# BONE MEDICAL LIMITED

# ACN 009 109 755

# NOTICE OF GENERAL MEETING

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| **TIME**: | 10.00am WST |
| **DATE**: | 13 January 2014 |
| **PLACE**: | Conference Room<br>Cornerstone Corporate<br>589 Stirling Highway<br>Cottesloe WA 6011 |

***This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.***

***Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on +61 8 9468 0154.***

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## IMPORTANT INFORMATION

### Time and place of Meeting

Notice is given that the Meeting will be held at 10.00am (WST) on 13 January 2014 at: Conference Room, Cornerstone Corporate, 589 Stirling Highway, Cottesloe WA 6011.

### Your vote is important

The business of the Meeting affects your shareholding and your vote is important.

### Voting eligibility

The Directors have determined under Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 10.00am WST on 11 January 2014.

### Voting in person

To vote in person, attend the Meeting at the time, date and place set out above.

### Voting by proxy

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- each Shareholder has a right to appoint a proxy;
- the proxy need not be a Shareholder of the Company; and
- a Shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to

exercise. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

Shareholders and their proxies should be aware that changes to the Corporations Act made in 2011 mean that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Further details on these changes are set out below.

***Proxy vote if appointment specifies way to vote***

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, **if it does**:

- the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (ie as directed); and
- if the proxy has 2 or more appointments that specify different ways to vote on the resolution, the proxy must not vote on a show of hands; and
- if the proxy is the chair of the meeting at which the resolution is voted on, the proxy must vote on a poll, and must vote that way (ie as directed); and
- if the proxy is not the chair, the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (ie as directed).

***Transfer of non-chair proxy to chair in certain circumstances***

Section 250BC of the Corporations Act provides that, if:

- an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members; and
- the appointed proxy is not the chair of the meeting; and
- at the meeting, a poll is duly demanded on the resolution; and
- either of the following applies:
    - the proxy is not recorded as attending the meeting; or
    - the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

## BUSINESS OF THE MEETING

### AGENDA

### 1. RESOLUTION 1 – ISSUE OF SHARES ON CONVERSION OF CONVERTING LOANS

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

*"That, subject to all other Resolutions in this Notice (other than Resolutions 17 and 18) being passed, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 1,000,000,000 Shares to the Lenders (or their nominees) on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion**: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

### 2. RESOLUTION 2 – ISSUE OF DEBT CONVERSION SECURITIES TO PLRS

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

*"That, subject to all other Resolutions in this Notice (other than Resolutions 17 and 18) being passed, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue 723,686,813 Shares and 279,286,589 Options to Proxima Laboratory & Research Services Limited (or its nominee) on the terms and conditions set out in the Explanatory Statement."*

**ASX Voting Exclusion**: The Company will disregard any votes cast on this Resolution by Proxima Laboratory & Research Services Limited (or its nominee) and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

### 3. RESOLUTION 3 – ISSUE OF DEBT CONVERSION SECURITIES TO PROXIMA

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

*"That, subject to all other Resolutions in this Notice (other than Resolutions 17 and 18) being passed, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue 21,443,337 Shares and 9,350,025 Options to Proxima Concepts Limited (or its nominee) on the terms and conditions set out in the Explanatory Statement."*

**ASX Voting Exclusion**: The Company will disregard any votes cast on this Resolution by Proxima Concepts Limited (or its nominee) and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

## 4. RESOLUTION 4 – ISSUE OF DEBT CONVERSION SECURITIES TO DR ROGER NEW

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

> *"That, subject to all other Resolutions in this Notice (other than Resolutions 17 and 18) being passed, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue 13,437,479 Shares and 5,937,491 Options to Dr Roger New (or his nominee) on the terms and conditions set out in the Explanatory Statement."*

**ASX Voting Exclusion**: The Company will disregard any votes cast on this Resolution by Dr Roger New (or his nominee) and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

## 5. RESOLUTION 5 – ISSUE OF DEBT CONVERSION SECURITIES TO PROFESSOR PETER BROOKS

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

> *"That, subject to all other Resolutions in this Notice (other than Resolutions 17 and 18) being passed, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue 9,874,988 Shares and 4,624,994 Options to Professor Peter Brooks (or his nominee) on the terms and conditions set out in the Explanatory Statement."*

**ASX Voting Exclusion**: The Company will disregard any votes cast on this Resolution by Professor Peter Brooks (or his nominee) and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

## 6. RESOLUTION 6 – ISSUE OF DEBT CONVERSION SECURITIES TO LEON IVORY

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

> *"That, subject to all other Resolutions in this Notice (other than Resolutions 17 and 18) being passed, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue 10,349,993 Shares and 4,799,996 Options to Leon Ivory (or his nominee) on the terms and conditions set out in the Explanatory Statement."*

**ASX Voting Exclusion**: The Company will disregard any votes cast on this Resolution by Leon Ivory (or his nominee) and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

## 7. RESOLUTION 7 – ISSUE OF DEBT CONVERSION SECURITIES TO PETER YOUNG

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

> *"That, subject to all other Resolutions in this Notice (other than Resolutions 17 and 18) being passed, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue 23,466,523 Shares and 13,730,326 Options to Peter Young (or his nominee) on the terms and conditions set out in the Explanatory Statement."*

**ASX Voting Exclusion**: The Company will disregard any votes cast on this Resolution by Peter Young (or his nominee) and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

## 8. RESOLUTION 8 – ISSUE OF DEBT CONVERSION SECURITIES TO UNRELATED CREDITORS

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

> *"That, subject to all other Resolutions in this Notice (other than Resolutions 17 and 18) being passed, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 57,051,538 Shares and 22,440,040 Options to the Unrelated Creditors on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion**: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

## 9. RESOLUTION 9 – ISSUE OF SHARES TO LA JOLLA

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

> *"That, subject to all other Resolutions in this Notice (other than Resolutions 17 and 18) being passed, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to that number of Shares, when multiplied by the issue price specified in the Explanatory Statement, will be valued at US$219,000 to La Jolla (or its nominee) on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion**: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

## 10. RESOLUTION 10 – PLACEMENT – SHARES

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

> *"That, subject to all other Resolutions in this Notice (other than Resolutions 17 and 18) being passed, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 8,750,000,000 Shares to Cornerstone (and its nominees) under the Placement on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion**: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

## 11. RESOLUTION 11 – GRANT OF OPTIONS TO PROPONENT

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

> *"That, subject to all other Resolutions in this Notice (other than Resolutions 17 and 18) being passed, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 300,000,000 Bridge Options and 500,000,000 Proponent Options to Cornerstone (and its nominees) on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion**: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

## 12. RESOLUTION 12 – ISSUE OF CEO OPTIONS TO PETER YOUNG

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

*"That, subject to all other Resolutions in this Notice (other than Resolutions 17 and 18) being passed, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue 450,000,000 CEO Options to Mr Peter Young (or his nominee) on the terms and conditions set out in the Explanatory Statement."*

**ASX Voting Exclusion**: The Company will disregard any votes cast on this Resolution by Peter Young (or his nominee) and any of their associates. However, the Company need not disregard a vote if it is cast by a **person** as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

**Voting Prohibition Statement:**
A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

(a) the proxy is either:

 (i) a member of the Key Management Personnel; or
 (ii) a Closely Related Party of such a member; and

(b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

(a) the proxy is the Chair; and

(b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

## 13. RESOLUTION 13 – ISSUE OF FINDER'S FEE SHARES TO DAVID MCAULIFFE

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

*"That, subject to all other Resolutions in this Notice (other than Resolutions 17 and 18) being passed, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 150,000,000 Shares to David McAuliffe (or his nominee) on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion**: The Company will disregard any votes cast on this Resolution by David McAuliffe (or his nominee) and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

## 14. RESOLUTION 14 – CONSOLIDATION OF CAPITAL

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

> "*That, subject to all other Resolutions in this Notice* (other than Resolutions 17 and 18) *being passed, under section 254H of the Corporations Act and for all other purposes, the issued capital of the Company be consolidated on the Placement Offer Settlement Date on the basis that:*
>
> *(a) every 50 Shares be consolidated into 1 Share; and*
>
> *(b) every 50 Options be consolidated into 1 Option,*
>
> *and, where this Consolidation results in a fraction of a Share or an Option being held, the Company be authorised to round that fraction up to the nearest whole Share or Option (as the case may be).*"

## 15. RESOLUTION 15 – ELECTION OF DIRECTOR – ROBERT TOWNER

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

> *"That, subject to all other Resolutions in this Notice (other than Resolutions 17 and 18) being passed, for the purpose of clause 8.1 of the Constitution and for all other purposes, Robert Towner, being eligible, is elected as a Director with effect from the Placement Offer Settlement Date."*

## 16. RESOLUTION 16 – ELECTION OF DIRECTOR – JOHN HANNAFORD

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

> *"That, subject to all other Resolutions in this Notice (other than Resolutions 17 and 18) being passed, for the purpose of clause 8.1 of the Constitution and for all other purposes, John Hannaford, being eligible, is elected as a Director with effect from the Placement Offer Settlement Date."*

## 17. RESOLUTION 17 – REMOVAL OF AUDITOR

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

> *"That, subject to Resolution 18 being passed, pursuant to section 329 of the Corporations Act and for all other purposes, approval is given for the removal of Somes Cooke as the current auditor of the Company effective from the date of the Meeting."*

## 18. RESOLUTION 18 – APPOINTMENT OF AUDITOR

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

> *"That, subject to Resolution 17 being passed, pursuant to section 327 of the Corporations Act and for all other purposes, approval is given for the appointment of BDO Audit (WA) Pty Ltd as auditor of the Company effective from the date of the Meeting."*

**Dated: 10 December 2013**

**By order of the Board**

**PETER YOUNG**
**DIRECTOR**

# EXPLANATORY STATEMENT

This Explanatory Statement has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions.

## 1. BACKGROUND

### 1.1 Business of the Company

The Company is an international biopharmaceutical company focused on developing significant new products for the growing market in the treatment of bone diseases like osteoarthritis, rheumatoid arthritis and osteoporosis.

