;
 - (x) represented and warranted to Probiomics that the making of a Takeover Offer to you and your acceptance of that Takeover Offer and the performance of your obligations arising from such acceptance of that Takeover Offer is lawful under any Foreign Law which applies to you, to the making of that Takeover Offer, to your acceptance of that Takeover Offer and to the performance of your obligations arising from such acceptance of that Takeover Offer;
 - (xi) agreed to indemnify Hunter and Probiomics fully in respect of any claim, demand, action, suit or proceeding made or brought against either or both of them and any loss, expense, damage or liability whatsoever suffered or incurred by either or both of them, in each case as a direct or indirect result of any representation or warranty made by you not being true or complete in all material respects; and
 - (xii) irrevocably authorised and directed Hunter to pay to Probiomics, or to account to Probiomics, for all dividends and other distributions and entitlements which are declared, paid or made which arise or accrue after the date of a Takeover Offer in respect of all the Accepted Hunter Securities which Probiomics acquires pursuant to that Takeover Offer subject, if your acceptance of that Takeover Offer is validly withdrawn pursuant to Section 650E of the Corporations Act or the takeover contract resulting from that acceptance becomes void, to Probiomics accounting to you for any such dividends, distributions and entitlements received by it. No interest will be payable in respect of any of these payments or any part thereof.
- (b) Probiomics may, in its sole discretion and at any time, determine that any Acceptance and Transfer Form it receives is a valid acceptance, even though one or more of the requirements for acceptance has or have not been complied with. Probiomics will provide the Bid Consideration to you in accordance with **Section 9** of this **Appendix 1** for any part of an acceptance determined by it to be valid. Subject to Probiomics' other rights, where you nonetheless have satisfied the requirements for acceptance for only some of the Accepted Hunter Securities, Probiomics may in its sole discretion regard the applicable Takeover Offer

to have been accepted for only those Accepted Hunter Securities but not the remainder of the Accepted Hunter Securities.

- (c) If, at the time of acceptance of a Takeover Offer, any authority or clearance of the Reserve Bank of Australia or of the ATO is required for you to receive any Bid Consideration specified in that Takeover Offer or you are resident in or a resident of a place to which, or you are a person to whom:
- (i) the *Banking (Foreign Exchange) Regulations 1959* (Cth);
 - (ii) the *Charter of the United Nations (Sanctions – Afghanistan) Regulations 2001* (Cth);
 - (iii) the *Charter of the United Nations (Terrorism and Dealings with Assets) Regulations 2002* (Cth);
 - (iv) the *Iraq (Reconstruction and Repeal of Sanctions) Regulations 2003* (Cth); or
 - (v) any other law of Australia that would make it unlawful for Probiomics to provide consideration for your Hunter Securities,

applies, then acceptance of that Takeover Offer will not create or transfer to you any right (contractual or contingent) to receive the Bid Consideration specified in that Takeover Offer unless and until all requisite authorities or clearances have been obtained by, or to the satisfaction of, Probiomics.

- (d) If Probiomics is required by law to retain or withhold (and/or pay to a Public Authority) any amount or part of the Bid Consideration payable to you or to which you are entitled under a Takeover Offer, the retention by Probiomics of that amount or part of that Bid Consideration in conjunction with the payment or issue of the remaining Bid Consideration payable to or receivable by you in accordance with this **Section 8** of this **Appendix 1**, will constitute full and proper payment or issue of the Bid Consideration payable to you, or to which you are entitled, under that Takeover Offer.

