medical australia

MEDICAL AUSTRALIA LIMITED

ACN 096 048 912

NOTICE OF ANNUAL GENERAL MEETING

29 November 2013

AND

EXPLANATORY MEMORANDUM

A PROXY FORM IS ENCLOSED

THIS DOCUMENT IS IMPORTANT

If you do not understand this document or are in any doubt as to how to deal with this document, you should consult your sharebroker, solicitor, accountant or other professional advisor immediately.

If you are unable to attend the meeting please complete and return the enclosed proxy form in accordance with the specified instructions.

Notice of Annual General Meeting – Medical Australia Limited – 29 November 2013

Notice is given that the 2013 Annual General Meeting of Medical Australia Limited **("MLA"** or **"Company")** will be held at Gould Ralph, Level 42, Suncorp Place, 259 George Street, Sydney, on Friday 29 November 2013 at 11.00 am AEDT.

Ordinary Business:

Financial Statements

To consider and receive the Financial Report, the Directors' Report and the Auditor's Report of the Company for the year ended 30 June 2013.

Resolution 1

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

"To adopt the Remuneration Report of the Company for the year ended 30 June 2013."

Resolution 2

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

"That Mr Ian Mitchell a Director who retires by rotation be re-elected".

Special Business:

Resolution 3 – Issue and allotment of shares to Medivet Pty Ltd Shareholders Shareholders (Medivet)

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

"That approval is hereby given for the issue and allotment to the shareholders of Medivet Pty Ltd as set out in the Schedule to this Notice of Meeting of a total of 36,666,667 ordinary shares in the Company deemed fully paid within one month from the date hereof".

Voting Exclusion Statement:

In accordance with ASX Listing Rules 7.1, 10.1 and 14.11 and Section 224 of the Corporations Act 2001 the Company will disregard any votes cast on this resolution by a 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, a party to the transaction and an associate of that person.

However, the Company need not disregard a vote if:

(a) It is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
(b) 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.

Resolution 4 – Authority to issue and allot shares pursuant to Listing Rule 7.1A

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

"That pursuant to ASX Listing Rules 7.1A and 7.3A the Directors be authorised to issue and allot additional ordinary fully paid shares up to 10% of the Company's issued ordinary fully paid shares calculated in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 by placement(s) within twelve months from the date hereof at an issue price not less than 75% of the volume weighted average price for the Company's existing shares over the fifteen trading days prior to the date of issue thereof'.

(See explanatory memorandum for further information on the terms of issue and allotment of such shares)

By Order of the Board
Dated: 29 October 2013

Ian Mitchell
Director/Company Secretary

Schedule to Notice of Annual General Meeting of members of Medical Australia Limited to be held on 29 November 2013

Shareholder	Shares held in Medivet	Shares to be issued in MLA
Y.Z.J Trading Co Pty Ltd	14,007,619	25,680,636
Leslie & Gladys Sprankling	500,000	916,667
Andrea Brown	260,000	476,667
DB Genetics LLC	1,500,000	2,750,000
Adistem Ltd	500,000	916,667
David Petrowski	70,000	128,333
James Hackett	600,000	1,100,000
Kellie Murray	150,000	275,000
Bayman Marshall	100,000	183,333
Eco-City Pty Ltd	44,915	82,344
Gail Smith	21,486	39,354
Ian Mitchell Marketing Pty Ltd	120,000	220,000
Laurie Beaver	20,000	36,667
Robert Harborne	40,000	73,333
Robert Famolaro-Beytia	400,000	733,333
Delk Enterprises Inc.	800,000	1,466,667
Michael Hutchinson	400,000	733,333
Brooke Reed	20,000	36,667
Daryl Chipperfield	16,000	29,333
Kenneth McDonald	400,000	733,333
Andrew Walker	20,000	36,667
Andrew Marty	10,000	18,333
	20,000,020	**36,666,667**

PROXY FORM

I/We……………………………………………………………………………………………………

of………………………………………………………………………………………………………

being a member/members of Medical Australia Limited HEREBY APPOINT

or failing him, the Chairman of the Meeting, as my/our Proxy to vote for me/us and 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 Members of the Company to be held at 11.00 am on 29 November 2013 and at any adjournment thereof.

The Proxy is directed by me/us to vote as indicated by the marks in the appropriate voting boxes below:

Resolution		For	Against	Abstain
1	Adoption of Remuneration Report	☐	☐	☐
2	Re-Election of Ian Mitchell	☐	☐	☐
3	Issue of shares to Shareholders in Medivet Pty Ltd	☐	☐	☐
4	Authority to issue and allot shares pursuant to Listing Rule 7.1A.	☐	☐	☐

Important information if the Chairman of the Meeting is your proxy or is appointed as your proxy by default.

By marking this box, you are directing the Chairman of the Meeting to vote in accordance with the Chairman's voting intentions as set out below. If you do not mark this box, and you have not directed your proxy how to vote, the Chairman of the Meeting will not cast your votes on the resolutions and your votes will not be counted in computing the required majority if a poll is called on this resolution. If you appoint the Chairman of the Meeting as your proxy you can direct the Chairman how to vote by either marking the voting box above (for example if you wish to vote for, against or abstain from voting) or by marking the box below (in which case the Chairman of the Meeting will vote in favour of each resolution on your behalf)

The Chairman of the Meeting intends to vote all available proxies in favour of each resolution.

☐ I/We direct the Chairman of the Meeting to vote in accordance with the Chairman's voting intentions (except where I/we have indicated a different voting intention).

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

Dated this . . . . . . day of 2013

Signatures of Securityholder(s).

Individual Securityholder(s)	Sole Director & Company Secretary	Director/Company Secretary

Proxy Form

For your vote to be effective it must be received by 11:00 am AEST on 27 November 2013.

How to Vote on Items of Business

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

Appointment of Proxy

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

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

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

A proxy need not be a security holder of the Company.

Signing Instructions

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

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

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

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

Attending the Meeting
Bring this form to assist registration. If a representative of a corporate security holder or proxy is to attend the meeting you will need to provide the appropriate Certificate of Appointment of Corporate Representative" prior to admission.

Lodgement of Proxy Appointment Form
Proxy Appointment Forms and proxy appointment authorities, for example, the original or a certified copy of the power of attorney (if the Proxy Appointment Form is signed by an attorney) must be received:

- at Level 11, 37 Bligh Street, Sydney: or
- by fax, on fax number +61 2 9233 3828.

not later than 48 hours before the time appointed for holding the Annual General Meeting.

Documents received after that time will not be valid for the scheduled meeting.

Notes

The Explanatory Memorandum accompanying and forming part of this Notice of Annual General Meeting provides additional information on matters to be considered at the Annual General Meeting. The Explanatory Memorandum and the proxy form are part of this Notice of Annual General Meeting.

Entitlement to vote

In accordance with regulation 7.11.37 of the Corporations Regulations 2001 (Cth), for the purposes of determining voting entitlements at the Annual General Meeting, shares will be taken to be held by the persons who are the registered holders at 5.00 pm AEDT on 27 November 2013. Accordingly, share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the Annual General Meeting.

Proxies

1. A member entitled to attend and vote at the Annual General Meeting convened by this Notice of Meeting has a right to appoint a proxy to attend and vote instead of the member. The appointment of a proxy may specify the proportion of the number of votes that the proxy may exercise. Fractions of votes will be disregarded.

2. A proxy need not be a member and can be either an individual or a body corporate. If a member appoints a body corporate as a proxy, that body corporate will need to ensure that it:

    - appoints an individual as its corporate representative to exercise its powers at the meeting, in accordance with section 250D of the Corporations Act 2001 (Cth); and

    - provides satisfactory evidence of the appointment of its corporate representative prior to commencement of the meeting.

If such evidence is not received before the meeting, then the body corporate (through its representative) will not be permitted to act as a proxy.

3. A member that is entitled to cast two (2) or more votes may appoint up to two (2) proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If no proportion or number is specified, each proxy may exercise half of the shareholder's votes. Fractions of votes will be disregarded.

4. Appointment of a proxy by a member being a natural person must be under the hand of the member or of an attorney appointed in writing by the member.

5. Appointment of a proxy by a member being a body corporate must be under the

common seal of the body corporate or under the hand of an attorney appointed in writing by the body corporate.

6. If signing under a power of attorney, the power of attorney must be deposited at the Company's registered office for inspection and return, when the proxy is lodged.

7. To vote by proxy, please complete and sign the proxy form enclosed and return it to the Company's registered office:

C/- Websters
Level 11, 37 Bligh Street,
Sydney NSW 2000

OR

by facsimile: 02 9233 3828 International: +61 2 9233 3828

by no later than 11.00am AEDT on 27 November 2013.

Medical Australia Limited
ACN 096 048 912

Explanatory Memorandum

This Explanatory Memorandum has been prepared to assist members to understand the business to be put to members at the Annual General Meeting to be held at the Offices of Gould Ralph, Level 42, Suncorp Place, 259 George Street, Sydney, on Friday 29 November 2013 at 11.00 am AEDT.

Financial Report

The Financial Report, Directors' Report and Auditor's Report for the Company for the year ended 30 June 2013 will be tabled before the meeting and is enclosed with this Notice of Meeting. There is no requirement for shareholders to approve these reports, however, the Chair of the meeting will allow a reasonable opportunity for shareholders to ask questions about the conduct of the audit and the content of the Auditor's Report.

1. Adoption of Remuneration Report

The remuneration report of the Company for the financial year ended 30 June 2013 ("Remuneration Report") is set out on pages 21 to 22 of the Company's 2013 Annual Report. The Remuneration Report sets out the Company's remuneration arrangements for Directors, including the Managing Director and staff. The Chair of the meeting will allow a reasonable opportunity for shareholders to ask questions about or make comments on the Remuneration Report at the meeting.

In addition, shareholders will be asked to vote on the Remuneration Report. The vote on this resolution is advisory only and does not bind the Directors or the Company. However, if at least 25% of the votes cast are against the adoption of the Remuneration Report, the Company's next Remuneration Report must explain the Board's proposed action in response or explain why no action has been taken.

In the following year, if at least 25% of the votes cast on the resolution that the Remuneration Report be adopted are against adoption, shareholders will then vote to determine whether the Directors, excluding the Managing Director, will need to stand for re-election. If more than 50% of the votes cast on the resolution are in favour, a separate re-election meeting must be held within 90 days.

A vote on the resolution must not be cast (in any capacity) by or on behalf of either of the following classes of persons:

(a) A member of the key management personnel details of whose remuneration are included in the remuneration report;

(b) A closely related party of such a member.

However such a person may cast a vote on the resolution if:

(a) The person does so as a proxy appointed by writing that specifies how the proxy is to vote on the proposed resolution; and

(b) The vote is not cast on behalf of such a person.

2. Re-election of Ian Mitchell as a Director

Pursuant to Listing Rule 14.4, a Director must not hold office without re-election past the third Annual General Meeting following the Director's appointment or three years, whichever is longer. A Director who retires in accordance with these requirements is eligible for re-election.

Pursuant to article 58 of the Company's Constitution and the Corporations Act, Ian Mitchell retires by rotation and, being eligible, offers himself for re-election.

3. Issue and Allotment of Shares to Medivet Pty Ltd (Medivet)

(a) Structure of MLA

MLA has been listed as a public Company on the ASX Official List since 2004 (ASX:MLA). From time to time funds have been raised from the public by the issue and allotment of shares as well as the acquisition of similar businesses by the Company through a mixture of cash and shares in MLA. The total issued share capital is now 45,392,584 shares. All of these shares are listed on the ASX and are tradable. All issued shares are of the same class and are fully paid and carry the same voting entitlements. As at 30 June 2013 the cash equipment and assets of the Company totalled $445,800. There have been no unusual movements in such assets since that date.

(b) MLA Business

The company has grown through the merger of BMDI and Tuta in 2008 & Clements in 2009. MLA is a manufacturer & distributor of medical devices and consumables used in the healthcare industry including sterile and non-sterile medical plastics for use in surgery and transfusion as well as patient suction pumps and oxygen therapy devices. MLA operates in many international markets including Australasia, United Kingdom, Middle East, Europe and North America.