The Company licences its technologies, and obtains its research and development support, from Proxima Concepts Ltd (**Proxima**) and its subsidiary, Proxima Laboratory & Research Services Limited (**PLRS**), of which Dr Roger New, a Director of the Company, is a director.

Despite unsuccessful efforts to raise new investment capital and conclude industry partnering deals, the Company has been able to continue operations with the support of the La Jolla Funding Agreement, but this arrangement has simultaneously discouraged new investment and saturated the market for the Company's Shares. As disclosed in the Company's financial statements and periodic funding update announcements, the funds expected under the La Jolla Funding Agreement have been reduced and delayed since March 2013. Combined with the inability to find new investment and fund a flow of value-generating data to support its product pipeline, this has left the Company in a precarious financial position with poor prospects for maintaining its viability without a significant and immediate infusion of new capital and a means of resolving the accumulated debt on its balance sheet.

### 1.2 Recapitalisation

As announced to the ASX, on 27 November 2013, the Company entered into a recapitalisation deed with Cornerstone Corporate Pty Ltd (**Cornerstone** or the **Proponent**) (**Recapitalisation Deed**) under which Cornerstone conditionally agreed to recapitalise the Company, primarily by:

(a) arranging $200,000 in bridge financing to the Company by way of unsecured, interest free converting loans (**Converting Loans**); and

(b) using its best endeavours to arrange a placement of 7,500,000,000 Shares at $0.0004 per Share to raise $3,000,000 (with the ability to issue up to a further 1,250,000,000 Shares in oversubscriptions to raise a further $500,000) (**Placement**),

(together the **Proposal**).

In conjunction with, and to facilitate the Proposal, the Company has entered into various conditional debt conversion agreements with certain creditors and a conditional settlement agreement to terminate the La Jolla Funding Agreement. Further details are provided in the remainder of this Section 1.

The effect of the Proposal and these agreements will be that substantially all of the Company's existing debt will be discharged and the Company will have sufficient working capital to continue the development of its intellectual property interests.

Upon completion of the Proposal and settlement of the above agreements, which are all intended to occur on the Placement Offer Settlement Date, the Company will complete a consolidation of its securities under which the Company's securities will be consolidated on a 50 for 1 basis (**Consolidation**). Further details in respect of the Consolidation are set out in section 10.

## 1.3 Converting Loans

The Company has entered into the Converting Loans under which a total of $200,000 in loans have been made available to the Company by investors introduced by Cornerstone (**Lenders**). The loan amounts will, subject to Shareholder approval (refer Resolution 1), convert into Shares, on the Placement Offer Settlement Date, at an issue price of $0.0002 per Share. This conversion must occur by 15 January 2014 (or such later date as agreed by the Company and Cornerstone), failing which the Company must repay the Converting Loans by 31 March 2014.

## 1.4 Debt Conversion Agreements

The Company has entered into debt conversion agreements (**Debt Conversion Agreements**) with a majority of its creditors, most of whom are related parties, as set out in Schedule 1 (**Creditors**), under which, subject to necessary Shareholder approvals (refer Resolutions 2 to 8), the Company will issue those Creditors, on the Placement Offer Settlement Date, with Shares at an issue price of $0.001 per Share in respect of:

(a) 25% of the debts owed to each of the Creditors as at 30 September 2013 (**September Debt Conversion**), with one free attaching Option for every Share issued, option exercisable at $0.0008 each, expiring 31 December 2016 and otherwise on the terms set out in Schedule 2 (**Debt Conversion Options**); and

(b) in respect of certain Creditors, 30% of the Creditors' outstanding debts at 30 June 2013 (**June Debt Conversion**). This additional conversion right is being offered to certain Creditors in accordance with agreements reached with the Company prior to finalising the Company's financial report for the year ended 30 June 2013 and prior to Cornerstone entering into discussions with the Company in respect of the Proposal. No Debt Conversion Options will be granted to Creditors in respect of the June Debt Conversion.

Refer to Schedule 1 for a summary of the Debt Conversion Securities to be issued to each of the Creditors.

Under the Debt Conversion Agreements, the issue of the Debt Conversion Securities to the Creditors will result in the in full and final satisfaction of all outstanding debts owed to the Creditors as at 30 September 2013, being an amount of approximately $1.88 million.

If the Placement Offer Settlement Date does not occur by 15 January 2014, or necessary regulatory and shareholder approvals are not obtained, the parties may terminate the Debt Conversion Agreements by written notice.

### 1.5 La Jolla Settlement Agreement

On 25 November 2013, the Company entered into a settlement agreement and release agreement with La Jolla (**La Jolla Settlement Agreement**) under which the parties have agreed that:

(a) the total debt owed to La Jolla by the Company under the October 2010 funding agreement with La Jolla (**La Jolla Funding Agreement**) shall be reduced to US$219,000 (**La Jolla Debt**), which will be converted into Australian dollars using the US$/A$ exchange rate reported on the Placement Offer Settlement Date by the Financial Times (London);

(b) the La Jolla Debt will be converted into Shares (subject to Shareholders approving Resolution 9) on the Placement Offer Settlement Date at a deemed issue price of:

  (i) if the Placement Offer Settlement Date occurs on or before 25 January 2014 – $0.001 per Share; or

  (ii) if the Placement Offer Settlement Date occurs after 25 January 2014 – a price equal to the volume weighted average price of Shares for the five (5) days immediately prior to the Placement Offer Settlement Date;

(c) on conversion of the La Jolla Debt into Shares, all of the Company's liabilities and obligations in respect of the La Jolla Funding Agreement will be fully and finally discharged;

(d) La Jolla will have no right to enforce the La Jolla Funding Agreement until conversion of the La Jolla Debt into Shares, provided that the Placement Offer Settlement Date occurs by 25 January 2014 (**Standstill Period**); and

(e) La Jolla will make a short term loan facility of US$80,000 available to the Company, which shall be repayable on the Placement Offer Settlement Date by way of a cash payment equal to the amount drawn down by the Company plus 25% (**La Jolla Bridge Facility**).

Under the La Jolla Settlement Agreement, La Jolla has agreed that it will not sell any Shares it is issued on conversion of the La Jolla Debt on the open market until 25 May 2014, being six (6) months after the date of the La Jolla Settlement Agreement (**Holding Period**). La Jolla's existing Shares are not subject to this restriction.

La Jolla has also agreed:

(a) that any sale of Shares on-market (whether existing Shares, or Shares that are subject to the Holding Period) will be limited to the greater of $1,500 or 10% of the day's trading volume on any given trading day.

(b) to give Cornerstone (or its nominees) the first opportunity to purchase its Shares in any "off market" transaction. If such a transaction cannot be arranged by Cornerstone within five (5) days from receipt of notice from La Jolla, La Jolla may sell up to 10% of its total number of Shares as at the beginning of the Holding Period off-market in any calendar month.

The 6 month restriction period and 10% sale limits do not apply to a sale of part or all of La Jolla's Shares to Cornerstone (or its nominees) in an off-market transaction.

The La Jolla Settlement Agreement is conditional upon Shareholders approving all of the Resolutions set out in this Notice. In the event that La Jolla is not issued Shares in conversion of the La Jolla Debt by the end of the Standstill Period, La Jolla may enforce, and the Company will not be discharged from its obligations under, the La Jolla Funding Agreement.

### 1.6 Placement

The Company is seeking Shareholder approval (refer Resolution 10) to issue Cornerstone or its nominees up to 8,750,000,000 Shares under the Placement at an issue price of $0.0004 per Share.

The completion of the Placement is subject to the receipt of necessary Shareholder approvals (being Resolutions 1 to 16), the La Jolla Settlement Agreement, Converting Loans and Debt Conversion Agreements continuing to be in effect and unconditional, and $3 million being raised under the Placement.

If these conditions are not satisfied (or waived) by 15 January 2014 (or such later date as agreed), the Recapitalisation Deed may be terminated.

### 1.7 Capital Raising Fees

Under the Recapitalisation Deed, the Company has agreed, subject to necessary Shareholder approval, to issue Cornerstone (or its nominees) with a total of 800 million Options on the Placement Offer Settlement Date, consisting of:

(a) 300 million Options exercisable at $0.0006 and expiring 31 December 2016 and otherwise on the terms set out in Schedule 3 (**Bridge Options**); and

(b) 500 million Options on the same terms as the Debt Conversion Options (**Proponent Options**).

The Company has also agreed to pay Cornerstone (or its nominees) a management fee of 1%, and a capital raising fee of 5%, of amounts raised under the Placement, in consideration for acting as lead broker to the Placement.

The Company and Cornerstone intend to manage the Placement so that no person with their associates acquires voting power in the Company's Shares of more than 20%.

### 1.8 CEO Options

Under the Recapitalisation Deed, as consideration for providing services as the Company's Chief Executive Officer (**CEO**), the Company has agreed to grant 450,000,000 Options to Mr Peter Young on the Placement Offer Settlement Date, exercisable at $0.0008 and expiring 31 December 2016 and otherwise on the terms set out in Schedule 4 (**CEO Options**) provided that:

(a) 150 million CEO Options will only vest on the 10 day VWAP for Shares being $0.0012;

(b) 150 million CEO Options will only vest on the 10 day VWAP for Shares being $0.0016; and

(c) 150 million CEO Options will only vest on the 10 day VWAP for Shares being $0.0024. Refer to section 8 for further details.

### 1.9 Finder's Fee

Under the Recapitalisation Deed, as consideration for introducing the Proposal to the Company, the Company has agreed to issue Mr David McAuliffe (or his nominee), on the Placement Offer Settlement Date, 150,000,000 Shares as a finder's fee. Refer to section 9 for further details.