9. **Timing for issue and allotment of Bid Consideration**

Probiomics will issue and allot the Bid Consideration in respect of each Takeover Offer that is accepted:

- (a) if Probiomics is given the necessary transfer documents with the duly completed Acceptance and Transfer Form, by the end of whichever of the following periods ends earlier:
- (i) 1 month after the Takeover Offer is accepted, or if the Takeover Offer is subject to a Bid Condition, within 1 month after the takeover contract arising from the acceptance of the Takeover Offer becomes unconditional; and
 - (ii) 21 days after the end of the Takeover Bid Period provided that the Bid Conditions are satisfied or waived by the end of the Takeover Bid Period;
- (b) if Probiomics is given the necessary transfer documents after receiving the duly completed Acceptance and Transfer Form and before the end of the Takeover Bid Period and the Takeover Offer is subject to a Bid Condition at the time that Probiomics is given the transfer documents – by the end of whichever of the following periods ends earlier:
- (i) 1 month after the takeover contract becomes unconditional; or
 - (ii) 21 days after the end of the Takeover Bid Period provided that the Bid Conditions are satisfied or waived by the end of the Takeover Bid Period; or

- (c) if Probiomics is given the necessary transfer documents after receiving the duly completed Acceptance and Transfer Form and before the end of the Takeover Bid Period and the Takeover Offer is unconditional at the time that Probiomics is given the necessary transfer documents – by the end of whichever of the following periods ends earlier:
 - (i) 1 month after Probiomics is given the necessary transfer documents; or
 - (ii) 21 days after the end of the Takeover Bid Period; or
- (d) if Probiomics is given the necessary transfer documents after receiving the duly completed Acceptance and Transfer Form and after the end of the Takeover Bid Period:
 - (i) if at the time Probiomics is given the necessary transfer documents the takeover contract is unconditional, within 21 days after Probiomics is given the necessary transfer documents; or
 - (ii) if at the time Probiomics is given the necessary transfer documents, the takeover contract is subject to a Bid Condition that relates only to the happening of an event or circumstance referred to in sub-Section 652C(1) or (2) of the Corporations Act, within 21 days after the takeover contract becomes unconditional.

Probiomics may terminate any takeover contract resulting from the acceptance of an Offer if Probiomics is not given the necessary transfer documents in respect of the Hunter Securities that are the subject of that acceptance, within 1 month after the end of the Takeover Bid Period.

10. **Notice of Status of Bid Conditions**

Probiomics will give notice of the status of the Bid Conditions in accordance with Section 630(1) of the Corporations Act not earlier than 24 February, 2012 and not later than 2 March, 2012 subject to extension of the Takeover Bid Period during which a Takeover Offer remains open for acceptance in accordance with the provisions of Section 650C of the Corporations Act.

11. **Freeing a Takeover Offer from Bid Conditions**

Subject to the requirements of Section 650F of the Corporations Act, Probiomics may declare a Takeover Offer free from all or any of the Bid Conditions, by giving notice in writing to Hunter not later than the dates set out below depending on the nature of the Bid Condition.

Probiomics will give notice to Hunter and ASX on the status of the Conditions in:

- (a) **Section 1 to Section 19** (inclusive) of **Appendix 2** not less than seven (7) days before the end of the Takeover Bid Period, namely 2 March, 2012; and
- (b) **Section 20** of **Appendix 2**, not later than three (3) Business Days after the end of the Takeover Bid Period, namely 14 March, 2012.

If the Takeover Bid Period is extended by a particular period, and remains subject to defeating conditions, the date for giving any of these notices will be postponed for an equivalent period.

12. **Breach or non-fulfilment of Bid Conditions**

If at the end of an applicable period referred to in **Section 11** of this **Appendix 1**, in respect of a Bid Condition:

- (a) Probiomics has not declared a Takeover Offer to be free from that Bid Condition; or
- (b) that Bid Condition has not been fulfilled,

all takeover contracts resulting from the acceptance of Takeover Offers will thereupon be deemed to be void without any notice to you or any other act or omission being required. In that event, Probiomics will, if you have accepted a Takeover Offer, return by post to you at the address shown on the most recent copy of the applicable Hunter register provided to Probiomics, the Acceptance and Transfer Form, Share certificate and any other documents sent with it by you, to your address as shown in the Acceptance and Transfer Form.

Probiomics will, to the extent that it is able to do so:

- (a) use reasonable endeavours to procure that each of the Bid Conditions is satisfied; and
- (b) not do or omit to do anything which may cause a breach of any such Bid Condition.