MLA has been a supplier to and currently manufactures centrifuges, water baths and IV sets for Medivet, sold under the Medivet brand. In addition MLA is currently Medivet's exclusive distributor in the UK which has provided MLA with a better understanding of the products supplied and specifications required for Medivet products. This relationship with Medivet has provided MLA with valuable insights into its markets and regulations which will aid the transition following the proposed purchase of Medivet.

(c) <u>The structure of Medivet Pty Ltd</u>

Medivet is an Australian incorporated private company with 22 shareholders. The Medivet shareholders will hold a meeting of that Company to approve the sale of the business and assets of Medivet to MLA in consideration of the issue and allotment of shares to the shareholders of Medivet by MLA as set out in the Schedule to the Notice of Meeting.

After the completion of such sale MLA will be the beneficial owner of all shares in and the business and assets of Medivet. The sale and purchase of the Medivet business and assets is dependent upon Medivet shareholders resolving to sell the Medivet business and assets to MLA and upon MLA raising $3,000,000 share placements pursuant to Resolution 4.

(d) <u>The Medivet Business</u>

Medivet is an Australian private company which has a distribution agreement with Adistem Limited which provides for it to have exclusive access to technology for regenerative stem cell technology for domestic animals and the equine industry. The company commenced operations in 2008 and has made substantial progress in providing services to pet owners and veterinary surgeons.

The main products of Medivet Pty Ltd are as follows:

i. <u>Adipose Stem Cell Procedure (ASCP) kit</u>

Medivet's ASCP Kit uses traditional surgical methods to harvest stem cells from an animal's adipose tissue. Using the ASCP Kit, up to 20-60 million cells per gram of fat can be harvested at a time, which can then be injected into the animal to stimulate the growth of bones, liver cells, nerves, and damaged tissues. In the past, through first generation technology utilised by Medivet competitors, this type of stem cell procedure yielded only hundreds of thousands of cells per gram. Medivet is now able to offer its veterinary clients the ability to obtain and set benchmarks in the regenerative medicine industry.

The ASCP Kit requires the veterinarian clinic to purchase of three pieces of equipment in order to offer this procedure on a same-day basis. Each piece of equipment has been designed by or for Medivet. Medivet subcontracts out the manufacturing of the equipment to GMP certified vendors. Each piece of equipment is tested for precision and quality before being sent to Medivet. The equipment comes with a full warranty for all veterinarians. An equipment item list is as follows:

- Medivet Cell Cycle 360 Centrifuge
- Medivet Shaking Hot Water Bath
- Medivet Stem Cell LED Activator (Medivet has obtained an exclusive license from Adistem, Ltd. for this patented product.)

ii. Autologous Conditioned Serum (ACS)

ACS contains anti-degenerative compounds such as Interleukin-I Receptor Antagonist Protein (IL-1ra). IL-1ra blocks the inflammatory mediator Interleukin-1 from binding to its receptor and triggering an inflammatory response that leads to tissue destruction. Another important component of Medivet ACS is Interleukin 10 (IL-10). Recent study of IL-10 validates its usefulness in limiting and ultimately terminating an inflammatory response. The ACS Technology is available through Medivet Laboratory Services.

iii. Platelet Rich Plasma Veterinary Surgical Kit

This kit contains all of the consumables and solutions necessary to enable Veterinarians to create a platelet-rich plasma solution with concentrated growth factors using the animal's own blood.

iv. Multi-Purpose Training System – MPTS360

The MPTS360 is a one-of-a-kind complete ultimate training system for Horses and Camels. The MPTS360 has capabilities to Nebulize medications through an ultrasonic jet nebulizer, perform oxygen therapy as well as Hypoxic and Hyperoxic training simulation (high-altitude simulation).

v. TB-500

TB-500 is a special sequence amino acid chain (7 amino acids) derived from the complete amino acid chain of Thymosin Beta 4 (43 amino acids). Thymosin Beta 4 is found in all human and animal cells, where it has been proven to encourage results in tissue and skeletal muscle repair and growth. The Company provides six 10mg vials of TB-500 and saline solution. TB-500 is primarily used for treating race horses in helping with cellular repair damaged from hard work, racing or competing. TB-500 is injected subcutaneously (subQ) once per week for 6 weeks.

vi. Clear Cough

This oral decongestant and expectorant helps clear the airways of horses suffering from viral or bacterial lung infections. Clear Scope liquefies mucus and congestion in the lungs and respiratory tract, allowing normal breathing to return.

vii. Vetrofen

A completely natural antioxidant, Vetrofen is composed of a blend of Scutellaria Baicalensis and Acacia Catechu botanical plant extracts, which offer quick and lasting immune-boosting effects. Vetrofen efficiently assists the body as it recovers from trauma and is ideal for the management of knocks and bumps associated with racing events and hard training.

viii. <u>SGF 1000 Activation (2ml or 10ml)</u>

The SGF 1000 Activation formula contains a combination of growth factors, peptides, proteins, and molecules from an ovine placental extract that can activate stem cells from a dormant state. The Activation solution can be used on its own without further treatment, as it may help in the repair and recovery of damaged cells without need of transplant. The SGF 1000 will be applied every 30 days as needed and costs about $400/ month and $200/ month, for a hose and small animal, respectively.

ix. <u>SGF 1000 Biological Breeding (2ml or 10ml)</u>

This solution contains a combination of peptides, selected proteins, and signaling molecules, all of which were obtained from the ovine placental extract. The biological breeding formula stimulates stem cells from a dormant state to an active state, allowing for significant levels of potency. The biological breeding solution is able to increase the fertility rates in animals. As a drug-free and chemical-free solution, the biological breeding formula is ideal for enhancing embryonic development and conception rates, as well as boosting an animal's immune system. The solution is taken every 30 days

x. <u>SGF 1000 Repair & Recovery (2ml or 10ml)</u>

The SGF 1000 Repair & Recovery uses fractionated ovine placental protein extract to assist with repairing and maintaining animals' muscles. SGF 1000 Repair & Recovery has been designed to assist with internal regeneration of cells, as well as accelerate repair to organs on a cellular level.

xi. <u>BioBute</u>

Bio-Bute is a specially formulated, all-natural pain-relief oil with strong penetrating pain relief properties. The product is applied topically.

Other products include animal hardware kits and consumables used in connection with the above.

(e) The present agreement for the purchase of the business and shares of Medivet approved by resolution of shareholders of MLA and Medivet at General Meetings of both companies is to be rescinded upon the approval of Resolution 3 by MLA Shareholders.

(f) The present agreement for the purchase of the business and shares of Medivet approved by resolution of shareholders of MLA and Medivet at General Meeting of both companies be rescinded upon the approval of Resolution of MLA Shareholders pursuant to Resolution 3.

(g) **The Officers of MLA**

There are four Directors on the Board of MLA:

Gary Lewis - Chairman

Gary Lewis holds both Bachelor of Commerce and a Masters of Business & Technology (MBT) degrees from the University of NSW. Gary has worked in senior management positions in some of Australia's largest organizations, including 15 years in the pharmaceutical industry. He has also worked with a number of Australian publicly listed companies over the past 11 years in advisory positions, with an emphasis on corporate strategy and business development. He is currently also a director of Robust Resources Limited and Reliance Resources Ltd.

Mr Lewis had been a Director since 24 November 2006 and was appointed Managing Director on 1 March 2007. He resigned as Managing Director in March 2010 and took-up a role as an Independent Non-Executive Director. He was appointed Chairman on 10 January 2012.

Mark Donnison – Managing Director & Chief Executive Officer

Mark Donnison has over 20 years of experience in the UK and Australian pharmaceutical industries, and has a successful pedigree in the areas of sales, marketing, business development and business administration. He was previously the company's General Manager of Sales and Marketing. Prior to joining Medical Australia, Mr. Donnison held the position of Director, National Pharmacy Business for Alphapharm. Alphapharm is Australia's largest prescription medicine supplier to the Pharmaceutical Benefits Scheme and a subsidiary of the American based Mylan Pharmaceuticals.

Mr Donnison was appointed CEO on 12 October 2009 and has been a Director since 30 June 2011.

Dr Geoff Cumming – Non Executive Director

Dr Geoffrey Cumming has significant healthcare industry experience and holds a Bachelor of Science degree from Swinbourne and Monash University, an MBA from Macquarie University and a PhD from Monash University. He has worked in the biotechnology, medical and healthcare markets for over 30 years and has extensive M&A, government and healthcare regulatory experience. Dr Cumming worked as Managing Director, Oceania for Roche Diagnostic Systems and is currently Chairman of Sienna Cancer Diagnostics and a Director of Anteo Diagnostics Limited.

Dr Cumming has been a Director since 23 January 2009.

Ian Mitchell – Director and Company Secretary

Ian Mitchell is a practising lawyer of over thirty five years standing. He has been a Director and Company Secretary of a number of publicly listed Mining and Industrial companies and his legal expertise is in commercial, contractual, ASIC and ASX compliance work. His academic qualifications are BA, Dip Law (Sydney).

Mr Mitchell was appointed Company Secretary on 16 October 2008 and has been a Director since 6 November 2008.

(h) **The largest shareholders of MLA as at 30 September 2013**

There are presently 581581 shareholders of the Company and the largest five shareholders, and the percentage of share capital owned by each as at 30 September 2013 is as follows:

Shareholder	Shares	Percentage of Capital
Mr Andrew Fay and Mrs Narelle Fay	8,871,648	19.5%
Mr Mark Donnison & Mrs Suzanne Donnison	2,239,367	4.9%
Mr Gary Lewis and Karen Schumer	2,039,000	4.5%
Victor Hoog Antink	1,887,500	4.2%
Mrs Rasa Roberts	1,195,638	2.6%

(i) **The proposal**

The Company has entered into a Shareholders Sale and Purchase Agreement with Medivet Shareholders and a Business Sale Agreement with Medivet under which it will acquire 100% of the Medivet issued share capital, business and business assets. This agreement is subject to the approval of MLA and Medivet shareholders. Under the terms of the Sale and Purchase Agreement, MLA agrees to issue and allot 36,666,667 ordinary fully paid shares to Medivet Shareholders within one month of approval by shareholders of MLA of resolution 3 to be considered at the meeting. The agreed value for each of such shares is $0.30 making a total of $11,000,000 as the value of the sale consideration (the present agreement for issue and allotment of MLA Shares to Medivet Shareholders will be rescinded upon MLA Shareholders approval of this proposal).

The shares proposed to be issued to Medivet Shareholders pursuant to Resolution 3 are to be escrowed as to 100% thereof for twelve months and as to 50% thereof for twenty four months and classed as voluntarily restricted securities for those periods under ASX Listing Rule 9.

Acceptance at a General Meeting by at least 90% of all Medivet Shareholders of the terms of the share consideration is a condition precedent to the sale and purchase proceeding as set out in the agreements.

The raising of a further $3,000,000 equity capital by MLA by placements of shares subject to shareholder approval pursuant to Resolution 4 is also a condition precedent to the sale and purchase proceeding.

Under the regulatory regime which applies to transactions of the nature of the issue and allotment of shares proposed by resolution 3 it is most desirable that an expert's opinion on the merits of the share issue be made available to shareholders. The Directors have, accordingly, commissioned Andrew Hoffmann of Nexia Court Financial Solutions Pty Ltd, Chartered Accountants to provide a report to MLA shareholders on the proposed share issue to Medivet (The Nexia Report). This report is annexed to this Explanatory Memorandum. Andrew Hoffmann of Nexia Court Financial Solutions Pty Ltd consents to the inclusion of the report in this explanatory memorandum. The Directors draw shareholders' attention to the conclusions of the Nexia Report as set out therein.

All Directors of MLA recommend that shareholders vote in favour of the share issue proposed by Resolution 3 and intend to vote all the Company's shares controlled by them in favour of each Resolution.

The Directors are all of the view that the information provided during their due diligence enquiries into the purchase of Medivet and its business and assets justify the proposed future planned expenditure in relation thereto and no Director of MLA has or will acquire any interest in Medivet as a result of the proposed acquisition other than as an existing shareholder in MLA.