### 1.10 Consolidation

If Resolution 12 is passed, it is intended that the Consolidation will take effect in accordance with the following timetable (as set out in Appendix 7A (paragraph 5) of the ASX Listing Rules).

| Action | Date* |
|---|---|
| Company dispatches Notice of Meeting. | 13 December 2013 |
| Company tells ASX that Shareholders have approved the Consolidation. | 13 January 2014 |
| Placement Offer Settlement Date and settlement of the Converting Loans, Debt Conversion Agreements and La Jolla Settlement Agreement | |
| Last day for pre-Consolidation trading. | 14 January 2014 |
| Post-Consolidation trading starts on a deferred settlement basis. | 15 January 2014 |
| Last day for Company to register transfers on a pre-Consolidation basis. | 21 January 2014 |
| First day for Company to send notice to each holder of the change in their details of holdings. | 22 January 2014 |
| First day for the Company to register Securities on a post-Consolidation basis and first day for issue of holding statements. | |
| Change of details of holdings date. Deferred settlement market ends. | 29 January 2014 |
| Last day for Securities to be entered into holders' Security holdings. | |
| Last day for the Company to send notice to each holder of the change in their details of holdings. | |

* The Company may change the dates of this timetable in accordance with the ASX Listing Rules

## 1.11 Proposed Directors

Under Resolutions 13 and 14, the Company is seeking Shareholder approval for the election of Messrs Robert Towner and John Hannaford to the Board of the Company. Further details in respect of Messrs Towner and Hannaford are set out below:

(a) **Mr Robert Towner**

Rob has over 20 years corporate advisory and executive experience in the financial markets. Rob is the founder and sole director of Cornerstone, an Australian Financial Services Licencee and has served as a board member of publicly listed and unlisted companies.

Rob's skills include maintaining board awareness of financial markets, corporate governance, capital structuring and working capital requirements. In addition, Rob has considerable experience in public and private capital raising initiatives.

Rob has demonstrated the ability to build a successful life science company. From 2004, Rob was a founding Executive Director of ASX listed bioMD Limited. In 2011, Rob played a major role in the merger of bioMD Limited with then-private Allied Health Care to create what is now Admedus Limited (ASX: AHZ), a $200 million market capitalized company.

(b) **Mr John Hannaford**

Mr Hannaford has extensive financial experience from several corporate roles in Australia, Asia and Europe with a resources emphasis ranging from listed oil producers and oilfield construction groups to gold and mineral exploration companies, as well as banking. He co-founded boutique Corporate Advisory firm Ventnor Capital which specialises in the provision of corporate advice to the junior resources sector. At Ventnor Capital, Mr Hannaford has been responsible for several new listings and M&A transactions including Emerald Oil & Gas NL, Bathurst Resources Ltd, Potash Minerals Ltd, Radar Iron Limited, Atlantic Limited, Comdek Limited, Azimuth Resources Limited and Orinoco Gold Limited.

John graduated from the University of Western Australia with a Bachelor of Commerce degree in 1986 majoring in Finance and Economics. He qualified as a Chartered Accountant in 1990, gaining experience with Arthur Andersen audit division in Perth and in Hong Kong. He is a Fellow of the Financial Services Institute of Australia.

## 1.12 Effect of the Proposal on the capital of the Company

The effect of the Proposal, and associated agreements, on the Share capital of the Company, in accordance with the Resolutions contained in this Notice of Meeting, is as follows (assuming $3 million is raised under the Placement and no other Shares or Options are issued).

| Capital Structure | Shares | % | Options |
|---|---|---|---|
| Shares and Options on issue as at the date of this Notice of Meeting | 1,076,663,823 | 10.0% | 12,781,368 |
| Issue of Converting Loan Shares[1] (Resolution 1) | 1,000,000,000 | 9.2% | - |
| Issue of Debt Conversion Securities[2] and Options (Resolutions 2 – 8) | 859,310,671 | 7.9% | 340,169,461 |
| Issue of La Jolla Shares[3] (Resolution 9) | 238,043,478 | 2.2% | - |
| Issue of Placement Shares[4] (Resolution 10) | 7,500,000,000 | 69.3% | - |
| Issue of Bridge Options and Placement Options (Resolution 11) | - | - | 800,000,000 |
| Issue of CEO Options (Resolution 12) | - | - | 450,000,000 |
| Issue of Finder's Fee Shares (Resolution 13) | 150,000,000 | 1.4% | - |
| **TOTAL (Pre-Consolidation)** | **10,824,017,972** | **100%** | **1,602,950,829** |
| **TOTAL (Post-Consolidation)[5] (Resolution 14)** | **216,480,359** | **100%** | **32,059,017** |

**Notes:**

1 Issue price of $0.0002 per Share ($0.01 per Share post Consolidation). This assumes that the Converting Loans are fully drawn down by the Company prior to the Placement Offer Settlement Date. Refer to sections 1.3 and 2 for further details in respect of the Converting Loans.

2 Issue price of $0.001 per Share ($0.05 per Share post Consolidation).

3 Issue price of $0.001 per Share ($0.05 per Share post Consolidation). This assumes a AUD:USD exchange rate of 0.92 (being the exchange rate on or around 3 December 2013) and an issue price of $0.001 per La Jolla Share. The number of Shares will depend on the AUD:USD exchange rate on the Placement Offer Settlement Date, which may be higher or lower than this.

4 Issue price of $0.0004 per Share ($0.02 per Share post Consolidation). The Company may accept oversubscriptions of up to a further 1,250,000,000 Shares at $0.0004 per Share to raise a further $500,000.

5 Subject to rounding (refer to section 10.3 for further details).

### 1.13 Proposed use of funds

Under the Placement, the Company must raise a minimum of $3,000,000, which it intends to use over the initial 9 months following completion of the Placement in the manner set out below:

| Item | Proceeds of the Offer | Full Subscription ($) | % |
|---|---|---|---|
| 1. | Initial new product development studies | $300,000 | 10.00% |
| 2. | Intellectual property maintenance costs | $270,000 | 9.00% |
| 3. | PLRS contract Research & Development/lab support | $235,000 | 7.83% |
| 4. | Repay La Jolla transition funding | $107,000 | 3.57% |
| 5. | Costs of implementing the Proposal | $200,000 | 6.67% |
| 6. | Initial 9 months working capital for operating costs | $500,000 | 16.7% |
| 7. | Post-9 month working capital and follow-on technology development reserve | $1,388,000 | 46.27% |
| | **Total** | **$3,000,000** | **100%** |

The above table is a statement of the Company's current intentions as of the date of this Notice. As with any budget, intervening events and new circumstances have the potential to affect the manner in which the funds are ultimately applied. The Board reserves the right to alter the way funds are applied on this basis.

### 1.14 Resolutions are inter-conditional

It is important for Shareholders to note that the Resolutions other than Resolutions 17 and 18 are inter-conditional (**Conditional Resolutions**). Accordingly, each of these Resolutions will not have effect unless and until all of the other Conditional Resolutions are passed.

If the Conditional Resolutions are not all passed, the Company will not proceed with the Recapitalisation, Debt Conversion Agreements and the La Jolla Settlement Agreement. The Company will have to re-assess its financial and operational position and, unless it is rapidly able to find alternative funding, may become insolvent and have to be wound up, which is likely to result in little or no return to Shareholders.

## 2. RESOLUTION 1 – ISSUE OF SHARES ON CONVERSION OF CONVERTING LOANS

### 2.1 General

Resolution 1 seeks Shareholder approval for the issue of up to 1,000,000,000 Shares (being 20,000,000 on a post-Consolidation basis) at an issue price of $0.0002 per Share (being $0.01 per Share on a post-Consolidation basis) in full and final satisfaction of the Company's obligations under the Converting Loans (**Converting Loan Shares**).

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

The effect of Resolution 1 will be to allow the Company to issue the Converting Loan Shares during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

## 2.2 Technical information required by ASX Listing Rule 7.1

Under and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the issue of the Converting Loan Shares:

(a) the maximum number of Converting Loan Shares to be issued is 1,000,000,000 (being 20,000,000 on a post-Consolidation basis);

(b) the Converting Loan Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Converting Loan Shares will occur on the same date, being the Placement Offer Settlement Date;

(c) the issue price will be $0.0002 per Converting Loan Share (being $0.01 on a post-Consolidation basis);

(d) the Converting Loan Shares will be issued to the lenders set out below (**Lenders**), none of whom require approval under ASX Listing Rule 10.11 for the issue of Converting Loan Shares;

| Lender | Loan Amount | Converting Loan Shares (pre-Consolidation)[1] | Converting Loan Shares (post-Consolidation)[1] |
|---|---|---|---|
| Riverview Corporation Pty Ltd | $30,000 | 150,000,000 | 3,000,000 |
| John & Emma Hannaford Superannuation Pty Ltd as trustee for The Hannaford Super Fund Account | $20,000 | 100,000,000 | 2,000,000 |
| Celery Pty Ltd | $35,000 | 175,000,000 | 3,500,000 |
| Mr Morgan James Barron & Mrs Morag Elspeth Ferguson Barron as trustees for the Barron Super Fund Account | $15,000 | 75,000,000 | 1,500,000 |
| Austin 4 Pty Ltd in its capacity as trustee for the R & S Towner Family A/C | $25,000 | 125,000,000 | 2,500,000 |
| Austin 4 Pty Ltd in its capacity as trustee for the R & S Towner Superannuation A/C | $25,000 | 125,000,000 | 2,500,000 |

| | | | |
|---|---|---|---|
| Anne Towner | $15,000 | 75,000,000 | 1,500,000 |
| Bobarino Pty Ltd | $10,000 | 50,000,000 | 1,000,000 |
| Spinifex Holdings Pty Ltd | $10,000 | 50,000,000 | 1,000,000 |
| Mrs Diana Micale atf Jadi Investment A/C | $15,000 | 75,000,000 | 1,500,000 |
| **TOTAL** | **$200,000** | **1,000,000,000** | **20,000,000** |

**Notes:**

1 This assumes that the Company draws down the entire Converting Loan from each Lender.

(e) the Converting Loan Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and

(f) the Company will use the funds provided under the Converting Loans Facility to meet third party costs through September 2013 and operating costs prior to the Placement Offer Settlement Date, or as otherwise approved in writing by the Lenders. Such costs include payment of overdue costs associated with patent prosecution, which will be prioritized since they reflect contractual obligations under the Company's various technology license agreements, listing and compliance fees, shareholder registry, communications, and print costs, and individual contractor, third-party trade and professional service obligations, to the maximum extent possible.