13. Variation of a Takeover Offer

Probiomics may at any time, and from time to time, vary the terms and conditions of a Takeover Offer in accordance with the Corporations Act.

14. Withdrawal of a Takeover Offer

- (a) Any and each Takeover Offer may be withdrawn by Probiomics, but only with ASIC's written consent (which consent may be given subject to any conditions which may be imposed by ASIC).
- (b) Subject to ASIC's consent (and any conditions imposed by ASIC), withdrawal of a Takeover Offer may be effected by written notice from Probiomics given to Hunter.
- (c) Subject to any conditions imposed by ASIC on its consent, where and when Probiomics withdraws a Takeover Offer:
 - (i) that Takeover Offer, if not previously accepted, thereupon automatically becomes incapable of acceptance; and
 - (ii) any takeover contract resulting from an acceptance of that Takeover Offer before the withdrawal (and for this purpose that Takeover Offer is treated as having continued in existence notwithstanding that acceptance) is automatically void.

15. Withdrawal of Acceptance of a Takeover Offer

You may withdraw your acceptance of a Takeover Offer, if:

- (a) that Takeover Offer is subject to a Bid Condition;
- (b) Probiomics varies that Takeover Offer in a way that postpones it for more than one (1) month after the time when Probiomics is otherwise required to meet its obligations under that Takeover Offer; and
- (c) you are entitled to be given a notice of the variation of that Takeover Offer.

To withdraw your acceptance of a Takeover Offer, you must:

- (a) give Probiomics written notice within one (1) month beginning on the day after the day on which the copy of the notice of the variation was received by you; and
- (b) return any Bid Consideration or other consideration received by you for accepting that Takeover Offer.

16. **Hunter Options**

Without limitation to the provisions of **Section 2** or **Section 3** of this **Appendix 1**, Hunter has on issue 11,703,231 Hunter Options. The key terms of the Hunter Options are set out in **Section 4.4(b)**. Neither Probiomics nor any of its Associates hold any Hunter Options. Any Hunter Optionholder may during the Takeover Bid Period, if entitled to do so under the terms and conditions of those Hunter Options, exercise their respective Hunter Options and receive Hunter Shares and then, if it so decides, accept the Takeover Offer in respect of those Hunter Shares.

17. **Hunter Convertible Notes**

Without limitation to the provisions of **Section 2** or **Section 3** of this **Appendix 1**, Hunter has on issue 28,000,000 Hunter Convertible Notes. The key terms of the Hunter Convertible Notes are set out in **Section 4.4(c)**. Neither Probiomics nor any of its Associates hold any Hunter Convertible Notes. Any holder of a Hunter Convertible Note may during the Takeover Bid Period, if entitled to do so under the terms and conditions of those Hunter Convertible Notes, convert their respective Hunter Convertible Notes and receive Hunter Shares and then, if it so decides, accept the Takeover Offer in respect of those Hunter Shares.

18. **Costs**

All costs and expenses of the preparation and circulation of this Bidder's Statement and each Takeover Offer will be paid by Probiomics.

19. **Official Quotation of Probiomics Securities**

Subject **Section 1** and **Section 2** of this **Appendix 1**, the Probiomics Shares offered by Probiomics as part of the Bid Consideration under a Takeover Offer will rank equally with all other Probiomics Shares on issue at the Takeover Record Date. Probiomics has been admitted to the Official List and Probiomics Shares of the same class as those to be issued as part of the Bid Consideration under the applicable Takeover Offer have been granted Official Quotation by ASX.

An application will be made within 7 days after the start of the Takeover Bid Period for the granting of Official Quotation of the Probiomics Shares and Replacement Probiomics Options that are to be issued as Bid Consideration. However, Official Quotation is not granted automatically on application.

In accordance with Section 625(3) of the Corporations Act, each Takeover Offer for Hunter Shares is subject to a condition that:

- application for admission to Official Quotation of the Probiomics Shares and Replacement Probiomics Options that are to be issued as Bid Consideration under the applicable Takeover Offers is made within 7 days of the start of the Takeover Bid Period; and
- permission for admission to Official Quotation of those Probiomics Shares and Replacement Probiomics Options that are to be issued as Bid Consideration will be granted no later than 7 days after the end of the Takeover Bid Period (see **Section 7** of **Appendix 2**).