The deemed issue price proposed for the shares to be issued and allotted pursuant to Resolution 3 is believed by Directors to be reasonable considering current market conditions, the otherwise likely costs of further capital raising and to ensure a degree of certainty for the conduct of the continuing development and growth of the MLA Business.

(a) <u>Pro Forma Financial position and capital structure post issue</u>

i. Financial Performance

The Directors do not consider it appropriate to make any forecast as to the effect of the proposed share issue and placements on the future performance of the Company because of the scale of uncertainties as to the impact that the use of funds arising from the proposed issue may have on future financial performance and variations to international and local trading conditions in relation to product availability, market requirements, future developments in technology, regulatory framework and exchange rates.

ii. Capital Structure

After issue of the shares pursuant to Resolution 3, the capital structure of the Company will be as follows:

Ordinary Shares

Existing Shares	45,392,583
Shares issued to Medivet	<u>36,666,667</u>

TOTAL 82,059,250

iii. The largest five shareholders after issue of shares to Medivet will be:

Shareholder	Shares	Percentage of Capital
Y.Z.J Trading Co Pty Ltd	25,680,636	25.16%
Andrew Fay & Narelle Fay	8,871,648	8.69%
DB Genetics LLC	2,750,000	2.69%
Mark Donnison & Suzanne Donnison	2,239,367	2.19%
Gary Lewis & Karen Schumer	2,039,000	2.00%

(the above share numbers and percentages assume no other relevant share issues or transfers take place).

iv. Changes to Board of Directors

It is intended that the following additional Director will be appointed following completion of the acquisition of Medivet business and assets:

Jeremy Delk – CEO – Medivet America LLC and Executive Director
Jeremy Delk is responsible for the strategic vision of Medivet and has overseen the operations of the Company since its formation in 2010.

Mr Delk has been a successful entrepreneur since early 2000's with a keen eye for innovative new products, technologies and unexploited market niches Mr Delk's family has owned race horses for more than four decades. He learned of Medivet Pty Ltd in 2008 and formed a partnership with the then principals of Medivet for the manufacture and sale of veterinary and natural therapeutic products in North America.

v. Conflict of interest of directors

In the event that a conflict of interest arises, all Directors of MLA will be required to observe their respective legal and fiduciary obligations. The types of obligations that directors have are imposed by statute (eg. The Corporations Act) and the general law. Under the Corporations Act, a director of a public company must not be present at a directors' meeting while a matter in which the director has a material personal interest is being considered and must not vote on the matter. Under the Corporations Act directors must exercise their powers and discharge their duties in good faith in the best interests of the relevant corporation and for a proper purpose. Under the Corporations Act directors must not improperly use their position to gain an advantage for themselves or someone else or to cause detriment to the corporation. Under the general law directors are under a duty to act bona fide in the best interests of the company. Under the general law directors, like other fiduciaries, are required not to put themselves in a position where there is a conflict (actual or potential) between their personal interests and their duties to the company.

vi. Risk Factors

There are a number of risks, both company specific to MLA and general investment risks, which may materially and adversely affect the future operating and financial performance and financial condition of MLA and the value of the Company. While some of these risks can be mitigated by the use of appropriate safeguards and systems, many of them are outside the control of the Company and its Directors. There can be no guarantee MLA will achieve any objectives that are intended to arise from the issue of shares or that any projections or forecasts will eventuate.

(b) <u>ASX Listing Rules Requirements – Rule 7</u>

Under Rule 7.1 of the ASX Listing Rules there is a limitation on the capacity of a company to enlarge its capital by the issue of equity securities in any 12 month period. The limitation is 15% per annum without shareholder approval.

The issue of the shares the subject of Resolution 3 would exceed that limit.

Accordingly one of the purposes of Resolution 3 is to meet the requirements of Rule 7.1 of the ASX Listing Rules that an issue of securities can exceed the 15% threshold referred to above if the issue receives the prior approval of the holders of ordinary securities in the Company by ordinary resolution.

Therefore, approval is sought for the issue of shares to Medivet Shareholders (Resolution 3) for the purposes of Rule 7.1 of the ASX Listing Rules.

Listing Rule 7.3 contains certain requirements as to the contents of a notice sent to Shareholders for the purposes of ASX Listing Rule 7.1 and the following information is included in this Explanatory Memorandum for that purpose:

- The maximum number of securities to be issued pursuant to Resolution 3 is 36,666,667 shares
- The shares will be issued and allotted no later than one month after approval by the meeting
- The issue price of the shares to be issued has been determined at $0.30 per share
- No cash is being paid for the shares to be issued pursuant to Resolution 3.
- The allottees of the shares issued pursuant to Resolution 3 are as set out in the schedule to the Notice of Meeting
- The shares that will be issued pursuant to Resolution 3 will be issued on the same terms and conditions as existing shares and will from the date of issue

rank equally in all respects with all of existing shares of the Company including the right to participate in any dividends paid or declared after the date of issue

(c) Corporations Act – Chapter 2E

Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a related party.

Pursuant to subsection 228(2)(b) of the Corporations Act any director of the Company is also a related party of the Company.

Pursuant to Section 228(6) of the Corporations Act any person or entity whom the Company believes will become a related party in the future is a related party.

Whilst no present Director of MLA is a related party, Jeremy Delk (by reason of his association with Delk Enterprises Inc) is deemed to be a related party because of the Company's proposal to appoint him as a Director of MLA after the proposed Medivet business and asset acquisition is completed as he is presently associated with a shareholder of Medivet.

The definition of what constitutes giving a financial benefit is broad and does not necessarily involve paying money. It includes buying or selling assets and issuing securities. It includes giving financial benefits indirectly, for example, through one or more interposed entities.

Section 229(1)(c) of the Corporations Act provides that in determining whether a financial benefit is given to a related party any consideration that is or may be given for that benefit is to be disregarded, even if it is adequate.

Section 208 of the Corporations Act provides an exemption from the prohibition contained in Chapter 2E and provides that a public company may give a financial benefit to a related party if a resolution of the shareholders of the public company permits the benefit to be given, and the resolution was passed at a general meeting of the public company held within 15 months before the public company gives the benefit and if the conditions prescribed by Division 3 of Part 2E.1 of the Corporations Act have been satisfied in relation to the resolution.

The resolution is intended to satisfy these requirements in relation to the "related party" aspects of the issue of the shares. For these purposes as required by Section 211 of the Corporations Act the Company discloses that:

i. **The related parties to whom the proposed resolution would permit financial benefits to be given:**
Jeremy Delk

ii. **The nature of the financial benefits:**

The issue and allotment of shares in MLA to Delk Enterprises Inc (as shown in the schedule to the Notice of Meeting) as consideration for the sale of its shareholding in Medivet to MLA..

iii. **In relation to each Director of the Company:**

A. If the Director wanted to make a recommendation to members about the proposed resolution – the recommendation and his reasons for it; or

B. If not – why not? Not applicable.

iv. **In relation to each Director whether the Director had an interest in the outcome of the proposed resolution:**

An interest as an associate of a shareholder in Medivet and proposed Director of MLA.

v. All other information that is reasonably required by members in order to decide whether or not it is in the Company's interest to pass the proposed Resolution and is known to the Company or any of its Directors. Other than as set out elsewhere in this Explanatory Memorandum and its annexures there is no such further information considered by the Directors to be relevant

(d) <u>Corporations Act – Sections 606 and 611</u>

Section 606(1) of the Corporations Act provides that a person (in this case YZJ Trading Co Pty Ltd – a shareholder in Medivet Pty Ltd) must not acquire a relevant interest (over 20% of the issued voting shares) in a listed Company (MLA) unless one of the exceptions set out in Section 611 applies to such acquisition.

YZJ Trading Co Pty Ltd will acquire a 25.16% interest in the issued voting shares of MLA if resolution 3 is approved by shareholders of MLA. Exception 7 to Section 611 provides that an acquisition previously approved by a resolution of a general meeting of the person from which the acquisition is to be made (MLA) is exempt from the provisions of Section 606(1) provided no votes are cast in favour of such resolution by the acquiring person (YZJ Trading Co Pty Ltd).

One of the purposes of Resolution 3 is to satisfy the above provisions of the Corporations Act.

(e) <u>ASX Listing Rules Requirements – Rule 10</u>

ASX Listing Rule 10 provides that a Company may not acquire a substantial asset from a related party without the approval of its shareholders. Jeremy Delk is a related party by virtue of them being associated with shareholders of Medivet. Such acquisition (the acquisition of Medivet Pty Ltd and its business and business assets) is a substantial asset as the value thereof exceeds 5% of the total equity interests of the Company. The Company is therefore seeking the approval of shareholders to this acquisition under Listing Rule 10.1 to the extent that it is (in part) an acquisition from a related party.

4. Authority to issue and allot shares pursuant to Listing Rule 7.1A

4.1 General

Listing Rule 7.1A enables entities to issue Equity Securities up to 10% of their issued share capital through placements over a 12 month period after the Annual General Meeting (10% Placement Facility). The 10% Placement Facility is in addition to the Company's 15% placement capacity under Listing Rule 7.1.

An eligible entity for the purposes of Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of $300 million or less. The Company is an eligible entity.

The Company is now seeking shareholder approval by way of a special resolution to have the ability to issue Equity Securities under the 10% Placement Facility.

The exact number of Equity Securities to be issued under the 10% Placement Facility will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to Section 4.2(c) below).

The Company may use the 10% Placement Facility to acquire new business assets or investments, as part of the consideration for the acquisition of further business assets and/or for the working capital needs of the Company.

4.2 Description of Listing Rule 7.1A

(a) **Shareholder approval**
The ability to issue Equity Securities under the 10% Placement Facility is subject to shareholder approval by way of special resolution at an Annual General Meeting.

(b) **Equity Securities**
Any Equity Securities issued under the 10% Placement Facility must be in the same class as an existing quoted class of Equity Securities of the Company.

The Company, as at the date of the Notice, has on issue one class of Equity Securities, namely fully paid ordinary shares.

(c) **Formula for calculating 10% Placement Facility**
Listing Rule 7.1A.2 provides that eligible entities which have obtained shareholder approval at an Annual General Meeting, a number of Equity Securities calculated in accordance with the following formula:

$$(A \times D) - E$$

A is the number of shares on issue 12 months before the date of issue or agreement:

(A) Plus the number of fully paid shares issued in the 12 months under an exception in Listing Rule 7.2;
(B) Plus the number of partly paid shares that became fully paid in the 12 months;
(C) Plus the number of fully paid shares issued in the 12 months with approval of holders of shares under Listing Rule 7.1 and 7.4. This does not include an issue of fully paid shares under the entity's 15% placement capacity without shareholder approval;
(D) Less the number of fully paid shares cancelled in the 12 months.

Note that A is has the same meaning in Listing Rule 7.1 when calculating an entity's 15% placement capacity.

D is 10%.

E is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1.A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with the approval of shareholders under Listing Rule 7.1 or 7.4.

(d) **Listing Rule 7.1 and Listing Rule 7.1A**
The ability of an entity to issue Equity Securities under Listing Rule 7.1A is in addition to the entity's 15% placement capacity under Listing Rule 7.1.

At the date of this Notice, the Company has on issue 45,392,584 shares and therefore has a capacity to issue:

(i) 6,808,887 Equity Securities under Listing Rule 7.1; and
(ii) Subject to shareholder approval being sought under Resolution 4, 4,539,258 Equity Securities under Listing Rule 7.1A

The actual number of Equity Securities that the Company will have capacity to issue under Listing Rule 7.1A will be calculated at the date of issue of the Equity Securities in accordance with the formula prescribed in Listing Rule 7.1.A.2 (refer to Section 3.2(c) above).

(e) **Minimum Issue Price**
The issue price of Equity Securities issued under Listing Rule 7.1A must be not less than 75% of the VWAP of Equity Securities in the same class calculated over the 15 Trading Days immediately before:

(i) The date on which the price at which the Equity Securities are to be issued is agreed; or
(ii) If the Equity Securities are not issued within 5 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are

issued.