## 3. RESOLUTIONS 2 - 7 – ISSUE OF DEBT CONVERSION SECURITIES TO RELATED PARTIES

### 3.1 General

Under the Debt Conversion Agreements, the Company has agreed, subject to obtaining Shareholder approval, to issue a total of 859,310,671 Debt Conversion Shares (being 17,186,213 on a post-Consolidation basis) and 340,169,461 Debt Conversion Options (being 6,803,389 on a post-Consolidation basis) to the Creditors in the amounts set out in Schedule 1 and on the terms and conditions set out in section 1.4.

The Creditors include Dr Roger New, Peter Young, Professor Peter Brooks and Leon Ivory, PLRS and Proxima (**Related Parties**).

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

(a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and

(b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The issue of the Debt Conversion Securities to the Related Parties constitutes giving a financial benefit and:

(a) Dr Roger New, Professor Peter Young, Peter Brooks and Leon Ivory are related parties of the Company by virtue of being Directors; and

(b) PLRS and Proxima are related parties of the Company by virtue of acting in concert with Dr Roger New, a Director, on the understanding that Dr New will receive a financial benefit if BNE gives PLRS and Proxima financial benefits.

In addition, ASX Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

The Directors consider that Shareholder approval under Chapter 2E of the Corporations Act is not required in respect of the issue of Debt Conversion Securities to the Related Parties because the agreement to issue the Debt Conversion Securities was negotiated on an arm's length basis.

However, it is the view of the Company that the exceptions set out in ASX Listing Rule 10.12 do not apply in the current circumstances. Accordingly, Shareholder approval is sought under Resolution 2 – 7 for the issue of the Debt Conversion Securities to the Related Parties.

Mr Timothy Earle and Balion Pty Ltd (**Unrelated Creditors**), each of whom are Creditors, are not related parties of the Company. As such, Shareholder approval is being sought for the issue of Debt Conversion Securities to them under ASX Listing Rule 7.1 under Resolution 8.

### 3.2 Shareholder Approval

The following information is provided in relation to the proposed issue of Debt Conversion Securities:

(a) the related parties are PLRS, Proxima, Messrs Dr Roger New, Peter Young, Professor Peter Brooks and Leon Ivory and they are related parties for the reasons set out in section 3.1;

(b) the maximum number of Debt Conversion Shares to be issued to the Related Parties (or their nominees) is 802,259,132 (being 16,045,183 on a post-Consolidation basis), in accordance with Schedule 1;

(c) the maximum number of Debt Conversion Options to be issued to the Related Parties is 317,729,420 (being 6,354,588 on a post-Consolidation basis), in accordance with Schedule 1;

(d) the Debt Conversion Securities will be issued to the Related Parties no later than 1 month after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated the Debt Conversion Securities will be issued on one date, being the Placement Offer Settlement Date;

(e) the Debt Conversion Securities will be granted for nil cash consideration, accordingly no funds will be raised;

(f) the Debt Conversion Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;

(g) the Debt Conversion Options will be granted on the terms and conditions set out in Schedule 2;

(h) the Debt Conversion Shares will be issued at a deemed issue price of $0.001 per Share (being $0.02 on a post-Consolidation basis) and the Debt Conversion Options will be free attaching to the September Debt Conversion Shares (refer to section 1.4 for further details);

(i) the relevant interests of the Related Parties in securities of the Company are set out below:

| Creditor | Shares | Options |
|---|---|---|
| PLRS | 149,795,134 | 2,641,240[1] |
| Proxima | 71,812,146 | 544,637[1] |
| Dr Roger New | 15,038,677 | 347,916[1] |
| Professor Peter Brooks | 11,763,288 | 383,341[1] |
| Leon Ivory | 18,733,105 | 826,941[2] |
| Peter Young | 1,856,298 | 2,000,000[3] |

**Notes:**

1 Options exercisable at $0.20 on or before 8 July 2014.

2 Options exercisable at $0.20 on or before 8 July 2014. 140,061 Options are held directly by Leon Ivory and 686,880 Options are held by Ivory & Co Pty Ltd, a company controlled by Leon Ivory.

3 1,000,000 Options exercisable at $0.05 on or before 21 October 2014 and 1,000,000 Options exercisable at $0.01328 on or before 2 July 2015.

(j) the remuneration and emoluments paid by the Company to the Related Parties for the previous financial year and the proposed remuneration and emoluments for the current financial year are set out below (these sums are inclusive of $31,199, $23,750, $24,750, and $64,657 in compensation for Messrs New, Brooks, Ivory and Young respectively that is the subject of the Debt Conversion Agreements described in this Notice, PLRS and Proxima sums for the previous financial year should also be considered in light of $1,561,547 and $49,493 respectively that is also the subject of the Debt Conversion Agreements):

| Creditor | Current Financial Year | Previous Financial Year |
|---|---|---|
| PLRS | $321,000 | $706,334 |
| Proxima | $27,655 | $40,311 |
| Dr Roger New | $25,000 | $25,000 |
| Professor Peter Brooks | $15,000 | $25,000 |
| Leon Ivory | $15,000 | $25,000 |
| Peter Young | $141,750 | $121,800 |

(k) if the Debt Conversion Shares are issued to the Related Parties, the number of Shares on issue will increase from 11,271,758,841 (being 225,435,177 on a post-Consolidation basis) to 12,074,017,972 (being 241,480,359 on a post-Consolidation basis) (assuming that no Options are exercised and no Shares other than those contemplated by the Resolutions of this Notice are issued) with the effect that the shareholding of existing Shareholders would be diluted by an aggregate of 6.6%, comprising 6.0% by PLRS, 0.2% by Proxima, 0.1% by Dr Roger New, 0.1% by Professor Peter Brooks, 0.1% by Leon Ivory and 0.2% by Peter Young;

(l) if the Debt Conversion Options granted to the Related Parties are exercised, the number of Shares on issue will increase from 12,074,017,972 (being 241,480,359 on a post-Consolidation basis) to 12,391,747,392 (being 247,834,948 on a post-Consolidation basis) (assuming that no other Options are exercised and no Shares other than those contemplated by the Resolutions of this Notice are issued) with the effect that the shareholding of existing Shareholders would be diluted by an aggregate of 2.6%, comprising 2.25% by PLRS, 0.08% by Proxima, 0.05% by Dr Roger New, 0.04% by Professor Peter Brooks, 0.04% by Leon Ivory and 0.11% by Peter Young;

(m) the trading history of the Shares on ASX in the 12 months before the date of this Notice is set out below:

| | Price | Date |
|---|---|---|
| Highest | 0.4 cent | 22 January 2013 |
| Lowest | 0.1 cent | 29 November 2013 |
| Last | 0.1 cent | 5 December 2013 |

(n) the Directors recommend that Shareholders vote in favour of Resolutions 2 – 7 on the basis that:

(i) all debts owed to the Related Parties will be fully and finally discharged in the event that the Debt Conversion Securities are issued to the Related Parties;

(ii) the terms for so doing are considerably more favourable to Shareholders than discharging these obligations in cash; and

(iii) eliminating these debts will put the Company in a substantially stronger financial position.

(o) the Board is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolutions 2 to 7.

Approval under ASX Listing Rule 7.1 is not required in order to issue the Debt Conversion Securities to the Related Parties as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of Debt Conversion Securities to the Related Parties will not be included in the 15% calculation of the Company's annual placement capacity under ASX Listing Rule 7.1.

## 4. RESOLUTION 8 – ISSUE OF DEBT CONVERSION SECURITIES TO UNRELATED CREDITORS

### 4.1 General

Resolution 8 seeks Shareholder approval for the issue of 57,051,538 Debt Conversion Shares (being 1,141,030 on a post-Consolidation basis) and 22,440,040 Debt Conversion Options (being 448,800 on a post-Consolidation basis) to the Unrelated Creditors. Refer to sections 1.4 and 3 for further details in respect of the Debt Conversion Agreements).

A summary of ASX Listing Rule 7.1 is set out in section 2.1 above.

The effect of Resolution 8 will be to allow the Company to issue the Debt Conversion Securities to the Unrelated Creditors during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

### 4.2 Technical information required by ASX Listing Rule 7.1

Under and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the issue of Debt Conversion Securities to the Unrelated Creditors:

(a) the maximum number of Debt Conversion Shares to be issued is 57,051,538 (being 1,141,030 on a post-Consolidation basis) in accordance with Schedule 1;

(b) the maximum number of Debt Conversion Options to be issued is 22,440,040 (being 448,800 on a post-Consolidation basis) in accordance with Schedule 1;

(c) the Debt Conversion Securities will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Debt Conversion Securities will occur on the same date, being the Placement Offer Settlement Date;

(d) the Debt Conversion Shares will be issued at a deemed issue price of $0.001 per Share (being $0.02 on a post-Consolidation basis) and the Debt Conversion Options will be free attaching to the September Debt Conversion Shares (refer to section 1.4 for further details);

(e) the Debt Conversion Securities will be issued to Timothy Earle and Balion Pty Ltd (or their nominees), who are not related parties of the Company;

(f) the Debt Conversion Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;

(g) the Debt Conversion Options will be granted on the terms and conditions set out in Schedule 2; and

(h) no funds will be raised from the issue of the Debt Conversion Securities as the Debt Conversion Securities are being issued in consideration for amounts owing to the Unrelated Creditors.

## 5. RESOLUTION 9 – ISSUE OF SHARES TO LA JOLLA

### 5.1 General

Resolution 9 seeks Shareholder approval for the issue to La Jolla of up to that number of Shares, when multiplied by the issue price, will value US$219,000 under the La Jolla Settlement Agreement.

A summary of ASX Listing Rule 7.1 is set out in section 2.1 above.