This condition may not be waived. If this condition is not fulfilled, all contracts resulting from an acceptance of the applicable Takeover Offers will be void automatically.

In the event that such ASX permission has not been given, or the Probiomics Directors have been advised by ASX or Probiomics' advisers, or otherwise are of the opinion based on objective and verifiable circumstances, that such ASX permission will not be given, prior to the end of the Takeover Bid Period, the Probiomics Directors reserve the right to extend the Takeover Bid Period, in accordance with the requirements of the Corporations Act, for a period of time that will be

sufficient to enable Probiomics to comply with the provisions of Section 625(3)(c)(ii) of the Corporations Act.

20. **Brokerage and stamp duty**

If you are **not** an Ineligible Foreign Hunter Securityholder, no brokerage or stamp duty is payable by you if you accept a Takeover Offer. Probiomics will pay any and all stamp duty arising as a result of or incidentally to any transfer of the Hunter Securities pursuant to an acceptance of any Takeover Offer.

However, if you are an Ineligible Foreign Hunter Securityholder who:

- (a) accepts an applicable Takeover Offer in respect of your Hunter Securities; and
- (b) normally resides in a jurisdiction, the applicable laws of which, in the opinion of Probiomics, prohibit or render impracticable the making of a Takeover Offer to you,

you will receive from the Sale Nominee the proceeds of sale of that number of Probiomics Securities to which you would otherwise be entitled to receive under the Takeover Offers, less your proportionate share of the expenses of the sale and of appointing the Sale Nominee (including brokerage, stamp duty and other selling costs, taxes and charges).Governing law

Each Takeover Offer and any takeover contract that results from your acceptance of a Takeover Offer is governed by the laws in force in the State of New South Wales.

21. **Notices**

- (a) Any notice, nomination or other communication to be given by Probiomics to you under a Takeover Offer will be deemed to be duly given if it is in writing and is signed or purports to be signed (whether in manuscript, printed or reproduced in any form) on behalf of Probiomics by any of its Directors or its company secretary and is delivered to or sent by post in a pre-paid envelope to your address as recorded on the register of members of Hunter.
- (b) Any notice or other communication given by you to Probiomics in connection with a Takeover Offer will be deemed to be duly given if it is in writing and is sent by post to the following address:

Probiomics Limited
Suite 1A, Level 2
802 Pacific Highway
GORDON NSW 2072

Attention: Ashok Jairath, Company Secretary

or

Computershare Investor Services Pty Limited
GPO Box 2115
Melbourne VIC 3001

or

Computershare Investor Services Pty Limited
452 Johnston Street
Abbotsford, Melbourne VIC 3067

Appendix 2 – Bid Conditions

Each Takeover Offer, and the obligation of Probiomics to complete any takeover contract resulting from an acceptance of each Takeover Offer, will be subject to fulfilment of each of the following conditions.

Capitalised terms used in these conditions have the meanings set out in **Section 10**.

1. Minimum acceptance of Hunter Shares

By the end of the Takeover Bid Period, Probiomics:

- (a) has acquired a relevant interest in at least 90% (by number) of all the Hunter Shares; and
- (b) is entitled to compulsorily acquire all remaining Hunter Shares in accordance with the provisions of Chapter 6A of the Corporations Act.

2. Minimum acceptance of Hunter Options

By the end of the Takeover Bid Period, Probiomics:

- (a) has acquired a relevant interest in at least 90% (by number) of all the Hunter Options; and
- (b) is entitled to compulsorily acquire all remaining Hunter Options in accordance with the provisions of Chapter 6A of the Corporations Act.

3. Minimum acceptance of Tranche 1 Note Interests

By the end of the Takeover Bid Period, Probiomics:

- (a) has acquired a relevant interest in at least 90% (by number) of all the Tranche 1 Note Interests; and
- (b) is entitled to compulsorily acquire all remaining Tranche 1 Note Interests in accordance with the provisions of Chapter 6A of the Corporations Act.