(f) **10% Placement Period**
Shareholder approval of the 10% Placement Facility under Listing Rule 7.1A is valid from the date of the annual general meeting at which the approval is obtained and expires on the earlier to occur of:

(i) The date that is 12 months after the date of the Annual General Meeting at which the approved is obtained; or
(ii) The date of the approval by shareholders of a transaction under Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking),

4.3 Listing Rule 7.1A

The effect of Resolution 4 will be to allow the Directors to issue the Equity Securities under Listing Rule 7.1A during the 10% Placement Period without using the Company's 15% placement capacity under Listing Rule 7.1.

Resolution 4 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

4.4 Specific Information required by Listing Rule 7.3A

Pursuant to and in accordance with Listing Rule 7.3A, information is provided in relation to the approval of the 10% Placement Facility as follows:

(a) The Equity Securities will be issued at an issue price of not less than 75% of the VWAP for the Company's Equity Securities over the 15 Trading Days immediately before:

(i) The date on which the price at which the Equity Securities are to be issued is agreed; or
(ii) If the Equity Securities are not issued within 5 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are issued.

(b) If Resolution 4 is approved by Shareholders and the Company issues Equity Securities under the 10% Placement Facility, the existing Shareholders' voting power in the Company will be diluted as shown in the table below. There is a risk that:

(i) The market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date of the Meeting; and

(ii) The Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date or the Equity Securities are issued as part of consideration for the acquisition of a new asset,

which may have an effect on the amount of funds raised by the issue of the Equity Securities.

The table below shows the dilution of existing Shareholders on the basis of the current market price of Shares and the number of ordinary securities for variable 'A' calculated in accordance with the formula in Listing Rule 7.1A(2) and assuming that the shares proposed to be issued and allotted pursuant to Resolution 3 are so issued and allotted .

The table also shows:

(i) Two examples where variable 'A' has increased, by 50% and 100%. Variable 'A' is based on the number of ordinary securities the Company will have on issue after the issue of shares contemplated by Resolution 3. The number of ordinary securities on issue may increase as a result of issues of ordinary securities that do not require Shareholder approval (for example, a pro rata entitlements issue or scrip issued under a takeover offer) or specific placements under Listing Rule 7.1 that are approved at a future Shareholders' meeting; and

(ii) Two examples of where the issue price of ordinary securities has decreased by 50% and increased by 50% as against the current market price.

Variable 'A' in Listing Rule 7.1A2		Dilution		
		$0.11 50% decrease in Issue Price	$0.22 Issue Price	$0.44 100% increase in issue price
Current Variable A * 82,059,250 shares	10% Voting Dilution	8,205,925	8,205,925	8,250,925
	Funds raised	$902,651	$1,805,303	$3,610,606
50% Increase in current Variable A * 122,588,875 Shares	10% Voting Dilution	12,258,887	12,258,887	12,258,887
	Funds	$1,348,427	$2,696,955	$5,393,910

	raised			
100% increase in current Variable A * 164,118,500 Shares	10% Voting Dilution	16,411,850	16,411,850	16,411,850
	Funds raised	$1,805,303	$3,610,607	$7,221,214

The table has been prepared on the following assumptions

(i) The Company issues the maximum number of Equity Securities available under the 10% Placement Facility.
(ii) The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example is 10%.
(iii) The table does not show an example of dilution that may be caused to a particular shareholder by reason of placements under the 10% Placement Facility, based on that Shareholder's holding at the date of the Meeting.
(iv) The table shows only the effect of issues of Equity Securities under Listing Rule 7.1A and not under the 15% placement capacity under Listing Rule 7.1.
(v) The issue price is $0.22 being the closing price of the Shares on ASX on 8 October 2013.
(vi) * Including that the shares proposed to be issued pursuant to Resolution 3 have been issued.

(c) The Company will only issue and allot the Equity Securities during the 10% Placement Period. The approval under Resolution 4 for the issue of the Equity Securities will cease to be valid in the event that Shareholders approve a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities or Listing Rule 11.2 (disposal of main undertaking).

(d) The Company may seek to issue the Equity Securities for the following purposes:

(i) Non-cash consideration for the acquisition of new business assets and investments. In such circumstances the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3; or

(ii) Cash consideration. In such circumstances, the Company intends to use the funds raised towards an acquisition of new business assets or investments (including expenses associated with such acquisition), and/or general working capital.

The Company will comply with the disclosure obligations under Listing Rules 7.1A(4) and 3.10.5A upon issue of any Equity Securities.

The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Facility. The identity of the allottees of Equity Securities will be determined on a case-by-case basis having regard to the factors including but not limited to the following:

(i) The methods of raising funds that are available to the Company, including but not limited to, rights issues or other issues in which existing securities holders can participate;
(ii) The effect of the issue of the Equity Securities on the control of the Company;
(iii) The financial situation and solvency of the Company; and
(iv) Advice from corporate, financial and broking advisers (if applicable).

The allottees under the 10% Placement Facility have not been determined as at the date of this Notice but may include existing substantial Shareholders and/or new Shareholders who are not related parties or associates of a related party of the Company.

Further, if the Company is successful in acquiring new business assets or investments, it is likely that the allottees under the 10% Placement Facility will be the vendors of the new business assets of investments.

(e) The Company previously obtained Shareholder approval under Listing Rule 7.1A at its last Annual General Meeting on 8 November 2012. No shares were issued or allotted pursuant to such approval.

(f) Voting exclusion statement is set out hereunder. At the date of the Notice, the Company has not approached any particular existing Shareholder or security holder or an identifiable class of existing security holder to participate in the issue of the Equity Securities. No existing Shareholder's votes will therefore be excluded under the voting exclusion in the Notice.

4.5 Voting Exclusion Statement

The Company will disregard any votes cast on Resolution 4 by:

- A person who may participate in any issue of the shares and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of the shares, if the resolution is passed; and

- An associate of that person.

However, the Company need not disregard a vote if:

- It is cast by a person as 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.

Dated: 29 October 2013

Ian B. Mitchell
Director/Secretary

australia

the next solution

Medical Australia Limited

Independent Expert's Report

28 October 2013

Private & Confidential

The Directors

Medical Australia Limited
Level 17, 275 Alfred Street
NORTH SYDNEY NSW 2060

Dear Sirs,

Independent Expert's Report

The directors of Medical Australia Limited (**"MLA" or "the Company"**) have requested Nexia Court Financial Solutions Pty Limited (**"Nexia"**) to prepare an Independent Expert's Report in relation to the acquisition of 100% of the issued ordinary shares of Medivet Pty Limited ("**Medivet**").

1 Introduction

1.1 Background

On 21 August 2012, the Company entered into a Heads of Agreement with Medivet to acquire 100% of its issued ordinary shares.

Subsequent to this, and announced on 6 June 2013, MLA entered into a Share Sale and Purchase Agreement (**"SSPA"**) with the shareholders of Medivet (**"Vendors"**) to acquire 100% of Medivet's issued ordinary shares (**"Sale Shares"**). This was to be satisfied by way of a cash payment of $5,000,000 and the issue of 16,666,667 new ordinary shares in MLA.

Nexia was requested to prepare an Independent Expert's Report based on the above agreement. The report was released to the market on 12 June 2013 and the conclusion reached that the proposal was not fair but reasonable. This report formed part of the Notice of Meeting information sent to shareholders in relation to a general meeting of shareholders held on 15 July 2013.

At this meeting the resolution to approve the acquisition of the Sale Shares for the consideration of $5,000,000 and the issue of 16,666,667 MLA shares was approved by shareholders.

A precondition of this original transaction was the raising of no less than $7,500,000 through the issue of new MLA shares. This did not occur and the transaction did not complete. As a result the directors of MLA negotiated different terms with the Medivet Shareholders in order to acquire Medivet.

On 24 September 2013 the company announced a new agreement had been signed with Medivet. The proposed acquisition of the Sale Shares will now be satisfied by the issue of

36,666,667 new ordinary shares in MLA (**"Consideration Shares" or "the Consideration)**.

The acquisition of the Sale Shares for the Consideration is referred to in this report as the **"Proposal"**.

All currency references in the report are in Australian dollar.

1.2 Purpose of this Report

MLA is a public company listed on the ASX. The proposed acquisition of Medivet is a substantial asset for MLA. The directors of MLA have requested that an Independent Expert's Report is to be prepared to ensure they have met their statutory requirements as detailed below.

ASX Listing Rules Requirements

MLA is listed on the Australian Stock Exchange Limited ("ASX"). ASX Listing Rule 10.1 prohibits an entity from acquiring a substantial asset from, or disposing of a substantial asset (as defined) to, a person in a position to influence the entity (as defined) or an associate of such a person, without the approval of holders of the entity's ordinary securities. ASX Listing Rule 10.11 prohibits an entity from issuing or agreeing to issue equity securities to a related party, without the approval of the holders of the entity's ordinary securities.

Per the Notice of meeting, one of the Vendors, Mr. Jeremy Delk, is a director and shareholder of Delk Enterprises and will be appointed a Director of MLA post-acquisition. Mr Delk is therefore a related party for the purposes of ASX Listing Rules 10.1 and 10.11 and also for the purposes of Chapter 2E of the Corporations Act (refer below).

A substantial asset is defined by ASX Listing Rule 10.2 as an asset with a value of 5% or more of the equity interests of MLA, as set out in the latest accounts given to ASX under the listing rules. The term "equity interests" is defined as: *"the sum of paid up capital, reserves, and accumulated profits or losses, disregarding redeemable preference share capital and outside equity interests, as shown in the consolidated financial statements"*.

The value of the asset being acquired under the Proposal, being the shares of Medivet is greater than the 5% equity interests in MLA.

Chapter 2E of the Corporations Act

Section 208 of the Corporations Act prohibits a public company from providing a financial benefit to a related party without obtaining prior approval of the shareholders, unless the arrangement meets specified exceptions, including if the parties are dealing on arm's length terms.

As above, Mr Delk is a related party and the payment to him for his Medivet shares of the Consideration would constitute the giving of a financial benefit to a "related party" for the purposes of Chapter 2E of the Corporations Act.

Sections 218, 219 and 221 of the Corporations Act require a public company wishing to obtain shareholder approval of a related party Proposal subject to Chapter 2E of the Corporations Act to provide such shareholders with all information that would reasonably be required by shareholders in order to enable them to decide whether or not it is in the public company's interest to approve the related party Proposal.

This obligation may be satisfied by commissioning an Independent Expert to Report on whether the proposal is “fair" and "reasonable” to the non associated MLA Shareholders, as those terms are defined in RG 111.

Chapter 6 of the Corporations Act

Section 606(1) of the Act prohibits the acquisition of an interest in the voting capital of a company without making a formal takeover offer where a person’s interest increases from below 20% to more than 20%.

Item 7 in the Exemptions Table of Section 611 of the Act provides an exemption to the Section 606 prohibition if the acquisition is approved by a majority of shareholders at general meeting and no votes are cast by associates in respect of the shares held by them.

If the shares under the Proposal are issued, Y.Z.J. Trading Co Pty Ltd (the major shareholder of Medivet) will acquire an interest in the issued voting shares of MLA of approximately 26%.

As Y.Z.J. Trading Co Pty Ltd’s interest in MLA will exceed 20%, the Company requires the approval of the non associated shareholders in order to implement the Proposal.

So that shareholders may be fully informed in accordance with the provisions of ASIC Regulatory Guides, the directors of MLA have engaged Nexia to prepare an Independent Expert’s Report for the shareholders of MLA not associated with the Proposal (**“non associated shareholders”**) in relation to the Proposal. The scope of the Report is to consider if the Proposal is fair and/or reasonable to the non associated shareholders.

Due to the time that has lapsed since our original report and the new structure of the Proposal, this report has been prepared as a standalone report based on the updated transaction and financial information of the entities. No reliance is to be placed on any of the information or view provided in our original report

This report is intended to assist shareholders in their consideration of the proposed resolutions relating to the Proposal to be placed before the shareholders at the Annual General Meeting to be held on 29 November 2013. Details of the proposed resolutions are included in the company’s Notice of Meeting. This Report will accompany the Notice of Meeting to be sent to shareholders.

2 Summary and Opinion

2.1 General

We have considered the terms of the Proposal as outlined in the Notice of Meeting and in this Report and as a result of our review and considering all of the factors we are of the opinion that **the Proposal is not fair but is reasonable** for the non associated shareholders of MLA and they are likely to be better off if it is approved at the meeting of shareholders.