The effect of Resolution 9 will be to allow the Company to issue the Shares to La Jolla during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

### 5.2 Technical information required by ASX Listing Rule 7.1

Under and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the Placement:

(a) the maximum number of Shares to be issued to La Jolla or its nominee is up to that number of Shares which, when multiplied by the issue price, equals US$219,000 (which will be converted into Australian dollars using the US$/A$ exchange rate reported on the Placement Offer Settlement Date by the Financial Times (London)). By way of example, based on an AUD:USD exchange rate of 0.92 (being the exchange rate on or around 3 December 2013 and an issue price of $0.001 per Share (being $0.05 on a post-Consolidation basis), a total of 238,043,478 Shares would be issued to La Jolla;

(b) the Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Shares to La Jolla will occur on the same date, being the Placement Offer Settlement Date;

(c) the issue price will be:

    (i) if the Placement Offer Settlement Date occurs on or before 60 days from the date of the La Jolla Settlement Agreement – $0.001 per Share (being $0.05 per Share on a post-Consolidation basis); or

    (ii) if the Placement Offer Settlement Date occurs after 60 days from the date of the La Jolla Settlement Agreement – a price equal to the volume weighted average price of Shares for the five (5) days immediately prior to the Placement Offer Settlement Date,

    and in any event, the issue price will be at least 80% of the average market price of Shares calculated over the last 5 days on which sales in the Shares were recorded prior to the date of issue;

(d) the Shares will be issued to La Jolla under the La Jolla Settlement Agreement in full and final satisfaction of the Company's obligations under the La Jolla Funding Agreement;

(e) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and

(f) no funds will be raised from the issue of the Shares to La Jolla as the Shares are being issued in full and final settlement of the Company's obligations under the La Jolla Settlement Agreement.

## 6. RESOLUTION 10 – PLACEMENT – SHARES

### 6.1 General

Resolution 10 seeks Shareholder approval for the issue of 7,500,000,000 Shares (being 150,000,000 on a post-Consolidation basis) at an issue price of $0.0004 (being $0.02 on a post-Consolidation basis) per Share to raise at least $3,000,000, with the capacity for oversubscriptions of a further 1,250,000,000 Shares (being 25,000,000 on a post-Consolidation basis) to raise up to an additional $500,000 (**Placement Shares**) (**Placement**).

A summary of ASX Listing Rule 7.1 is set out in section 2.1 above.

The effect of Resolution 10 will be to allow the Company to issue the Placement Shares during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

### 6.2 Technical information required by ASX Listing Rule 7.1

Under and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the Placement:

(a) the maximum number of Placement Shares to be issued is 8,750,000,000 (being 175,000,000 on a post-Consolidation basis);

(b) the Placement Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Shares will occur on the same date, being the Placement Offer Settlement Date;

(c) the issue price will be $0.0004 per Share (being $0.02 on a post-Consolidation basis);

(d) the Placement Shares will be issued to clients of Cornerstone, none of whom will be related parties of the Company;

(e) the Placement Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and

(f) the Company intends to use the funds raised from the Placement in the manner set out in section 1.13.

## 7. RESOLUTION 11 – GRANT OF BRIDGE OPTIONS AND PROPONENT OPTIONS

### 7.1 General

Resolution 11 seeks Shareholder approval for the issue of 300,000,000 Bridge Options (being 6,000,000 on a post-Consolidation basis) and 500,000,000 Proponent Options (being 10,000,000 on a post-Consolidation basis) in partial consideration for Cornerstone undertaking the Proposal.

A summary of ASX Listing Rule 7.1 is set out in section 2.1 above.

The effect of Resolution 11 will be to allow the Company to issue the Bridge Options and Proponent Options during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

### 7.2 Technical information required by ASX Listing Rule 7.1

Under and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the grant of the Bridge Options and Proponent Options:

(a) the maximum number of Options to be issued is 300,000,000 Bridge Options (being 6,000,000 on a post-Consolidation basis and 500,000,000 Proponent Options (being 10,000,000 on a post-Consolidation basis);

(b) the Bridge Options and Proponent Options will be granted no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Bridge Options and Proponent Options will occur on the same date, being the Placement Offer Settlement Date;

(c) the Bridge Options and Proponent Options will be granted for nil cash consideration in partial satisfaction of Cornerstone undertaking the Proposal;

(d) the Bridge Options and Proponent Options will be granted to Cornerstone (or its nominees) for whom approval under ASX Listing Rule 10.11 is not required;

(e) the Bridge Options will be granted on the terms and conditions set out in Schedule 3 and the Proponent Options will be granted on the terms and conditions set out in Schedule 2; and

(f) no funds will be raised from the grant of the Bridge Options and Proponent Options as they will be issued in consideration for Cornerstone undertaking the Proposal.

## 8. RESOLUTION 12 – ISSUE OF CEO OPTIONS TO PETER YOUNG

### 8.1 General

The Company has agreed, subject to obtaining Shareholder approval, to issue a total of 450,000,000 Options (being 15,000,000 Options on a post-Consolidation basis) (**CEO Options**) to Mr Peter Young on the terms and conditions set out below.

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

(a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and

(b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The grant of the CEO Options constitutes giving a financial benefit and Mr Peter Young is a related party of the Company by virtue of being a Director.

In addition, ASX Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

The Directors consider that Shareholder approval under Chapter 2E of the Corporations Act is not required in respect of the grant of the CEO Options because the agreement to issue the CEO Options was negotiated on an arm's length basis and is considered to be reasonable remuneration for Mr Young for services provided as the Company's CEO. However, it is the view of the Company that the exceptions set out in ASX Listing Rule 10.12 do not apply in the current circumstances. Accordingly, Shareholder approval is sought for the grant of the CEO Options to Mr Young.

### 8.2 Shareholder Approval

The following information is provided in relation to the proposed grant of CEO Options:

(a) the related party is Mr Peter Young who is a related party by virtue of being a Director;

(b) the maximum number of CEO Options (being the nature of the financial benefit being provided) to be granted to Mr Young is 450,000,000 (being 15,000,000 on a post-Consolidation basis);

(c) the CEO Options will be granted to Mr Young no later than 1 month after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated the CEO Options will be issued on one date, being the Placement Offer Settlement Date;

(d) the CEO Options will be granted for nil cash consideration, accordingly no funds will be raised;

(e) the terms and conditions of the CEO Options are set out in Schedule 4;

(f) the value of the CEO Options and the pricing methodology is set out in Schedule 5;

(g) the relevant interests of Mr Young in securities of the Company are set out below:

| Related Party | Shares | Options |
|---|---|---|
| Mr Peter Young | 1,856,298 | 2,000,000 |

(h) the remuneration and emoluments from the Company to Mr Young for the previous financial year and the proposed remuneration and emoluments for the current financial year are set out below (these sums are inclusive of $64,657 in compensation that is subject to the Debt Conversion Agreement):

| Related Party | Current Financial Year | Previous Financial Year |
|---|---|---|
| Mr Peter Young | $141,750 | $121,800 |

(i) if the CEO Options granted to Mr Young are exercised, a total of 450,000,000 Shares (being 15,000,000 on a post-Consolidation basis) would be issued. This will increase the number of Shares on issue from 12,074,017,972 (being 241,480,359 on a post-Consolidation basis) to 12,524,017,972 (being 250,480,359 on a post-Consolidation basis) (assuming that no other Options are exercised and no Shares other than those contemplated by the Resolutions of this Notice are issued) with the effect that the shareholding of existing Shareholders would be diluted by 3.6%.

The market price for Shares during the term of the CEO Options would normally determine whether or not the CEO Options are exercised. If, at any time any of the CEO Options are exercised and the Shares are trading on ASX at a price that is higher than the exercise price of the CEO Options, there may be a perceived cost to the Company;

(j) the trading history of the Shares on ASX in the 12 months before the date of this Notice is set out in section 3.2(m);

(k) Mr Young declines to make a recommendation to Shareholders in relation to Resolution 12 due to his material personal interest in the outcome of the Resolution on the basis that he is to be granted CEO Options in the Company should Resolution 12 be passed;

(l) The Directors (other than Mr Young who has a material personal interest in the outcome of Resolution 12) recommend that Shareholders vote in favour of Resolution 12 for the following reasons:

(i) the grant of CEO Options to Mr Young, in particular, the vesting conditions of the CEO Options, will align the interests of Mr Young with those of Shareholders;

(ii) the grant of the CEO Options is a reasonable and appropriate method to provide cost effective remuneration as the non-cash form of this benefit will allow the Company to spend a greater proportion of its cash reserves on its operations than it would if alternative cash forms of remuneration were given to Mr Young; and

(iii) it is not considered that there are any significant opportunity costs to the Company or benefits foregone by the Company in granting the CEO Options upon the terms proposed;

(m) with the exception of Mr Young, no other Director has a personal interest in the outcome of Resolution 12 other than as a result of Resolution 12 being conditional upon the passing of Resolutions 4, 5 and 6, under which each of the Directors other than Mr Young will be issued Debt Conversion Securities;

(n) in forming their recommendations, each Director considered the experience of Mr Young, the current market price of Shares, the current market practices when determining the number of CEO Options to be granted as well as the exercise price and expiry date of those CEO Options; and

(o) the Board is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolution 12.

Approval under ASX Listing Rule 7.1 is not required in order to grant the CEO Options to Mr Young as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of CEO Options to Mr Young will not be included in the 15% calculation of the Company's annual placement capacity under ASX Listing Rule 7.1.

## 9. RESOLUTION 13 – ISSUE OF FINDER'S FEE SHARES TO DAVID MCAULIFFE

### 9.1 General

Resolution 13 seeks Shareholder approval for the issue of 150,000,000 Shares (being 3,000,000 on a post-Consolidation basis) (**Finder's Fee Shares**) to David McAuliffe (or his nominee) as a finder's fee in respect of introducing the Proposal to the Company.

A summary of ASX Listing Rule 7.1 is set out in section 2.1 above.

The effect of Resolution 13 will be to allow the Company to issue the Finder's Fee Shares during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

### 9.2 Technical information required by ASX Listing Rule 7.1

Under and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the issue of the Finder's Fee Shares:

(a) the maximum number of Finder's Fee Shares to be issued is 150,000,000 (being 3,000,000 on a post-Consolidation basis);

(b) the Finder's Fee Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Finder's Fee Shares will occur on the same date, being the Placement Offer Settlement Date;

(c) the Finder's Fee Shares will be issued for nil cash consideration in satisfaction of for Mr McAuliffe introducing the Proposal to the Company;

(d) the Finder's Fee Shares will be issued to David McAuliffe (or his nominee), who is not a related party of the Company;

(e) the Finder's Fee Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and

(f) no funds will be raised from the issue of the Finder's Fee Shares as they are being issued in consideration for Mr McAuliffe introducing the Proposal to the Company.

