

FIRST SUPPLEMENTARY BIDDER'S STATEMENT BY PROBIOMICS LIMITED ABN 97 084 464 193

1. Introduction

This is the First Supplementary Bidder's Statement issued by Probiomics Limited ABN 97 084 464 193 (**Probiomics**) in accordance with section 643 of the *Corporations Act 2001* (Cth) (**Act**). This First Supplementary Bidder's Statement relates to and supplements (and is to be read together with) the Bidder's Statement dated, and lodged with ASIC on 13 December, 2011 (**Bidder's Statement**) in respect of the offer by Probiomics to acquire securities in Hunter Immunology Limited ABN 92 106 556 094 (**Hunter**).

A copy of this First Supplementary Bidder's Statement was lodged with ASIC and sent to ASX and Hunter on 24 January, 2012. In accordance with section 647(3)(c) of the Act, this First Supplementary Bidder's Statement will also be sent to all holders of bid class securities who have not accepted an offer under Probiomics' Takeover Offers. Neither ASIC nor any of its officers takes any responsibility for the contents of this First Supplementary Bidder's Statement.

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

2. Definitions and interpretation

All capitalised terms used in this First Supplementary Bidder's Statement have the same meaning as given to them in Section 10.1 of the Bidder's Statement. The rules of interpretation set out in Section 10.2 of the Bidder's Statement also apply to this First Supplementary Bidder's Statement, unless the context requires otherwise.

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

3.1 Proposed Variation to Mr Radford's employment agreement

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

The issue of the Hunter Performance Shares was approved by a significant majority of Hunter Shareholders at a general meeting held on 9 January, 2012. However, at that meeting, there was discussion about the prospects of including performance hurdles that

¹ Refer to the disclosure in Section 9.14 of the Bidder's Statement.

would need to be satisfied as a condition to the issue of the Hunter Performance Shares to Mr Radford, in order to ensure focus upon driving shareholder value.

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

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

The Probiomics Performance Executive Options:

- (a) will only vest in Mr Radford and become able to be exercised if and only if, amongst other things, "Successful Commercialisation" of Hunter's HI-164OV product² has occurred on or before 31 December, 2015 (**Vesting Condition**);
- (b) will be wholly forfeited, with no recourse against the Merged Group, in the event that either:
 - (i) the Vesting Condition is not satisfied in accordance with its terms; or
 - (ii) Mr Radford ceases to be employed by a member of the Merged Group prior to the vesting of the Probiomics Performance Executive Options in accordance with their terms,

(collectively, **Forfeiture Condition**); and

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

- (c) on exercise, will place Mr Radford in the same position as he would have been, had he been issued with the Hunter Performance Shares (as he is currently entitled to receive) and then subsequently accepted the Takeover Offers for those Hunter Performance Shares (as is his stated intention).

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

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

- (a) a trade sale of Probiomics;
- (b) a trade sale of a wholly-owned subsidiary of Probiomics;
- (c) a sale, disposal or licensing, or an arrangement that is in all material respects the same as a sale, disposal or licensing, of or in relation to the proposed commercialisation of the HI-164OV product;
- (d) a joint venture, or an arrangement that is in all material respects the same as a joint venture, to further develop the HI-164OV product;
- (e) any form of partnership, or an arrangement that is in all material respects the same as a form of partnership, to further develop the HI-164OV product;
- (f) any other form of material investment by a third party that has the effect or consequence of assigning a value to the Merged Group that is derived on an independent and arm’s length basis; and
- (g) such other commercialisation agreement, arrangement or understanding as agreed between the board of directors of Probiomics and David Radford.

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

3.2 Terms of the Probiomics Performance Executive Options

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

- *Issue*

Subject to completion of the Series of Transactions associated with the Hunter Acquisition, Mr Radford will be entitled to a number of Probiomics Performance Executive Options that

³ See Paragraph 3.2 of this First Supplementary Bidder’s Statement for the full terms of the Probiomics Performance Executive Options.

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

- *Issue Price*

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

- *Entitlement upon Exercise*

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

- *Exercise Price*

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

- *Exercise Period*

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

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

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

- *Forfeiture*

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

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

- *General Terms*

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

Subject to the following paragraphs, a Probiomics Performance Executive Option would not confer upon Mr Radford the right to participate in new issues of securities by Probiomics without Mr Radford first exercising that Probiomics Performance Executive

Option. However, Probiomix will ensure that for the purpose of determining entitlements to any such issue, Probiomix will notify Mr Radford of the details of any proposed new issue(s) by the relevant date for the particular issue(s) as determined in accordance with the Listing Rules.

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

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

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

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

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

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

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

3.3 Shareholder approval

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

3.4 Changes to capital structure

The proposed variation to the terms of Mr Radford's employment will result in the following changes to Probiomix' capital structure immediately following the completion of the Series of Transactions as disclosed in Section 6.3 of the Bidder's Statement, namely that there will be:

- a reduction of 6,326,020 Consolidated Probiomix Shares on issue; and
- an increase of approximately 6,326,020 Probiomix Performance Executive Options on issue (Post-Share Consolidation).