We consider that the directors are justified in submitting the Proposal to Shareholders.

In forming our view we have had regard to the fair value of the securities of MLA, the fair value of Medivet, the financial impact and other qualitative aspects of the Proposal for non associated MLA shareholders, including the advantages and disadvantages of the Proposal.

2.2 Fairness (quantitative assessment)

We consider the **Proposal is not fair**.

ASIC Regulatory Guide 111 prescribes that under its convention an offer is fair '*if the offer price or consideration is equal to or greater than the value of the securities subject of the offer*'. RG 111 also recommends the use of two valuation methodologies to reduce the risk of a distorted value. We have undertaken this approach.

Value of the Consideration

In forming our view on the value of the Consideration we have considered the price at which the shares have traded on the ASX, as well as the value based on its net asset backing.

General convention is that quoted market price in an active market is the best evidence of fair value and should be used for measurement[1]. However, where there is a relatively inactive market, the traded market price may not be the best measure.

The value determined from analysis of the net asset value and market price approach of MLA indicates a valuation range of **10.1** to **10.6** cents per share. Refer to **section 8.1**[2]

As a result we have determined the value of the Consideration to be in the range of **$3,703,000 to $3,887,000**. Refer to **section 8.2**.

Value of 100% of the ordinary shares of Medivet Pty Limited

In forming our view on the value of the Sale Shares we have considered the capitalisation of future maintainable earnings and the net asset value of the business valuation methodologies.

We have assessed the fair market value of 100% of the issued shares in Medivet on a controlling interest basis to be in the range of approximately **$1,601,000 to $2,172,000, with a midpoint of approximately $1,886,500.** Refer to **section 9.9**.

[1] *Lonergan – The Valuation of Businesses, Shares & Other Equity*

[2] *The valuation on the cents per share has been calculated on a post consolidation basis. Refer to section 5.3.*

Control Premium
We do not consider approval of the Proposal will bring about a change of control of the Company. The maximum interest that the Vendors can acquire is limited to 37.7%. Whilst this would mean the Vendors are collectively the Company's largest shareholder, and may place them in a position whereby they could exert influence, it does not pass control of MLA to Medivet. No single Vendor will hold more than 30% of the total issued shares in MLA. In these circumstances consideration of a control premium to non associated shareholders is not warranted.

2.3 Reasonableness (qualitative assessment)

We have considered if the Proposal is reasonable even though it is not fair. This involves the consideration of a number of quantitative and qualitative factors and advantages and disadvantages including:

- The likely financial impact on MLA if the Proposal is approved;
- the advantages and disadvantages of the Proposal to non associated shareholders; and
- the possible impact on MLA if the Proposal is not approved.

In assessing our opinion, if a Proposal is "fair and reasonable" it must also be "in the best interest" of non associated shareholders. Consequently, in our opinion, the Proposal is reasonable as, while not fair, it is likely to be in the best interest of MLA's shareholders.

In assessing the Proposal we have had regard to the following:

The Financial impact of the Proposal on MLA	▪ Completion of the Proposal is subject to MLA raising $3,000,000 from the public. This would generate an increase in much needed cash for the Company to extinguish liabilities on its balance sheet and provide additional working capital. ▪ Has a positive impact on the net asset backing per share. ▪ Potentially has a positive impact on earnings.
Advantages of the Proposal	▪ The approval of the Proposal will allow MLA to have exposure to the US market for veterinary services and biotechnology distribution. The US market is the largest in the world which provides significant opportunity to the company. ▪ Currently MLA is a distributor of medical devices with a limited market in Australia. The approval of the Proposal would allow MLA to extend its service offerings and diversify into the biotechnology products of Medivet. ▪ MLA has identified significant synergies between MLA and Medivet. This may have the potential to reduce costs in the administration, procurement and delivery of products, decreasing the net cash expenditure of the company. ▪ MLA is currently making significant cash flow losses and its auditors have issued an emphasis of matter in relation to the ability for it to continue as a going concern. The Proposal will allow for the acquisition of a profitable company that has the potential to provide positive cash flows to the Company.

	▪ Further detail on these and other advantages are set out in **section 10.3.1**.
Disadvantages of the Proposal	▪ The Proposal is not fair. ▪ Medivet and Medivet US are private companies with limited transparency. There is significant uncertainty in the financial information provided for the valuations performed. The value of the intangible asset in Medivet's financial statements has been difficult to obtain reasonable supporting data for and would be based on significant blue sky assumptions and aggressive growth expectations in the US. It is possible that the market will have a different view of value in relation to Medivet which may adversely impact MLA's share price following the Proposal. ▪ If the Proposal is approved, Medivet share holders will be issued with 36,666,667 fully paid ordinary shares representing 37.7% of the post Proposal MLA entity. This has a dilutive effect on the current shareholders of MLA in the event that the Company develops into a profitable operation. ▪ Further details on these disadvantages are set out in **section 10.3.2.**
If the Proposal in NOT approved	▪ The company has incurred losses and negative cash flows from operations. Without the raising of $3,000,000 funding from sophisticated investors which is a condition precedent to the Proposal, the company may still need to proceed with the capital raising or obtain alternate funding in order to continue as a going concern in its current structure. ▪ Over the last 4 months post the original announcement (6 June 2013), the share price has increased significantly. MLA's volume weighted average price ("VWAP") pre announcement had ranged from a low of 10.1 cents to a high of 10.6 cents and post announcement has ranged from a low of 16.2 cents to a high of 19.7 cents. It is possible that should the Proposal not be approved, MLA share price would revert back to the levels experienced pre announcement. ▪ MLA will incur costs as a result of the Proposal that will not be able to be recovered.

On balance of all the relevant matters to be considered we are of the view that **the Proposal is reasonable**.

2.4 General disclosures and Limitations

2.4.1 Valuation Date

The valuation opinion is as at 30 June 2013 ("**Valuation Date**").

2.4.2 Changes in Market conditions

Our analysis and conclusions are based on market conditions existing at the date of this Report. A limitation of our conclusion is that market conditions may change between the date of this Report and when the various aspects of the Proposal are concluded.

2.4.3 Individual shareholder circumstances

Acceptance or rejection of the Proposal is a matter for individual shareholders based upon their own views of value, risk, and portfolio strategy. MLA shareholders who are in doubt as to the action that they should take in relation to the Proposal should consult their professional advisor.

2.4.4 Entirety of Report

This summary opinion should be read in conjunction with and not independent of the remainder of this Report, which contains the following sections:

The Report should also be read in conjunction with the Notice of Meeting and Explanatory Memorandum to which this Report is attached. Terms in this Report are, unless otherwise noted, consistent with terms and description referred in the Notice of Meeting and Explanatory Memorandum.

This assignment is a valuation engagement as defined by APES 225 Valuation Services as issued by the Accounting Professional & Ethical Standards Board Limited. Valuation engagement means an engagement or assignment to perform a valuation and provide a valuation report where the independent expert is free to employ the valuation approaches, valuation methods, and valuation procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the engagement or assignment available to the independent expert at that time.

Yours faithfully

Nexia Court Financial Solutions Pty Ltd
Holder of Australian Financial Services Licence No. 247300

Andrew Hoffmann
Authorised Representative

3 Terms of the Proposal

3.1 Background

Full details of the terms of the Proposal are set out in Resolution 3 in the Notice of Meeting and Explanatory Memorandum, to which this Report is attached.

By way of summary, MLA has entered into a Shareholders Sale and Purchase Agreement with Medivet and a Business Sales Agreement under which it will acquire 100% of Medivet's issued shares. MLA has agreed to issue 36,666,667 MLA shares to current Medivet shareholders in consideration for the acquisition.

3.2 Conditions Precedent

Completion of the Business Sale Agreement (**"BSA"**) is subject to and conditional upon a number of stated conditions precedent (**"Conditions Precedent"**) being satisfied or waived at the sole discretion of MLA, including the following:

1. Both Medivet and MLA obtain all approvals required by their shareholders, their constitutions, the ASX Listing Rules, the Corporations Act and any other applicable law or regulation for the Proposal;
2. The results of MLA's due diligence review on Medivet being completed satisfactorily to MLA;
3. Each key executive and key management and MLA enters into consultancy agreements with MLA on terms and conditions agreed;
4. All licences have been duly obtained by Medivet and are in full force and effect and all reports, returns and other information required to be made or given in respect thereof, were duly made or given as at the completion date and there are will not be any circumstances which indicate to Medivet that any such licences, consents and permissions are likely to be revoked or not renewed in the ordinary course;
5. Medivet has fully discharged all of its obligations under any financial lease, operating lease or other similar arrangement affecting any Business Asset so that Medivet has clear and unencumbered title to, and has an unrestricted right to transfer, the assets to MLA;
6. The net difference between debtors and creditors together with cash at bank will at completion be at least $650,000;
7. The DMX International LLC (**"DMX"**) Agreement has been executed and is in good standing;
8. The Adistem Agreement has been executed and is in good standing;
9. MLA has raised a minimum of $3,000,000 from the public to extinguish liabilities on its balance sheet and provide additional working capital; and
10. All rights in all intellectual property of Medivet have been assigned to MLA.

3.3 Escrow

All Consideration Shares issued to Medivet under the Proposal will be escrowed for twelve months from the date of completion of the SSPA and 50% of the shares will be escrowed for a further 12 months, and classed as voluntarily restricted securities for those periods under ASX Listing Rule 9.

Purpose & Scope of Report

4.1 Purpose of the Report

This Report has been commissioned by MLA directors in order for the Company to comply with the Australian Securities and Investments Commission ("ASIC") guidelines in relation to the Proposal. The Notice of Meeting and Explanatory Memorandum, to which this Report is attached, sets out fully the Resolution required to be approved by members for the Proposal to proceed.

4.2 ASX Listing Rules Requirements

MLA is listed on the Australian Stock Exchange Limited ("ASX"). ASX Listing Rule 10.1 prohibits an entity from acquiring a substantial asset from, or disposing of a substantial asset (as defined) to, a person in a position to influence the entity (as defined) or an associate of such a person, without the approval of holders of the entity's ordinary securities. ASX Listing Rule 10.11 prohibits an entity from issuing or agreeing to issue equity securities to a related party, without the approval of the holders of the entity's ordinary securities.

Persons in a position to influence the entity

Persons in a position to influence MLA are defined to include a related party as defined in section 228 of the Corporations Act 2011 ("**Corporations Act**"), which includes:

- directors of MLA;
- spouses of such directors; and
- any entity, including a person, if the entity believes or has reasonable grounds to believe that it is likely to become a related party of MLA at any time in the future.

We understand that MLA has taken legal advice and it has been determined that one of the Vendors represents "persons in a position to influence" MLA under ASX Listing Rule 10.1 for the following reasons:

- Mr. Jeremy Delk ("Mr. Delk") is a director and shareholder of Delk Enterprises which is one of the shareholders of Medivet and will be appointed as a Director of MLA post-acquisition and therefore is a "related party" for the purposes of ASX Listing Rules 10.1 and 10.11 and also for the purposes of Chapter 2E of the Corporations Act (refer below).

Substantial asset

A substantial asset is defined by ASX Listing Rule 10.2 as an asset with a value of 5% or more of the equity interests of MLA, as set out in the latest accounts given to ASX under the listing rules. The term "equity interests" is defined as: *"the sum of paid up capital, reserves, and accumulated profits or losses, disregarding redeemable preference share capital and outside equity interests, as shown in the consolidated financial statements"*.

The value of the asset being acquired under the Proposal, being the shares of Medivet is greater than the 5% equity interests in MLA.

4.3 Corporations Act Requirements

Chapter 2E of the Corporations Act

Section 208 of the Corporations Act prohibits a public company from providing a financial benefit to a related party without obtaining prior approval of the shareholders, unless the arrangement meets specified exceptions, including if the parties are dealing on arm's length terms.

The term “financial benefit” is defined widely and includes Proposals that are on arm’s length terms.

Section 228 of the Corporations Act defines a “related party” of a public company as including:

- directors and their spouses;
- an entity (including an individual) that has reasonable grounds to believe it will become a related party in the future; and
- an entity (including an individual) if the entity acts in concert with a related party of the public company on the understanding that the related party will receive a financial benefit if the public company gives the entity a financial benefit..