## 10. RESOLUTION 14 – CONSOLIDATION OF CAPITAL

### 10.1 Background

If Resolution 14 is passed and including all Securities issued under the other Resolutions, the number of:

(a) Shares on issue will be reduced from 10,824,017,972 to 216,480,359 (assuming all of the Shares the subject of this Notice are issued and subject to rounding); and

(b) Options on issue will be reduced from 1,602,950,829 to 32,059,017 (assuming all of the Options the subject of this Notice are granted and subject to rounding).

### 10.2 Legal requirements

Section 254H of the Corporations Act provides that a company may, by resolution passed in a general meeting, convert all or any of its shares into a larger or smaller number.

### 10.3 Fractional entitlements

Not all Security holders will hold that number of Shares or Options (as the case may be) which can be evenly divided by 50. Where a fractional entitlement occurs, the Company will round that fraction up to the nearest whole Security.

### 10.4 Taxation

It is not considered that any taxation implications will exist for Security holders arising from the Consolidation. However, Security holders are advised to seek their own tax advice on the effect of the Consolidation and the Company does not accept any responsibility for the individual taxation implications arising from the Consolidation.

### 10.5 Holding statements

From the date of the Consolidation, all holding statements for Securities will cease to have any effect, except as evidence of entitlement to a certain number of Securities on a post-Consolidation basis.

After the Consolidation becomes effective, the Company will arrange for new holding statements for Securities to be issued to holders of those Securities.

It is the responsibility of each Security holder to check the number of Securities held prior to disposal or exercise (as the case may be).

### 10.6 Effect on capital structure

The effect which the Consolidation will have on the Company's capital structure is set out in section 1.12.

The effect the Consolidation will have on the terms of the Options is as set out in the tables below:

**Options – Pre Consolidation**

| Expiry Date | Exercise Price | Number |
|---|---|---|
| **Options as at the date of this Notice** | | |
| 1 March 2014 | $0.10 | 1,000,000 |
| 8 July 2014 | $0.20 | 6,444,853 |
| 21 October 2014 | $0.05 | 1,000,000 |
| 6 June 2015 | $0.10 | 410,973 |
| 2 July 2015 | $0.10 | 2,635,542 |
| 2 July 2015 | $0.01328 | 1,000,000 |
| 28 November 2015 | $0.01328 | 290,000 |
| **Options to be issued under the Resolutions contained in the Notice** | | |
| 31 December 2016 | $0.0008 | 1,290,169,461 |
| 31 December 2016 | $0.0006 | 300,000,000 |
| | **TOTAL** | **1,602,950,829** |

**Options – Post Consolidation**

| Expiry Date | Exercise Price | Number |
|---|---|---|
| **Options as at the date of this Notice** | | |
| 1 March 2014 | $5.00 | 20,000 |
| 8 July 2014 | $10.00 | 128,898 |
| 21 October 2014 | $2.50 | 20,000 |
| 6 June 2015 | $5.00 | 8,220 |
| 2 July 2015 | $5.00 | 52,711 |
| 2 July 2015 | $0.664 | 20,000 |
| 28 November 2015 | $0.664 | 5,800 |
| **Options to be issued under the Resolutions contained in the Notice** | | |
| 31 December 2016 | $0.04 | 25,803,390 |
| 31 December 2016 | $0.03 | 6,000,000 |
| | **TOTAL** | **32,059,017** |

## 11. RESOLUTIONS 15 AND 16 – ELECTION OF DIRECTORS

Clause 8.1 of the Constitution allows the Company in general meeting to appoint at any time a person to be a Director either to fill a casual vacancy or as an addition to the existing Directors, but only where the total number of Directors does not at any time exceed the maximum number specified by the Constitution.

Under clause 8.2 of the Constitution and ASX Listing Rule 14.4, any Director so appointed holds office only until the next following annual general meeting and is then eligible for election by Shareholders but shall not be taken into account in determining the Directors who are to retire by rotation (if any) at that meeting. As such, Messrs Robert Towner and John Hannaford will be required to seek re-election at the Company's annual general meeting for the year ended 30 June 2014.

Messrs Robert Towner and John Hannaford will, in accordance with clause 8.1 of the Constitution and being eligible, seek election as Directors from Shareholders, with effect from the Placement Offer Settlement Date.

## 12. RESOLUTION 17 – REMOVAL OF AUDITOR

Under section 329 of the Corporations Act, an auditor of a company may be removed from office by resolution at a general meeting of which 2 months' notice of intention to move the resolution has been given.

It should be noted that under this section, if a company calls a meeting after the notice of intention has been given, the meeting may pass the resolution even though the meeting is held less than 2 months after the notice of intention is given.

Resolution 17 is an ordinary resolution seeking the removal of Somes Cooke as the auditor of the Company. An auditor may be removed in a general meeting provided that the notice of intention to remove the auditor has been received from a member of the company.

In accordance with section 329(2) of the Corporations Act, the Company has sent a copy of the notice to Somes Cooke and the ASIC.

## 13. RESOLUTION 18 – APPOINTMENT OF AUDITOR

Under section 327D of the Corporations Act, the Company in a general meeting may appoint an auditor to replace an auditor removed under section 329 of the Corporations Act.

Resolution 18 is a special resolution seeking the appointment of BDO Audit (WA) Pty Ltd (**BDO**) as the new auditor of the Company. As required by the Corporations Act, a nomination for BDO to be appointed as the auditor of the Company has been received from a member. A copy of the nomination of BDO as auditors is set out at Schedule 6.

BDO has given its written consent to act as the Company's auditor in accordance with section 328A(1) of the Corporations Act subject to shareholder approval of this resolution. If Resolutions 17 and 18 are passed, the appointment of BDO as the Company's auditor will take effect at the close of this Meeting. Resolution 17 is subject to the passing of Resolution 18.

## GLOSSARY

**$** means Australian dollars.

**ASIC** means the Australian Securities & Investments Commission.

**ASX** means ASX Limited (ACN 008 624 691) or the financial market operated by ASX Limited, as the context requires.

**ASX Listing Rules** means the Listing Rules of ASX.

**BDO** means BDO Audit (WA) Pty Ltd.

**Board** means the current board of directors of the Company.

**Bridge Options** means Options on the terms and conditions set out in Schedule 3.

**Business Day** means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

**CEO Options** has the meaning given in section 1.8, being Options on the terms set out in Schedule 4.

**Chair** means the chair of the Meeting.

**Company** means Bone Medical Limited (ACN 009 109 755).

**Conditional Resolutions** has the meaning set out in section 1.14.

**Constitution** means the Company's constitution.

**Converting Loans** has the meaning set out in section 1.3.

**Converting Loan Shares** has the meaning set out in section 2.1.

**Cornerstone** means Cornerstone Corporate Pty Ltd (ACN 088 222 888).

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

**Creditors** has the meaning set out in section 1.4, being those persons set out in the tables in Schedule 1.

**Debt Conversion Agreements** has the meaning set out in section 1.4.

**Debt Conversion Options** has the meaning set out in section 1.4, being Options on the terms set out in Schedule 2.

**Debt Conversion Securities** means Debt Conversion Shares and Debt Conversion Options.

**Debt Conversion Shares** means the June Debt Conversion Shares and September Debt Conversion Shares.

**Directors** means the current directors of the Company.

**Explanatory Statement** means the explanatory statement accompanying the Notice.

**Finder's Fee Shares** has the meaning set out in section 9.1.

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

**June Debt Conversion** has the meaning set out in section 1.4.

**June Debt Conversion Shares** has the meaning set out in section 1.4.

**La Jolla** means La Jolla Cove Investors, Inc.

**La Jolla Bridge Facility** has the meaning set out in section 1.5.

**La Jolla Funding Agreement** has the meaning set out in section 1.5.

**La Jolla Settlement Agreement** has the meaning set out in section 1.5.

**Lenders** has the meaning set out in section 1.3.

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

**Option** means an option to acquire a Share.

**Optionholder** means a holder of an Option.

**Placement** has the meaning set out in section 6.1.

**Placement Offer Settlement Date** means that date which is two (2) Business Days after the satisfaction or waiver of the last of the Placement Offer Conditions.

**Placement Offer Conditions** means the conditions to the implementation of the Proposal, as set out in section 1.6.

**Placement Shares** has the meaning set out in section 6.1.

**PLRS** means Proxima Laboratory & Research Services Limited.

**Proponent Options** means Options on the terms and conditions set out in Schedule 2.

**Proposal** has the meaning set out in section 1.2.

**Proxima** means Proxima Concepts Ltd.

**Proxy Form** means the proxy form accompanying the Notice.

**Recapitalisation Deed** has the meaning set out in section 1.2.

**Resolutions** means the resolutions set out in the Notice, or any one of them, as the context requires.

**September Debt Conversion Shares** has the meaning set out in section 1.4.

**Securities** means Shares or Options together and **Security** means each of them individually.

**Share** means a fully paid ordinary share in the capital of the Company.

**Shareholder** means a registered holder of a Share.

**Unrelated Creditors** has the meaning set out in section 3.1.

**WST** means Western Standard Time as observed in Perth, Western Australia.

## SCHEDULE 1 – DEBT CONVERSION AMOUNTS

**Debt Conversion Amounts – 30 June 2013**

| Creditor | Total debt (30 June 2013) | Debt to be converted (30% of total debt) | Debt Conversion Shares (pre-Consolidation) | Debt Conversion Shares (post-Consolidation) | Debt Conversion Options (pre-Consolidation) | Debt Conversion Options (post-Consolidation) |
|---|---|---|---|---|---|---|
| PLRS[2] | $1,481,334.08 | $444,400.22 | 444,400,220 | 8,888,004 | Nil | Nil |
| Proxima[2] | $40,311.04 | $12,093.31 | 12,093,310 | 241,866 | Nil | Nil |
| Dr Roger New[2] | $24,999.96 | $7,499.99 | 7,499,990 | 150,000 | Nil | Nil |
| Professor Peter Brooks[2] | $17,499.98 | $5,249.99 | 5,249,990 | 105,000 | Nil | Nil |
| Leon Ivory[2] | $18,499.99 | $5,550.00 | 5,550,000 | 111,000 | Nil | Nil |
| Balion Pty Ltd[3] | $90,302.39 | $27,090.72 | 27,090,720 | 541,814 | Nil | Nil |
| Peter Young[2] | $32,453.99 | $9,736.20 | 9,736,200 | 194,724 | Nil | Nil |
| Timothy Earle[3] | $25,069.27 | $7,520.78 | 7,520,780 | 150,416 | Nil | Nil |
| **TOTAL** | **$1,730,470.70** | **$519,141.21** | **519,141,210** | **10,382,824** | **Nil** | **Nil** |