4. Tranche 2 Notes

By the end of the Takeover Bid Period, all Tranche 2 Notes are exercised, cancelled or transferred to Probiomics or are subject to agreements or arrangements entered into between Probiomics and the relevant holder of those Tranche 2 Notes or any of them, that will cause all Tranche 2 Notes to be cancelled or transferred to Probiomics.

5. Hunter Shareholder Approval

Each of the following Resolutions are passed by Probiomics Shareholders in accordance with their terms at the Meeting:

- (a) a change in the scale of Probiomics' activities as a result of the completion of the Hunter Acquisition;
- (b) the issue of a minimum of 200,000,000 and a maximum of 400,000,000 Public Offer Shares at \$0.011 per Public Offer Share and a minimum of 66,666,667 Public Offer Options and a maximum of 133,333,334 Public Offer Options, each exercisable at \$0.0165 per Public Offer Option on or before 31 March 2013, for every 3 Public Offer Shares issued under the Public Offer; and
- (c) subject to the occurrence of the Completion Date, a consolidation of all issued Probiomics

Shares in the ratio of 20 to 1 and the adjustment of the terms and conditions of Probiomics Options existing immediately after the issue of the Bid Consideration, Public Offer Shares, Public Offer Options and (subject to the approval of Probiomics Shareholder at the Meeting) Director Options; and

- (d) the appointment of David Radford as a Probiomics Director on and from the Completion Date

(collectively, **Essential Resolutions**).

6. Successful Public Offer

Probiomics receives or becomes entitled to receive no less than \$2,200,000 (including all costs associated with the Public Offer) in immediately available funds as a result of subscriptions made under the Public Offer.

7. ASX consent to Re-admission

Probiomics receives from ASX written confirmation on or before 5.00 p.m. (AEDST) on 16 March, 2012, or such later date as may be required under the Corporations Act, that ASX will re-admit Probiomics to the Official List and termination of the suspension from Official Quotation of the Probiomics Shares, subject to the satisfaction of such terms and conditions (if any) as are prescribed by the Listing Rules.

8. No Material Adverse Change

At no time during the Takeover Bid Period, a Material Adverse Change occurs in respect of the Hunter Group taken as a whole or of any member of the Hunter Group.

9. No new material commitments

No member of the Hunter Group during the Takeover Bid Period and without the prior written consent of Probiomics:

- (a) offers to acquire or agrees to acquire or dispose of one or more companies or assets (or an interest in one or more companies or assets) outside the ordinary course of business of that member, or makes, or is obliged or required to make, an announcement about such an acquisition or disposal;
- (b) enters into or announces that it proposes to enter into or terminate any joint venture or partnership involving a current or future commitment to pay or provide more than \$100,000 or makes or is or becomes obliged to make an announcement about such a commitment or termination; or
- (c) incurs or commits to, or grants to another person a right the exercise of which would involve a member of the Hunter Group incurring or committing to any capital expenditure or liability for one or more related items that is equal to or greater than \$100,000 or makes, or is obliged or required to make, an announcement about such a commitment.

10. Non-existence or non-exercise of certain rights

During the Takeover Bid Period:

- (a) no person is entitled, or will become entitled, to exercise any right (whether contingent, subject to conditions or not), to:
 - (i) require any member of the Hunter Group to acquire an asset for an amount equal to or in excess of \$100,000 or assets with an aggregate value equal to or in excess of

\$100,000;

- (ii) acquire any asset, or right to acquire any asset, of the Hunter Group for an amount equal to or in excess of \$100,000 or assets with an aggregate value equal to or in excess of \$100,000;
 - (iii) require or procure the disposal of, or the making an offer to dispose of, any material asset of any member of the Hunter Group;
 - (iv) require the issue of any shares or other securities by any member of the Hunter Group to any person other than a member of the Probiomics Group;
 - (v) terminate or vary any material agreement with any member of the Hunter Group; or
- (b) a holder of any Hunter Options or any other options issued by any member of the Hunter Group on or after the Announcement Date, or any nominee or transferee of such holder, exercises any of those options, other than by written agreement with Probiomics.