Mr Delk is a director and shareholder of Delk Enterprises which is one of the shareholders of Medivet and will be appointed as a Director of MLA post-acquisition. Accordingly, he is deemed to be a “related party” for the purposes of Chapter 2E of the Corporations Act and the payment to him for his Medivet shares of the Consideration would constitute the giving of a financial benefit to a “related party” for the purposes of Chapter 2E of the Corporations Act.

Sections 218, 219 and 221 of the Corporations Act require a public company wishing to obtain shareholder approval of a related party Proposal subject to Chapter 2E of the Corporations Act to provide such shareholders with all information that would reasonably be required by shareholders in order to enable them to decide whether or not it is in the public company’s interest to approve the related party Proposal.

This obligation may be satisfied by commissioning an Independent Expert to Report on whether the proposal is “fair" and "reasonable” to the non associated MLA Shareholders, as those terms are defined in RG 111.

Chapter 6 of the Corporations Act

Section 606(1) of the Act prohibits the acquisition of an interest in the voting capital of a company without making a formal takeover offer where a person’s interest increases from below 20% to more than 20%; or from a starting point above 20% and below 90%. The interest of “associates” is aggregated for these purposes. Acquisition can be by way of transfer from other shareholders (purchase) or by way of issue of new securities (subscription).

Item 7 in the Exemptions Table of Section 611 of the Act provides an exemption to the Section 606 prohibition if the acquisition is approved by a majority of shareholders at general meeting and no votes are cast by associates in respect of the shares held by them.

MLA currently has 45,392,584 ordinary shares on issue. If the shares under the Proposal are issued, Y.Z.J. Trading Co Pty Ltd will acquire an interest in the issued voting shares of MLA of approximately 26% in the new issued voting shares of MLA.

As Y.Z.J. Trading Co Pty Ltd’s interest in MLA will exceed 20%, the Company requires the approval of the non associated shareholders in order to implement the Proposal.

4.4 Guidelines issued by ASIC on fair and reasonable

With respect to the meaning of fair and reasonable, ASIC has issued Regulatory Guide 111.

RG 111 states that the words “fair and reasonable” establish two distinct criteria to analyse and that it is not to be regarded as a compound phrase.

Using the principles of RG 111 states, the Proposal is 'fair' if the value of the consideration is equal to or less than the value of the securities to be acquired. This comparison should be made assuming 100% ownership of the 'target' and irrespective of whether the consideration is scrip or cash. The analysis should also be made assuming the Proposal is occurring between a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious seller acting at arm's length. Applying this methodology, we can determine that the Proposal is fair if the value of the consideration offered by MLA (36,666,667 ordinary issued MLA shares) is equal to or less than the value of the underlying assets being 100% of the issued ordinary shares in Medivet.

RG 111 states that an offer is 'reasonable' if it is fair. It might also be 'reasonable' if, despite being 'not fair', the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the close of the offer.

The methodology that we have used to form an opinion as to whether the Proposal is fair and reasonable, is summarised as:

- Fairness - we have considered the value of the script consideration to be paid and issued to Medivet. We have compared this to the underlying value of 100% of Medivet's ordinary shares. In undertaking this assessment we have also identified if MLA's non associated shareholders are likely to receive any premium for control.
- Reasonableness - we have analysed other significant factors, which shareholders should consider prior to accepting or rejecting the Proposal including the advantages and disadvantages of the Proposal and the alternatives available to MLA if the Proposal is not approved.

4.5 Basis of assessment

In undertaking our analysis and forming our opinion we have considered:-

- the value of the Consideration Shares to be issued to the Vendors having regard to quoted price history and underlying assets;
- the value of Medivet having regard to its operations and net asset value; and
- other qualitative and strategic issues associated with the Proposal.

4.6 No audit or review

The scope of the procedures we undertook in forming our opinions was limited to those procedures we believe are required in order to form our opinion. Our procedures did not include verification work nor constitute an audit or review or other assurance engagement in accordance with Australian Auditing and Assurance Standards.

4.7 Limitations of the Report

This Report has been prepared at the request of the directors for the purposes of assisting shareholders in their decision on whether or not to vote in favour of the Proposal.

The Report is not intended to serve any other purpose and should not be relied upon by any other person for any other purpose. In preparing this Report, Nexia has relied upon financial and other information provided by the Company and its advisers. Furthermore, we have relied upon the representations and opinions of management of the Company.

We believe that the information provided was reliable, complete and not misleading and there is no reason to believe that any material facts have been withheld, to the extent of the limitations detailed at **section 9.8**. However, we have not conducted any separate due diligence or audit of our own to assess the correctness or completeness of this information. Information, judgements and representations have been evaluated through analysis, enquiry and review to the extent practicable. However, it must be appreciated that such information is not always capable of external verification or validation.

The opinion of Nexia is based on economic market and other conditions prevailing on the date of this Report, such conditions can change significantly over a relatively short period of time.

4 Profile of MLA

5.1 Company Overview

MLA (formerly BMDI TUTA Healthcare) is an Australian listed company focused on the manufacture and delivery of medical devices and equipment for the healthcare industry.

MLA's history derives from two Australian companies, BMDI Limited and TUTA Healthcare, coming together to form BMDI TUTA Healthcare Pty Ltd in 2008.

BMDI Limited was an Australian company formed in 2001 to specialise in the development of products designed to reduce needle-stick injuries with a focus on safety injection, collection and needle destruction devices.

In March 2008, BMDI acquired the business and selected assets of TUTA Healthcare to form BMDI TUTA Healthcare Pty Limited, and in 2009, BMDI TUTA acquired the business of Clements Medical Equipment.

With the acquisition of TUTA and then Clements Medical Equipment, the decision was made to change the name of the listed company to Medical Australia Limited (ASX: MLA) at the end of 2009, in line with the acquisitive focus of the business and the need to better reflect the growing portfolio of companies owned by the business.

5.2 Future Directions

We have been advised by MLA directors that the company will not change its strategic direction and will continue to focus on the distribution of its products on the human health side of the business. This will remain an important and growing part of the business.

The Proposed transaction will allow the merged entity to expand on its distribution of the Medivet products in Australia and significantly in the US market.

The funds raised from the share issue are to be applied principally to extinguish liabilities on its balance sheet and provide additional working capital.

MLA has an acquisitive focus and will continue to expand their portfolio of companies in the medical consumables area based on key criteria of growth and global market potential.

In the immediate future MLA will focus on outsourced manufacture for major international medical companies (OEM), pursue further opportunities to license their intellectual property and continue to develop and source new products.

5.3 Share Capital

The Company currently has on issue 45,392,583 ordinary shares and 950,000 options over unissued shares. A reconciliation of the movement in capital between 30 June 2013 and the date of this Report is set out below. As per section 3.2, completion of the BSA is subject to and conditional upon MLA raising a minimum of $3,000,000 from the public to extinguish liabilities on its balance sheet and provide additional working capital. The table also includes the issue of these additional shares. In accordance with resolution 4, we have used an issue price calculated as the VWAP over the 15 trading days before 14 October 2013.

Table 1 – MLA Capital Structure

	No. Shares	No. Options	$ 000's
Balance – 30 June 2013	**453,925,832**	**950,000**	**18,476**
Consolidation of Capital 10:1			
Balance – 31 August 2013	**45,392,583**	**950,000**	**18,476**
Issue to Investors (resolution 3)	15,259,410	-	3,000
Issue to Vendors (resolution 3)	36,666,667	-	11,000
Total potential on issue	**97,318,660**	**950,000**	**32,476**

In total there are 585 Existing Shareholders in the Company and at 31 August 2013 the spread of shareholders on a consolidated basis was as follows:

Table 2 – Shareholder Spread

Range	Holders	Shares	% of Issued Capital
1 – 50,000	474	4,666,179	10.28%
50,000 – 500,000	87	12,644,464	27.86%
500,000 – 1,000,000	10	6,364,384	14.02%
1,000,000 – 1,500,000	8	8,768,864	19.32%
1,500,001 and over	6	12,948,693	28.52%
	585	45,392,584	100.00%

The top 20 shareholders hold a total of approximately 29.8 million shares, equivalent to 65.7% of total capital on issue. If the Proposal is approved and shares are issued, then the existing top 20 shareholders will be diluted down to approximately 30.6% of the total capital.

Table 3 sets out the top 5 shareholders at 31 August 2013 and the position if the number of shares under the Proposal are issued.

Table 3 - Top 5 shareholders

Holder	**Holding as % of Shares on Issue**	
	As at 31 Aug	**Issue of 51,926,077 shares**
1 Y.Z.J Trading Co Pty Ltd	-	26.4%
2 Mr Andrew Fay & Mrs Narelle Fay	19.5%	9.1%
3 Mr Mark Donnison & Mrs Suzanne Donnison	4.9%	2.3%
4 Mr Gary Lewis & Ms Karen Schumer	4.5%	2.1%
5 Mr Victor Hoog Antink	4.2%	1.9%

The 950,000 options consist of 700,000 director remuneration options and 250,000 employee share options. The existing 950,000 options have expiry dates ranging between 30 June 2014 and 3 September 2014, and exercise prices of 50 to 80 cents. Given the fact that the existing options are significantly 'out of the money', the analysis in this Report is not presented on a fully diluted basis.

5.4 Financial Position

The following table summarises the consolidated financial position of MLA as at 30 June 2013, 31 December 2012 and 30 June 2012.

Table 4– Consolidated Balance Sheet –30 June 2013

	Audited 30 June 2013 $	Reviewed Half year 31 Dec 2012 $	Audited 30 June 2012 $
Current assets			
Cash and cash equivalents	129,134	313,346	578,221
Trade and other receivables	869,918	1,271,325	920,925
Inventories	985,373	1,235,064	1,258,769
Current tax assets	90,000	93,624	122,717
Other assets	248,911	91,133	42,222
Total current assets	2,323,336	3,004,492	2,922,854
Non current assets			
Property, plant and equipment	194,093	234,744	297,700
Intangible assets	3,987,645	4,311,061	4,333,694
Total non current assets	4,181,738	4,545,805	4,631,394
Total assets	**6,505,074**	**7,550,297**	**7,554,248**
Current liabilities			
Trade and other payables	1,230,546	1,322,016	1,280,074
Borrowings	1,350,070	1,266,207	550,854
Provisions	296,772	293,994	317,772
Total current liabilities	2,877,388	2,882,217	2,148,700
Non current liabilities			
Borrowings	-	-	434,826
Provisions	20,431	12,840	14,561
Total non current liabilities	20,431	12,840	449,387
Total liabilities	**2,897,819**	**2,895,057**	**2,598,087**
NET ASSETS	**3,607,255**	**4,655,240**	**4,956,161**
Equity			
Issued capital	18,476,311	18,476,311	18,476,311
Equity remuneration reserve	131,410	131,410	131,410
Foreign currency translation reserve	(30,199)	(1,907)	2,561
Accumulated losses	(14,970,267)	(13,950,574)	(13,654,121)
TOTAL EQUITY	**3,607,255**	**4,655,240**	**4,956,161**

5.5 Financial Performance

A summary of MLA's historical financial performance for the years to 30 June 2013 and 30 June 2012 as well as the half year ended 31 December 2012 is set out in table 5 below.