**Debt Conversion Amounts – 30 September 2013**

| Creditor | Total debt (30 September 2013) | Debt to be converted (25% of total debt) [1] | Debt Conversion Shares (pre-Consolidation) | Debt Conversion Shares (post-Consolidation) | Debt Conversion Options (pre-Consolidation) | Debt Conversion Options (post-Consolidation) |
|---|---|---|---|---|---|---|
| PLRS[2] | $1,561,546.58 | $279,286.59 | 279,286,589 | 5,585,732 | 279,286,589 | 5,585,732 |
| Proxima[2] | $49,493.41 | $9,350.02 | 9,350,025 | 187,000 | 9,350,025 | 187,000 |
| Dr Roger New[2] | $31,249.95 | $5,937.49 | 5,937,491 | 118,750 | 5,937,491 | 118,750 |
| Professor Peter Brooks[2] | $23,749.97 | $4,624.99 | 4,624,994 | 92,500 | 4,624,994 | 92,500 |
| Leon Ivory[2] | $24,749.98 | $4,800.00 | 4,799,996 | 96,000 | 4,799,996 | 96,000 |
| Balion Pty Ltd[3] | $99,302.39 | $18,052.92 | 18,052,918 | 361,058 | 18,052,918 | 361,058 |
| Peter Young[2] | $64,657.50 | $13,730.33 | 13,730,326 | 274,607 | 13,730,326 | 274,607 |
| Timothy Earle[3] | $25,069.27 | $4,387.12 | 4,387,122 | 87,742 | 4,387,122 | 87,742 |
| **TOTAL** | **$1,879,819.05** | **$340,169.46** | **340,169,461** | **6,803,389** | **340,169,461** | **6,803,389** |
| **GRAND TOTAL** | | **$859,310.67** | **859,310,671** | **17,186,213** | **340,169,461** | **6,803,389** |

**Notes:**

1. Calculated as 25% of total outstanding debt at 30 September 2013 after amounts converted in respect of outstanding debt at 30 June 2013 have been deducted.

2. This party is a related party of the Company. The issue of Debt Conversion Securities to this party is discussed in section 3.

3. This party is not a related party of the Company. The issue of Debt Conversion Securities to this party is discussed in section 4.

## SCHEDULE 2 – TERMS AND CONDITIONS OF DEBT CONVERSION OPTIONS AND PROPONENT OPTIONS

(a) **Entitlement**

Subject to paragraph (m), each Option entitles the holder to subscribe for one Share upon exercise of the Option.

(b) **Exercise Price and Expiry Date**

Subject to paragraphs (j) and (l), the amount payable upon exercise of each Option will be $0.0008 (being $0.04 on a post-Consolidation basis) (**Exercise Price**).

(c) **Expiry Date**

Each Option will expire at 5:00 pm (WST) on 31 December 2016 (**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) **Exercise Period**

The Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).

(e) **Notice of Exercise**

The Options may be exercised during the Exercise Period by notice in writing to Bone in the manner specified on the Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to Bone.

(f) **Exercise Date**

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Option being exercised in cleared funds (**Exercise Date**).

(g) **Timing of issue of Shares on exercise**

Within 15 Business Days after the later of the following:

(i) the Exercise Date; and

(ii) when excluded information in respect to Bone (as defined in section 708A(7) of the Corporations Act) (if any) ceases to be excluded information,

but in any case no later than 20 Business Days after the Exercise Date, Bone will:

(iii) allot and issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by Bone;

(iv) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if Bone is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and

(v) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued under the exercise of the Options.

If a notice delivered under (g)(iv) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, Bone must, no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

(h) **Shares issued on exercise**

Shares issued on exercise of the Options rank equally with the then issued shares of Bone.

(i) **Quotation of Shares issued on exercise**

If admitted to the official list of ASX at the time, application will be made by Bone to ASX for quotation of the Shares issued upon the exercise of the Options.

(j) **Reconstruction of capital**

If at any time the issued capital of Bone is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

(k) **Participation in new issues**

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options.

(l) **Adjustment for rights issue**

In the event Bone proceeds with a pro rata issue (except a bonus issue) of securities to Shareholders after the date of issue of the Options, the Exercise Price may be reduced in accordance with the formula set out in ASX Listing Rule 6.22.2.

(m) **Adjustment for bonus issues of Shares**

If Bone makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment):

(i) the number of Shares which must be issued on the exercise of an Option will be increased by the number of Shares which the Optionholder would have received if the Optionholder had exercised the Option before the record date for the bonus issue; and

(ii) no change will be made to the Exercise Price.

(n) **Unquoted**

The Company will not apply for quotation of the Options on ASX.

(o) **Transferability**

The Options are transferable subject to any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws.

## SCHEDULE 3 – TERMS AND CONDITIONS OF BRIDGE OPTIONS

(a) **Entitlement**

Subject to paragraph (m), each Option entitles the holder to subscribe for one Share upon exercise of the Option.

(b) **Exercise Price and Expiry Date**

Subject to paragraphs (j) and (l), the amount payable upon exercise of each Option will be $0.0006 (being $0.03 on a post-Consolidation basis) (**Exercise Price**).

(c) **Expiry Date**

Each Option will expire at 5:00 pm (WST) on 31 December 2016 (**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) **Exercise Period**

The Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).

(e) **Notice of Exercise**

The Options may be exercised during the Exercise Period by notice in writing to Bone in the manner specified on the Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to Bone.

(f) **Exercise Date**

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Option being exercised in cleared funds (**Exercise Date**).

(g) **Timing of issue of Shares on exercise**

Within 15 Business Days after the later of the following:

(i) the Exercise Date; and

(ii) when excluded information in respect to Bone (as defined in section 708A(7) of the Corporations Act) (if any) ceases to be excluded information,

but in any case no later than 20 Business Days after the Exercise Date, Bone will:

(iii) allot and issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by Bone;

(iv) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if Bone is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and

(v) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued under the exercise of the Options.

If a notice delivered under (g)(g)(iv) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, Bone must, no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

(h) **Shares issued on exercise**

Shares issued on exercise of the Options rank equally with the then issued shares of Bone.

(i) **Quotation of Shares issued on exercise**

If admitted to the official list of ASX at the time, application will be made by Bone to ASX for quotation of the Shares issued upon the exercise of the Options.

(j) **Reconstruction of capital**

If at any time the issued capital of Bone is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

(k) **Participation in new issues**

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options.

(l) **Adjustment for rights issue**

In the event Bone proceeds with a pro rata issue (except a bonus issue) of securities to Shareholders after the date of issue of the Options, the Exercise Price may be reduced in accordance with the formula set out in ASX Listing Rule 6.22.2.

(m) **Adjustment for bonus issues of Shares**

If Bone makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment):

(i) the number of Shares which must be issued on the exercise of an Option will be increased by the number of Shares which the Optionholder would have received if the Optionholder had exercised the Option before the record date for the bonus issue; and

(ii) no change will be made to the Exercise Price.

(n) **Unquoted**

The Company will not apply for quotation of the Options on ASX.

(o) **Transferability**

The Options are transferable subject to any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws.

## SCHEDULE 4 – TERMS AND CONDITIONS OF CEO OPTIONS

(a) **Entitlement**

Subject to paragraph (m), each Option entitles the holder to subscribe for one Share upon exercise of the Option.

(b) **Exercise Price and Expiry Date**

Subject to paragraphs (j) and (l), the amount payable upon exercise of each Option will be $0.0008 (being $0.04 on a post-Consolidation basis) (**Exercise Price**).

(c) **Expiry Date**

Each Option will expire at 5:00 pm (WST) on 31 December 2016 (**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) **Exercise Period**

The Options are exercisable at any time until the Expiry Date, provided that:

(i) 150,000,000 Options (being 3,000,000 on a post-Consolidation basis) vest and become exercisable upon the 10 day VWAP of Shares on the ASX being $0.0012 (being $0.06 on a post-Consolidation basis) (**Tranche 1**);

(ii) 150,000,00 Options (being 3,000,000 on a post-Consolidation basis) vest and become exercisable upon the 10 day VWAP of Shares on the ASX being $0.0016 (being $0.08 on a post-Consolidation basis) (**Tranche 2**); and

(iii) 150,000,000 Options (being 3,000,000 on a post-Consolidation basis) vest on become exercisable upon the 10 day VWAP of Shares on the ASX being $0.0024 (being $0.12 on a post-Consolidation basis) (**Tranche 3**),

(**Exercise Period**).

(e) **Notice of Exercise**

The Options may be exercised during the Exercise Period by notice in writing to Bone in the manner specified on the Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to Bone.

(f) **Exercise Date**

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Option being exercised in cleared funds (**Exercise Date**).

(g) **Timing of issue of Shares on exercise**

Within 15 Business Days after the later of the following:

(i) the Exercise Date; and

(ii) when excluded information in respect to Bone (as defined in section 708A(7) of the Corporations Act) (if any) ceases to be excluded information,

but in any case no later than 20 Business Days after the Exercise Date, Bone will:

(iii) allot and issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by Bone;

(iv) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if Bone is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and

(v) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued under the exercise of the Options.

If a notice delivered under (g)(g)(iv) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, Bone must, no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

(h) **Shares issued on exercise**

Shares issued on exercise of the Options rank equally with the then issued shares of Bone.