11. Conduct of Hunter's business

During the Takeover Bid Period, no member of the Hunter Group, without the written consent of Probiomics:

- (a) declares or distributes any dividend, bonus or other share of its profits or assets;
- (b) alters its capital structure or the rights attached to any of its shares or other securities, or issues or agrees to issue any convertible notes in a manner or with an effect that does not constitute a Prescribed Event;
- (c) makes any changes to the constitution of any member of the Hunter Group;
- (d) gives or agrees to give any Encumbrance over any of its assets otherwise than in the ordinary course of business;
- (e) borrows or agrees to borrow any money (except for temporary borrowing from its bankers in the ordinary course of business);
- (f) enters into an agreement (including an option agreement) in relation to acquiring or disposing of assets otherwise than in the ordinary course of business;
- (g) releases, discharges or modifies any obligation to it of any person, firm or corporation or agrees to do so otherwise than in the ordinary course of business;
- (h) enters into, modifies or extends any agreement with any person for the provision of management services to any member of the Hunter Group;
- (i) enters or agrees to enter into any contract of service or varies or agrees to vary any existing contract of service with any director or manager, or pays or agrees to pay any retirement benefit, bonus or allowance to any director, manager or other employee or consultant, or makes or agrees to make any substantial change in the basis or amount of remuneration of any director, manager or other employee or consultant (except as required by law or provided under any superannuation, provident or retirement scheme in effect on the Announcement Date); or
- (j) conducts its business otherwise than in the ordinary course of its business.

12. Incorrect or Misleading Statements

During the Takeover Bid Period, Probiomics does not become aware that any document filed by or on behalf of Hunter with ASX, ASIC or any other Public Authority contains a statement which is incorrect or misleading in any material particular or from which there is a material omission.

13. No market fall

During the Takeover Bid Period, the S&P/ASX 200 Index published by ASX is, for more than 2 consecutive trading days, below the level of 3650.

14. No Superior Proposal

During the Takeover Bid Period, Hunter does not receive a Superior Proposal.

15. No materially adverse ruling by a Public Authority

During the Takeover Bid Period:

- (a) a Public Authority does not make or threaten to make any decision, order or decree;
- (b) no action or investigation is instituted or threatened by any Public Authority; and
- (c) no application is made to any Public Authority (other than an application by a member of the Probiomics Group, under Section 657G of the Corporations Act, or an application commenced by a person specified in Section 659B(1) of the Corporations Act, each in relation to a Takeover Offer),

which restrains, prohibits, terminates, revokes, suspends or alters, or threatens to restrain prohibit, terminate, revoke, suspend or alter, or may otherwise materially and adversely affect:

- (d) the making of a Takeover Offer or requires or threatens to require the divestiture by a member of the Hunter Group or the Probiomics Group of any shares in any member of the Hunter Group, or the divestiture of any assets of any member of either the Hunter Group or the Probiomics Group; or
- (e) any licence, permit, authority or consent, or the terms and conditions attaching to any such licence, permit, authority or consent, that is or will be required by:
 - (i) any member of the Probiomics Group to make or conduct a Takeover Offer; or
 - (ii) any member of the Hunter Group to operate their respective businesses or any material part thereof.

16. No break/inducement fees

- (a) Subject to **Section 16(b)** of this **Appendix 1**, during the Takeover Bid Period no member of the Hunter Group provides or becomes bound (whether conditionally or contingently) to provide any benefit to any person, or foregoes or otherwise reduces any payment or benefit or agrees to forgo or reduce any payment or benefit to which it would otherwise be entitled, in connection with any person making or agreeing to participate in, or enter into negotiations concerning:
 - (i) an offer to acquire Control of any member of the Hunter Group; or
 - (ii) any other proposal to acquire an interest (whether equitable, legal, beneficial or economic) in shares in, or assets of, any member of the Hunter Group, or to operate any member of the Hunter Group as a single economic entity with another body

corporate.