Table 5 – Consolidated Income Statements

	Audited 30 June 2013 $	Reviewed Half year 31 Dec 2012 $	Audited 30 June 2012 $
Sale of goods	9,152,303	4,786,335	9,211,228
Cost of goods sold	(4,312,988)	(2,157,590)	(4,086,706)
Gross profit	**4,839,315**	**2,628,745**	**5,124,522**
Administration and consultants	(971,803)	(445,653)	(878,326)
Advertising and marketing	(27,146)	(11,482)	(73,512)
Depreciation and amortisation	(220,797)	(98,062)	(273,471)
Employee benefits expenses	(3,086,810)	(1,539,703)	(3,209,357)
Impairment write down	(301,151)	-	-
Occupancy costs	(469,029)	(234,159)	(437,868)
Other	(535,522)	(262,434)	(464,857)
Travel and accommodation	(446,350)	(238,466)	(449,392)
(Loss) before interest and income tax	**(1,219,293)**	**(201,214)**	**(662,261)**
Financial income	5,589	3,296	27,146
Financial expense	(163,349)	(69,442)	(156,526)
Net financing (loss)	**(157,760)**	**(66,146)**	**(129,380)**
(Loss) before income tax	**(1,377,053)**	**(267,360)**	**(791,641)**
Income tax (expense) / benefit	60,907	(29,093)	122,717
(Loss) after income tax	**(1,316,146)**	**(296,453)**	**(668,924)**
Other comprehensive income after tax			
Exchange differences on translating foreign operation	(32,760)	(4,468)	2,561
Total comprehensive (loss) for the period	**(1,348,906)**	**(300,921)**	**(666,363)**

5 Profile of Medivet

6.1 Company Overview

Medivet is an Australian private company that has proprietary ownership of technology for regenerative stem cell technology for domestic animals and the equine industry. The Company began its operation in 2008 and has achieved positive results in the most recent two years.

The company is represented in major countries and regions such as Canada, USA, Great Britain, Continental Europe, Australia and the Pacific Region.

Medivet is involved in veterinary and animal performance, breeding, recovery, repair and the general wellness sector relating to prominent cellular and natural treatments.

Medivet's intellectual property consists of exclusive licenses to patented technology and products, proprietary processes and protocol, as well as trade secrets. Medivet has distinguished itself from the competition through the advancement in proprietary activation methods of photobiostimulation, both in adipose stem cell therapy, as well as Autologous Conditioned Serum ("ACS") servicing. The ACS light activation hardware is licensed exclusively to Medivet through Adistem Limited ("Adistem"). The device's effectiveness is derived from the specified wavelengths of light, that gives the highest level of cell activation; providing Medivet a unique approach in the field of regenerative medicine. The same implications apply to the Medivet Stem Cell LED Activator used in the adipose stem cell therapy, which is licensed exclusively to Medivet through Adistem.

Product Range

Adipose Stem Cell Procedure (ASDP) Kit

Medivet's ADSP Kit uses traditional surgical methods to harvest stem cells from an animal's adipose tissue. Using the ADSP Kit, up to 20-60 million cells per gram of fat can be harvested at a time, which can then be injected into the animal to stimulate the growth of bones, liver cells, nerves, and damaged tissues.

Autologous Conditioned Serum (ACS)

Medivet's Autologous Conditioned Serum (ACS) contains anti-degenerative compounds such as Interleukin-I Receptor Antagonist Protein (IL-1ra). IL-1ra blocks the inflammatory mediator Interleukin-1 from binding to its receptor and triggering an inflammatory response that leads to tissue destruction.

Platelet Rich Plasma Veterinary Surgical Kit

This kit contains all of the consumables and solutions necessary to enable Veterinarians to create a platelet-rich plasma solution with concentrated growth factors using the animal's own blood.

TB 500

Thymosin Beta 4 peptide is a naturally occurring peptide found in virtually all human and animal cells, where it has been proven to encourage results in tissue and skeletal muscle repair and growth. Medivet has been able to extract 7 amino acids out of the 43 amino acid chain of Thymosin Beta 4 which have been tailored for use in horses and camels. Medivet provides six 10mg vials of the unique special sequence Thymosin Beta 4 synthetic peptide derivative and six 5ml ampoules of saline solution. TB-500 is primarily for treating race horses for helping with cellular repair damaged from hard work or racing.

Clear Cough
Clear Cough is an oral decongestant and expectorant for horses that assists in clearing out the airways of the respiratory system for horses suffering from congestion and viral or bacterial lung infections.

Vetrofen
Vetrofen efficiently assists the body as it recovers from trauma and is ideal for the management of knocks and bumps associated with horse racing events and hard work leading up to a race.

SGF 1000 Activation
The SGF 1000 Activation formula contains a combination of growth factors, peptides, proteins, and molecules from an ovine placental extract that can activate stem cells from a dormant state into an active state. The Activation solution can be used on its own without further treatment, as it may help in the repair and recovery of damaged cells without need of transplant.

6.2 Future Directions

Medivet currently owns 60.5% of Medivet America LLC and believes there is great potential in the US market place for the unique products offered by Medivet. Medivet America LLC is well positioned to expand into North America with a new distributorship agreement for North America with Henry Schein Animal Health, a Division of Henry Schein. This agreement with Henry Schein gives the company instant credibility as Henry Schein, Inc. is the world's largest provider of health care products and services to office-based dental, medical and animal health practitioners.

The aforementioned agreement with Henry Schein was signed in February 2012. The agreement does not state any agreed supply volumes or performance conditions. The results and possible impacts on Medivet's sales volumes as a result of signing the agreement have been reflective in the subsequent financial statements. This is an area the company will be focusing on in the future.

Medivet also controls 50.5% of Medivet Laboratory Services Australia Pty Limited (**"MLSA"**). For the half year ending 31 December 2012, MLSA was trading with a negative net asset position of $29k and had returned a loss of $23k. We have also confirmed that as at 30 June 2013, MLSA still had a deficiency in assets and was operating at a loss during the 6 months to 30 June 2013. The interest in the company will be excluded for the purposes of this report as it is considered immaterial.

6.3 Financial Position

The following table summarises the consolidated financial position of Medivet as at 30 June 2013, 31 December 2012 and 31 December 2011.

Table 6 – Consolidated Balance Sheet – unaudited 30 June 2013

	Unaudited 30 June 2013 $	Unaudited 31 Dec 2012 $	Unaudited 31 Dec 2011 $
Current assets			
Cash and cash equivalents	331,611	349,137	326,495
Trade and other receivables	1,037,967	1,241,408	451,589
Inventories	762,975	701,719	44,703
Current tax assets	20,746	40,327	-
Other assets	115,854	6,279	32,275
Total current assets	2,269,153	2,338,870	855,062
Non current assets			
Shares in other companies	61,099	61,099	60,000
Other debtors	2,376	-	-
Property, plant and equipment	256,688	222,341	220,086
Intangible assets	7,547,170	6,741,140	6,892,477
Total non current assets	7,867,333	7,024,579	7,172,563
Total assets	**10,136,486**	**9,363,450**	**8,027,625**
Current liabilities			
Trade and other payables	958,362	874,251	708,199
Borrowings	56,094	43,476	102,841
Current tax liabilities	92,964	439,028	93,096
Other current liabilities	401,894	421,545	24,642
Provisions	1,165	987	-
Total current liabilities	1,510,479	1,779,287	928,778
Non current liabilities			
Borrowings	233,229	25,144	-
Total non current liabilities	233,229	25,144	-
Total liabilities	**1,743,708**	**1,804,431**	928,778
NET ASSETS	**8,392,778**	**7,559,019**	**7,098,847**
Equity			
Issued capital	1,833	1,833	1,833
Retained earnings/reserve	5,634,279	4,959,272	4,442,747
Equity attributable to owners of the Company	5,636,112	4,961,105	4,444,580
Non-controlling interests	2,756,666	**2,597,914**	2,654,267
TOTAL EQUITY	**8,392,778**	**7,559,019**	**7,098,847**

The historical financial information provided is unaudited and includes the consolidation of

Medivet US due to Medivet owning 60.5% of the share capital. The information has not been prepared using applicable International Financial Reporting Standards or a specific financial reporting framework.

The non-controlling interest relates to the remaining shareholders who hold 39.5% of the issued capital of Medivet US. The CEO Jeremy Delk owns 18% and the remaining shares are held by other small shareholders.

6.4 Financial Performance

A summary of Medivet's historical financial performance for the half year ended 30 June 2013, year ended 31 December 2012 and year ended 31 December 2011 is set out in table 7 below.

Table 7 – Consolidated Income Statements

	Unaudited 6 months to 30 June 2013 $	**Unaudited Year ended 31 Dec 2012 $**	**Unaudited Year ended 31 Dec 2011 $**
Sale of goods	1,940,562	4,476,685	3,907,370
Cost of goods sold	(745,920)	(1,924,836)	(1,562,317)
Gross profit	**1,194,642**	**2,551,849**	**2,345,053**
Other income	(162,569)	190,936	146,972
	1,032,073	**2,742,785**	**2,492,025**
Expenses	(1,100,399)	(2,360,928)	(2,290,043)
Profit (loss) before income tax	**(68,326)**	**381,857**	**201,982**

7 Industry overview

7.1 Veterinary services and the biotechnology industry in Australia[3]

The biotechnology industry is characterised by the manipulation of living cells and their components to make new products. Some companies make only research tools that are sold to other biotechnology companies. Others make the medical devices. Because they rely on advanced scientific knowledge, biotechnology companies frequently evolve from research departments at universities.

The major activities of the industry can be sub divided in to the following:

- DNA Coding
- Cell and tissue Culture engineering
- Process biotechnologies
- Sub-cellular organisms

Recent industry data and research suggests that the expected annual growth for the industry over the next 5 years is 7.2%.

Australia is currently considered to be the sixth strongest in the world in a market dominated by the United States which is estimated to generate 60% of global biotechnology revenue.

As a result of the continuous introduction of new technologies and increasing numbers of new companies entering the industry, the Australian biotechnology industry is considered to be in the growth phase of the industry life cycle. Notwithstanding that numerous new companies enter the biotechnology industry each year, the industry is characterised by high barriers to entry, medium and increasing competition, high relative levels of labour costs, accelerating technological change, and heavy regulation.

Biotechnology for veterinary purposes can be blurred in many instances as the research will cross industries and in many cases is commenced in the animal industry and the merge across to human application as part of the approval process.

Companies in veterinary services provide medical and health care services for animals. They are the consumers and distribution network of the biotechnology products. Demand for veterinary services in Australia has been promoted by growing awareness of animal health issues and the availability of advanced surgical and diagnostic procedures. However, Australia's animal population is expected to decline in the coming years. Falling pet ownership and livestock numbers means this industry's market is shrinking.

7.2 Veterinary services and the biotechnology industry in the United States of America[4]

The biotechnology industry in the US is the largest in the world. There are currently more than 1,800 separate biotechnology companies operating in the US, focussing on products and services covering human health, agriculture and aquaculture, industrial, animal health, marine and terrestrial microbial technologies, and environmental remediation and natural

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[3] Information in this section has been sourced from IBISWorld Industry Report X0001: Biotechnology in Australia, May 2013 and IBISWorld Industry Report M6970: Veterinary Services in Australia, May 2013.

[4] Information in this section has been sourced from First Research Industry Profile – Veterinary Services NAICS CODE: 54194, April 2013 and First Research Industry Profile – Biotechnology Research Services NAICS CODE: 541711, May 2013.

resource recovery.

The US veterinary services industry includes about 28,000 veterinary clinics and providers of veterinary laboratory services, with combined annual revenue of about $27 billion. High growth is forecast for the next two years. Key growth drivers include the popularity of pet ownership. A key driver of this is the increase in percentage of single adults who are highly represented as pet owners.

Recent research indicates that the output of US veterinary services is forecast to grow at an annual compounded rate of 7 percent between 2013 and 2017. Animal health and welfare is considered a priority for public health and food safety around the world. Veterinarians treat and assist not only pets, but also are involved in every stage of the food chain: livestock production; processing; transportation; and distribution. The World Organization for Animal Health (known as OIE) is responsible for improving animal health and fighting animal diseases around the world.

Of the 92,000 licensed veterinarians in the US, about 70 percent work in private practice, nearly half work with companion animals, and around 1 percent are exclusively food animal veterinarians. About 73 million homes in the US have at least one pet, according to the American Pet Products Association (APPA). Most veterinarians, and about 50 percent of industry revenues, are associated with the care of 78 million dogs, 86 million cats, 16 million birds, and 8 million horses that are pets.

Animal testing labs provide important information about animal ailments, with blood and urine testing providing the bulk of lab work. Although some testing procedures are done manually, most involve automated equipment. Acquiring, operating, and maintaining test equipment is the principal activity of testing labs. Labs and animal hospitals buy diagnostic equipment and drugs from the veterinary wings of large medical supply and drug companies.