(i) **Quotation of Shares issued on exercise**

If admitted to the official list of ASX at the time, application will be made by Bone to ASX for quotation of the Shares issued upon the exercise of the Options.

(j) **Reconstruction of capital**

If at any time the issued capital of Bone is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

(k) **Participation in new issues**

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options.

(l) **Adjustment for rights issue**

In the event Bone proceeds with a pro rata issue (except a bonus issue) of securities to Shareholders after the date of issue of the Options, the Exercise Price may be reduced in accordance with the formula set out in ASX Listing Rule 6.22.2.

(m) **Adjustment for bonus issues of Shares**

If Bone makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment):

(i) the number of Shares which must be issued on the exercise of an Option will be increased by the number of Shares which the Optionholder would have received if the Optionholder had exercised the Option before the record date for the bonus issue; and

(ii) no change will be made to the Exercise Price.

(n) **Unquoted**

The Company will not apply for quotation of the Options on ASX.

(o) **Transferability**

The Options are transferable subject to any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws.

## SCHEDULE 5 – VALUATION OF CEO OPTIONS

The CEO Options to be issued to Mr Peter Young under Resolution 12 have been independently valued.

Using the Black & Scholes option model and based on the assumptions set out below, the Related Party Options were ascribed the following value:

| Assumptions: | |
|---|---|
| | |
| Valuation date | 5 December 2013 |
| Market price of Shares | 0.1 cent |
| Exercise price | 0.08 cent |
| Expiry date (length of time from issue) | 31 December 2016 |
| Risk free interest rate | 2.82% |
| Volatility (discount) | 417% |
| | |
| **Indicative value per CEO Option** | 0.01 cent |
| | |
| **Total Value of CEO Options** | $449,877 |
| - Tranche 1 | $149,959 |
| - Tranche 2 | $149,959 |
| - Tranche 3 | $149,959 |
| | |

Note: The valuation noted above is not necessarily the market price that the CEO Options could be traded at and is not automatically the market price for taxation purposes.

## SCHEDULE 6 – AUDITOR NOMINATION

10 December 2013

The Board of Directors
Bone Medical Limited
Level 3, 46 Ord Street
WEST PERTH WA 6005

Dear Sir

I, Peter Young, being a director of Bone Medical Limited (**Company**), nominate BDO Audit (WA) Pty Ltd in accordance with section 328B(1) of the Corporations Act 2001 (Cth) (**Act**) to fill the office of auditor of the Company.

Please distribute copies of this notice of nomination as required by section 328B(3) of the Act.

Peter Young

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**PROXY FORM**

THIS DOCUMENT IS IMPORTANT. IF YOU ARE IN DOUBT AS TO HOW TO DEAL WITH IT, PLEASE CONTACT YOUR STOCK BROKER OR LICENSED PROFESSIONAL ADVISOR.

# BONE MEDICAL LIMITED

ABN: 70 009 109 755

**REGISTERED OFFICE:**
C/- LEDGER CORPORATE
LEVEL 3
46 ORD STREET
WEST PERTH WA 6005

**SHARE REGISTRY:**
Security Transfer Registrars Pty Ltd
**All Correspondence to:**
**PO BOX 535,**
**APPLECROSS WA 6953 AUSTRALIA**
770 Canning Highway,
APPLECROSS WA 6153 AUSTRALIA
T: +61 8 9315 2333 F: +61 8 9315 2233
E: registrar@securitytransfer.com.au
W: www.securitytransfer.com.au

Code: BNE

Holder Number:

## SECTION A: Appointment of Proxy

I/We, the above named, being registered Shareholders of the Company and entitled to attend and vote hereby appoint:

☐ **The meeting Chairperson (mark with an "X")** **OR** **The name of the person you are appointing (if this person is someone other than the Chairperson of the meeting).**

or failing the person named, or if no person is named, the Chairperson of the Meeting, as my/our Proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the Proxy sees fit) at the General Meeting of the Company to be held at 10.00am (WST) on Monday, 13 January 2014 in the Conference Room, Cornerstone Corporate, 589 Stirling Highway, Cottesloe, WA, 6011 and at any adjournment of that Meeting.

Capitalised terms in this proxy form have the same meaning as in the notice of meeting with which this proxy form is enclosed, unless the context indicates otherwise.

## SECTION B: Voting Directions to your Proxy

Please mark "X" in the box to indicate your voting directions to your Proxy.

| Resolution | For | Against | Abstain* |
|---|---|---|---|
| 1. Issue of Shares on Conversion of Converting Loans | ☐ | ☐ | ☐ |
| 2. Issue of Debt Conversion Securities to PLRS | ☐ | ☐ | ☐ |
| 3. Issue of Debt Conversion Securities to Proxima | ☐ | ☐ | ☐ |
| 4. Issue of Debt Conversion Securities to Dr Roger New | ☐ | ☐ | ☐ |
| 5. Issue of Debt Conversion Securities to Professor Peter Brooks | ☐ | ☐ | ☐ |
| 6. Issue of Debt Conversion Securities to Leon Ivory | ☐ | ☐ | ☐ |
| 7. Issue of Debt Conversion Securities to Peter Young | ☐ | ☐ | ☐ |
| 8. Issue of Debt Conversion Securities to Unrelated Creditors | ☐ | ☐ | ☐ |
| 9. Issue of Shares to La Jolla | ☐ | ☐ | ☐ |
| 10. Placement - Shares | ☐ | ☐ | ☐ |
| 11. Grant of Options to Proponent | ☐ | ☐ | ☐ |
| 12. Issue of CEO Options to Peter Young | ☐ | ☐ | ☐ |
| 13. Issue of Finder's Fee Shares to David McAuliffe | ☐ | ☐ | ☐ |
| 14. Consolidation of Capital | ☐ | ☐ | ☐ |
| 15. Election of Director - Robert Towner | ☐ | ☐ | ☐ |
| 16. Election of Director - John Hannaford | ☐ | ☐ | ☐ |
| 17. Removal of Auditor | ☐ | ☐ | ☐ |
| 18. Appointment of Auditor | ☐ | ☐ | ☐ |

**If no directions are given my proxy may vote as the proxy thinks fit or may abstain.**

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

☐ **If you wish to appoint the Chairperson as your proxy and you do not wish to direct the Chairperson how to vote, please mark "X" in the box.**
By marking this box, you acknowledge that the Chairperson may exercise your proxy even if he has an interest in the outcome of Resolutions 2, 3 and 4 and votes cast by him/her other than as a proxy holder will be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chair will not cast your votes on Resolutions 2, 3 and 4 and your votes will not be counted in calculating the required majority if a poll is called on Resolutions 2, 3 and 4. The Chairperson of the Meeting intends to vote undirected proxies in favour of Resolutions 2, 3 and 4.

## SECTION C: Please Sign Below

**This section must be signed in accordance with the instructions overleaf to enable your directions to be implemented.**

| Individual or Shareholder | Shareholder 2 | Shareholder 3 |
|---|---|---|
| | | |
| Sole Director and Sole Company Secretary | Director | Director / Company Secretary |

**Proxies must be received by Security Transfer Registrars Pty Ltd no later than 10.00am (WST) on Saturday, 11 January 2014.**

**ONLINE PROXY SERVICE**

You can lodge your proxy online at **www.securitytransfer.com.au**

1. Log into the Investor Centre using your holding details.
2. Click on "Proxy Voting" and provide your Online Proxy ID to access the voting area.

**Online Proxy ID:**

My/Our contact details in case of enquiries are:

**NAME** | **TELEPHONE NUMBER**

( ) 

## NOTES

**1. Name and Address**
This is the name and address on the Share Register of BONE MEDICAL LIMITED. If this information is incorrect, please make corrections on this form. Shareholders sponsored by a broker should advise their broker of any changes. Please note that you cannot change ownership of your shares using this form.

**2. Appointment of a Proxy**
If you wish to appoint the Chairperson of the Meeting as your Proxy please mark "X" in the box in Section A. Please also refer to Section B of this proxy form and ensure you mark the box in that section if you wish to appoint the Chairperson as your Proxy.

If the person you wish to appoint as your Proxy is someone other than the Chairperson of the Meeting please write the name of that person in Section A. If you leave this section blank, or your named Proxy does not attend the meeting, the Chairperson of the Meeting will be your Proxy. A Proxy need not be a Shareholder of BONE MEDICAL LIMITED.

**3. Directing your Proxy how to vote**
To direct the Proxy how to vote place an "X" in the appropriate box against each item in Section B. Where more than one Proxy is to be appointed and the proxies are to vote differently, then two separate forms must be used to indicate voting intentions.

**4. Appointment of a Second Proxy**
You are entitled to appoint up to two (2) persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second Proxy, an additional Proxy form may be obtained by telephoning the Company's share registry +61 8 9315 2333 or you may photocopy this form.

To appoint a second Proxy you must:

(a) On each of the Proxy forms, state the percentage of your voting rights or number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each Proxy may exercise, each Proxy may exercise half of your votes; and

(b) Return both forms in the same envelope.

**5. Signing Instructions**
<u>Individual:</u> where the holding is in one name, the Shareholder must sign.

<u>Joint Holding:</u> where the holding is in more than one name, all of the Shareholders must sign.

<u>Power of Attorney:</u> to sign under Power of Attorney you must have already lodged this document with the Company's share registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

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

If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be lodged with the Company before the meeting or at the registration desk on the day of the meeting. A form of the certificate may be obtained from the Company's share registry.

**6. Lodgement of Proxy**
Proxy forms (and any Power of Attorney under which it is signed) must be received by Security Transfer Registrars Pty Ltd no later than 10.00am (WST) on Saturday, 11 January 2014, being 48 hours before the time for holding the meeting. Any Proxy form received after that time will not be valid for the scheduled meeting.

**Security Transfer Registrars Pty Ltd**
**PO BOX 535**
**Applecross, Western Australia 6953**

**Street Address:**
**Alexandrea House, Suite 1**
**770 Canning Highway**
**Applecross, Western Australia 6153**

**Telephone** **+61 8 9315 2333**

**Facsimile** **+61 8 9315 2233**

**Email** **registrar@securitytransfer.com.au**



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