Accordingly, the capital structure of Probiomix immediately following the completion of the Takeover Offers and the Public Offer will be as follows:

	Minimum Subscription under Public Offer	Maximum Subscription under Public Offer
Current Probiomix Shares on issue	327,568,410	327,568,410
Total number of Bid Consideration Shares to be issued to Hunter Securityholders assuming 100% acceptance of the Takeover Bid	2,530,407,817	2,530,407,817
Total number of Public Offer Shares issued under the Public Offer	200,000,000	400,000,000
	Minimum Subscription under Public Offer	Maximum Subscription under Public Offer
Total number of Probiomix Shares on issue on completion of the Takeover Bid and Public Offer	3,057,976,227	3,257,976,227
Post 20:1 Share Consolidation		
Total number of Consolidated Probiomix Shares	152,898,811	162,898,811
Equivalent post-Share Consolidation Probiomix Share price	\$0.22	\$0.22
Market Capitalisation at the Public Offer Price	\$33,637,738	\$35,837,738

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

Expiry	Pre Share Consolidation		Post Share Consolidation	
	Exercise Price	Closing Balance	Exercise Price	Closing Balance
Replacement Probiomics Options				
30/09/2012	\$0.0350	4,730,400	\$0.700	236,520
21/12/2012	\$0.0390	8,100,000	\$0.780	405,000
31/03/2013	\$0.0350	17,258,679	\$0.700	862,934
31/03/2013 ^{††}	\$0.0350	45,000,000	\$0.700	2,250,000
01/09/2013	\$0.0120	21,240,000	\$0.240	1,062,000
14/05/2014	\$0.0350	54,000,000	\$0.700	2,700,000
Probiomics Options				
25/11/2013	\$0.0200	15,000,000	\$0.400	750,000
3/12/2013	\$0.0100	2,000,000	\$0.200	100,000
24/05/2014	\$0.0200	2,500,000	\$0.400	125,000
31/03/2013	\$0.0200	20,000,000	\$0.400	1,000,000
31/03/2013	\$0.0165	133,333,333 [†]	\$0.330	6,666,667 [†]
31/12/2015	\$0.00	126,520,400	\$0.00	6,326,020
		449,682,812		22,484,141

[†] Assumes the Maximum Subscription Amount is subscribed under the Public Offer. If the Minimum Subscription Amount is subscribed under the Public Offer, then the Public Offer Options issued would reduce to 66,666,667 (reducing in number to 3,333,333 after the proposed Share Consolidation).

^{††} These are the MPS Options referred to in Section 6.2(b) of the Bidder's Statement

^{†††} These are the Probiomics Performance Executive Options to be issued to Mr Radford, which are expected to be issued on or about 14 March, 2012. The final numbers for the Hunter Share Capital, and the number of Probiomics Performance Executive Options to be issued to Mr Radford, will be dependent on the timing of the acquisition and cancellation or conversion of the Hunter Convertible Notes and the number of Hunter Shares to be issued in payment of accrued interest on the Hunter Convertible Notes. This table assumes that the conversion of the Hunter Convertible Notes and completion of the Series of Transaction occurs on 31 January 2012. However, if such conversion and completion were to occur after 31 January, 2012, and in order to satisfy Hunter's obligation to issue to Mr Radford no less than 5% of the Hunter Share Capital, Mr Radford would be entitled to be issued with an 545 additional Probiomics Performance Executive Options in respect of each day after 31 January, 2012 until such time that each of the Hunter Convertible Notes are either acquired by Probiomics or converted to Hunter Shares, assuming that those events occur simultaneously.

3.5 Effect on Important Dates

As a result of the need to convene the Probiomics Shareholders meeting referred to in Section 3.3 above, and in anticipation of the consequences of the resolution to be put to and voted upon by Probiomics Shareholders at that meeting being either adopted or rejected, it

is necessary to amend the timetable of “Important Dates”, as set out at the commencement of the Bidder’s Statement, to the following extent:

Event	Originally Proposed Date	Amended Date
Close of Takeover Bid Period	9 March, 2012	16 March, 2012
Issue of: <ul style="list-style-type: none"> • Bid Consideration, being Consolidated Probiomics Shares and Replacement Probiomics Options; and • Public Offer Shares, Public Offer Options, Director Options and Probiomics Performance Executive Options 	14 March, 2012	19 March, 2012
Share Consolidation takes effect	21 March, 2012	26 March, 2012
Completion of dispatch of new holding statements to all Probiomics Securityholders to reflect: <ul style="list-style-type: none"> • issue of Probiomics Securities (see row 2 above); and • changes in holdings of Probiomics Securities as a result of the Share Consolidation 	28 March, 2012	2 April, 2012
Change in Probiomics’ name to “Bioxyne Limited” becomes effective	30 March, 2012	4 April, 2012

As at the date of this First Supplementary Bidder’s Statement, it is not proposed to alter the date of any Event as stated in the “Important Dates” at the commencement of the Bidder’s Statement, other than those Events referred to in the table above.

However, the Current Directors reserve the right to vary the date of any Event referred to in the “Important Dates”, including the date of any of the Events referred to in the table immediately above.

3.6 **Effect on Terms and Conditions of Takeover Offers**

As a consequence of the extension of the Takeover Bid Period from 9 March, 2012 to 16 March, 2012 (see Section 3.5 immediately above), it is necessary to amend the provisions of Section 11 of Appendix 1 of the Bidder’s Statement in the following manner:

- Section 11(a) – replace “2 March, 2012” with “9 March, 2012”; and
- Section 11(b) – replace “14 March, 2012” with “21 March, 2012”.

3.7 Effect on Bid Conditions

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

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

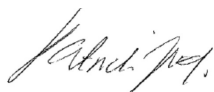
4. Contact details

If you have any queries about this First Supplementary Bidder’s Statement, you may contact Ashok Jairath of Probiomics Limited on 02 9844 5422 from within Australia or on +61 2 9844 5422 from outside Australia.

5. Authorisation

This First Supplementary Bidder’s Statement has been approved by an unanimous resolution of the Current Directors.

Signed for and on behalf of Probiomics by Patrick Ford, who is authorised to sign pursuant to an unanimous resolution passed by all the Current Directors.



Patrick Ford
Chairman

Dated: 24 January, 2012