- (b) **Section 16(a)** of this **Appendix 1** does not apply to a payment, benefit or agreement:
- (i) for providing professional advisory services to any member of the Hunter Group;
 - (ii) which is made in the ordinary course of business of any member of the Hunter Group;
 - (iii) which is approved by a resolution passed at a general meeting of Hunter; or
 - (iv) which is made to, provided to, owed by or made with, Probiomics.

17. No litigation

During the Takeover Bid Period, no litigation, arbitration or other proceedings are commenced, instituted or threatened against any member of the Hunter Group which is or are material in the context of the Hunter Group's operations as a whole.

18. Hunter Shareholder approval of Hunter Shares issued to David Radford

Prior to the expiry of the Takeover Bid Period, the Hunter Shareholders have approved the issue of the Hunter Shares referred to in **Section 9.14** to David Radford in accordance with the requirements of Part 2E of the Corporations Act.

19. Conversion of Hunter Convertible Notes

Any indebtedness represented by a Hunter Convertible Note, or any interest accrued but not paid in respect of that Hunter Convertible Note, and irrespective of the terms and conditions of issue of that Hunter Convertible Note, is converted into a Hunter Share for consideration that is less in value than \$0.05 of that indebtedness or interest, for each Hunter Share.

20. No Prescribed Events

None of the following events occurs during the Takeover Bid Period, being any one of the following:

- (a) Hunter converts all or any of its shares into a larger or smaller number of shares;
- (b) Hunter or a subsidiary resolves to reduce its share capital in any way;
- (c) Hunter or a subsidiary:
 - (i) enters into a buy-back agreement; or
 - (ii) resolves to approve the terms of a buy-back agreement under Section 257C(1) or Section 257D(1) of the Corporations Act;
- (d) Hunter or a subsidiary issues shares or grants an option over its shares, or agrees to make such an issue or grant such an option;
- (e) Hunter or a subsidiary issues, or agrees to issue, convertible notes;
- (f) Hunter or a subsidiary disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property;
- (g) Hunter or a subsidiary charges, or agrees to charge, the whole, or a substantial part, of its business or property;

- (h) Hunter or a subsidiary resolves to be wound up;
- (i) a liquidator or provisional liquidator of Hunter or of a subsidiary of Hunter is appointed;
- (j) a court makes an order for the winding up of Hunter or of a subsidiary of Hunter;
- (k) an administration of Hunter, or of a subsidiary of Hunter, is appointed under Section 436A, 436B or 436C of the Corporations Act;
- (l) Hunter or a subsidiary of Hunter executes a deed of company arrangement; or
- (m) a receiver, or a receiver and manager, is appointed in relation to the whole, or a substantial part, of the property of Hunter or of a subsidiary of Hunter.

Appendix 3 – Probiomics announcements to ASX

Date	Description
09/12/2011	Issue of Bidder's Statement in connection with Takeover Bid
30/11/2011	Section 708A(6) Notice and Appendix 3B
29/11/2011	Results of Annual General Meeting
29/11/2011	Chairman's Address to Shareholders
03/11/2011	Excluded Offer Placement
02/11/2011	Termination of Agreement with Nestec
25/10/2011	Appendix 4C - quarterly
21/10/2011	Notice of Annual General Meeting/Proxy Form
12/10/2011	Reinstatement to Official Quotation
11/10/2011	Proposed Merger Of Probiomics with Hunter Immunology
11/10/2011	Suspension from Official Quotation
07/10/2011	Trading Halt
27/09/2011	Annual Report to shareholders
30/08/2011	Preliminary Final Report
29/07/2011	Appendix 4C - quarterly
02/05/2011	PCC Response to ASX Query
21/04/2011	Appendix 4C - quarterly
28/02/2011	Half Yearly Report and Accounts
28/01/2011	Appendix 4C - quarterly
21/12/2010	Share Trading Policy
16/11/2010	Results of Meeting
16/11/2010	Chairman's Address to Shareholders

ACCEPTANCE AND TRANSFER FORMS