Demand for veterinary services is increasing as the world pet market grows. The US have typically been leading pet owning countries. Worldwide sales of pet care products reached $94 billion in 2012, and the market will continue to strengthen through 2017, according to Euromonitor International.

Henry Schein Animal Health (“HSAH”)

Medivet have a distribution agreement with Henry Schein for the following veterinary products:

- Stem Cell Processing Equipment;
- Adipose Small Animal Kit;
- Adipose Large Animal Kit;
- Lab Service Small Animal Stem Cell Cooler;
- Lab Service Large Animal Stem Cell Cooler; and
- PRP Kits.

Henry Schein Animal Health is the leading companion animal health distribution company in the U.S.

Located in Dublin, Ohio, they employ approximately 900 team members, including 300 field sales representatives and 200 telesales and customer support representatives. They have 15 distribution facilities and 10 inside sales centres nationwide.

HSAH partners with over 400 of the leading animal health manufacturers in the world, positioning themselves to bring the broadest selection of veterinary products and strategic business solutions to over 26,000 veterinary professionals nationwide, including:

- A comprehensive product offering for companion animal, equine and large animal practices including biologicals, diagnostics, nutritionals, parasiticides, pharmaceuticals and more;
- Quality private label products at an affordable value;
- Technology hardware and software solutions;
- An extensive line of capital equipment and supply products, as well as repair services;
- Practice design and remodelling solutions;
- Home delivery and client marketing solutions; and
- Financial solutions for veterinarians and clients.

7.3 Strategic Rationale of the Proposed Transaction

We have been advised by MLA that the Proposal is expected to provide a number of strategic benefits which may deliver value to MLA Shareholders through the development of the intellectual property of both MLA and Medivet. The directors of MLA have identified the following strategic benefits which are expected to be realised if the Proposal is approved:

- A unique human/animal healthcare company with global presence in approximately 30 international markets;
- Vertical integration, controlling product development (innovation), manufacturing, engineering, quality control, regulatory affairs, sales, marketing, distribution and customer service and driving the business in a cost efficient manner;
- The acquisition, development and commissioning of its own manufacturing, logistics and distribution centre;
- Substantial global and large company experience at both Board of directors and Management level with previous experience in successfully integrating acquisitions (Tuta in 2008 and Clements in 2009);
- Patented, proven and already commercialised stem cell technology with a record of success and positive feedback from over 600 veterinary clinicians worldwide (420 in the U.S.). More than 12,000 procedures have been performed at a greater than 90% success rate. For example, a recent clinical study revealed a 95% success rates in cases treated for degenerative joint disease (DJD), in a sample of 135 canine cases;
- The appointment of Mr Jeremy Delk (being CEO of Medivet US) to the board of MLA may allow the Company to leverage their extensive industry experience and relationships in the US market; and
- The strengths of each company are complementary and highly synergistic, combining the brand heritage, supply chain and robust administration and corporate governance of MLA with cutting edge technology of Medivet Pty Ltd.

8 Valuation of the Consideration

8.1 Valuation Approach

In assessing the fair value of MLA shares we have had regard to:

- general market conditions;
- MLA announcements to ASX; and
- an assessment as to the fair value of MLA based on traditional assets and earnings based methodologies.

8.1.1 Share Price

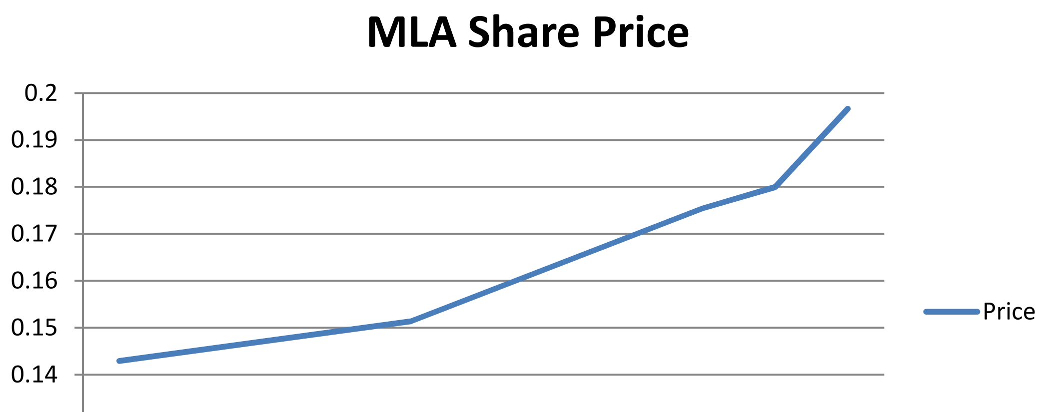
Table 8 sets out price and volume movement, and the volume weighted average price ("VWAP") prior to and post the announcement of the Proposal on 6 June 2013. The table reflects the consolidation of issued capital which occurred in July 2013.

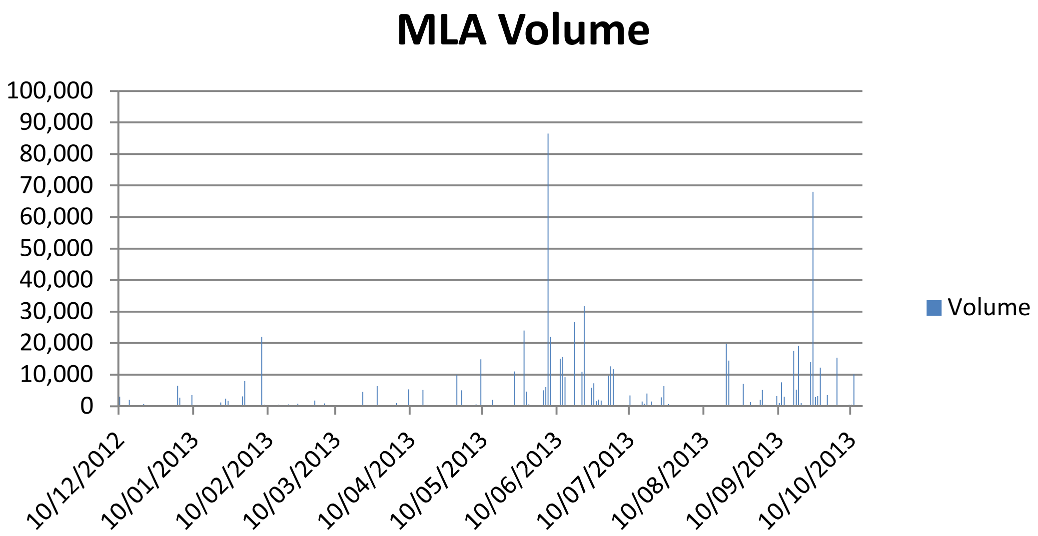
Table 8 – MLA Share Price History

Period	High	Low	Volume	Proportion of Share Capital	VWAP
	$	$	000's	%	$
Pre-Announcement					
1 month	0.120	0.090	594	1.31%	0.106
2 months	0.120	0.120	816	1.80%	0.104
3 months	0.120	0.060	981	2.16%	0.101
6 months	0.120	0.060	1,550	3.41%	0.102
Post- Announcement					
1 month	0.240	0.130	881	1.94%	0.197
2 months	0.240	0.100	1,323	2.91%	0.180
3 months	0.240	0.100	1,458	3.21%	0.175
~4 months	0.240	0.100	3,336	7.35%	0.162

The historical share price movement (VWAP) and volume traded of the Company from 1 December 2012 to the date of this report are depicted below.

Chart 1 and 2– MLA Share Price and Volume ($)





Trading volumes indicate that the market for the Company's shares is relatively illiquid. Total quantities traded in the 3 months prior to this Report were only 3.21% of total issued capital

As mentioned in **section 8.1**, consideration needs to given to the ASX announcements made by MLA regarding the Proposal and their impact on the share price of the Company. It is imperative that changes in the value of MLA's share price attributable to the announcements be ignored as the changes are likely to factor in the potential value of the Proposal.

As shown in table 8, MLA's VWAP pre announcement had ranged from a low of 10.1 cents to a high of 10.6 cents. Over the last 4 months post the original announcement (6 June 2013), the share price has increased significantly indicating the market has factored in the value of the Proposal into MLA's current share price. MLA's VWAP post announcement has ranged from a low of 16.2 cents to a high of 19.7 cents.

We believe the 1 to 6 months pre announcement VWAP range of 10.1 to 10.6 cents to be a more accurate reflection of the fair value of MLA shares, as this reflects a share price that has not been affected by the shareholders reaction to the Proposal.

However, it should be noted that if the VWAP range post announcement were to be used in valuing MLA shares, this would have an increasing effect on the value of the Consideration shares.

Based on the above analysis we are of the view that, at the date of this Report**, the value of MLA shares, based on traded share prices, is in the range of 10.1 cents to 10.6 cents per share. Hence, the fair value of the consideration shares based on the quoted price of listed shares is between $3,703,000 and $3,887,000**.

8.1.2 Fundamental Valuation

In assessing the value of MLA's securities, we have also considered generally accepted valuation methodologies including a Discounted Cash Flow ("DCF"), a capitalisation of future maintainable earnings ("CFME") and an asset-based valuation.

No assessment has been made based upon a DCF or CFME approach to the valuation, due to an inability to form a reliable assessment of future or maintainable earnings. This is because:

- the earnings history of MLA has been consistently negative, with no profits being returned over the past 2 years.

As illustrated in **section 5.5** of this Report, MLA recorded a net loss after tax of $1,316,146 for the full year June 2013 and a loss of $668,924 for the full year to June 2012.

We have adopted a net assets approach in our valuation of MLA shares based on MLA's balance sheet as at 30 June 2013. That balance sheet is set out in **section 5.4** of this Report.

For the purposes of our review we have undertaken an assessment based on the underlying value of asset and liabilities of the Company. We have relied on the carrying values, ascribed by the directors in preparing the June 2013 financial report.

The main asset of MLA is its intangible asset. We understand this to be goodwill as a result of previous acquisitions of subsidiary companies, namely Tuta and Clements. Directors have satisfied themselves that these balances are appropriately valued.

Impairment testing of these balances would have been performed as part of the audit engagements and it has been reported that these are not impaired.

We have accepted the value of these balances for the purposes of this valuation. However it should be noted that if these balances were to be impaired it would have a decreasing effect of the value of MLA shares, and hence a reduction in the value of the Consideration of the Proposal.

We have assessed the value of MLA shares, subject of the Proposal, based on this approach to be 7.9 cents per share. Hence, the fair value of the consideration based on the fair value net asset backing methodology is $2,897,000.

8.1.3 Summary - Value of MLA Shares

We have assessed the fair value of MLA shares, subject of the Proposal, under both a market trading (or priced) approach and under fundamental valuation principles, based on the net value of MLA's asset portfolio. The range of values is set out in the table below.

Table 9 –Summary of MLA share values (cents per share)

	High	Low
Market Trading based approach	**10.6**	**10.1**
Net Asset Backing ('NAB')	**7.9**	**7.9**

General convention is that quoted market price in an active market is the best evidence of fair value and should be used for measurement[5]. Additionally, where there is a relatively

[5] *Lonergan – The Valuation of Businesses, Shares & Other Equity*

inactive market, the traded market price may not be the best measure.

As determined above, there isn't a significant difference between the net asset backing value and the market trading value. Although trading volumes are relatively low, we have used the market based approach to obtain the most reasonable range for the value of MLA's shares on issue due to the existence of an active market and the subsequent share price movement indicating the markets view on the value of the Company.

8.2 Consideration Summary

Based on the above valuations we have assessed the total fair market value of the Consideration in the range of **10.1** to **10.6 cents** per share or **$3,703,000 and $3,887,000**.

9 Valuation of Medivet

9.1 Valuation Approach

In using the Capitalisation of Future Maintainable Earnings ("CFME") method to value Medivet, we have:

- estimated the FME of Medivet;
- selected an appropriate earnings capitalisation multiple;
- where necessary, deducted from the resultant enterprise value:
  - any future capital expenditure and working capital requirements;
  - interest bearing debt; and
  - any potential contingent liabilities;
- applied a premium for control; and
- considered the value of any surplus assets and liabilities.

Set out below are the key parameters and our considerations with respect to each.

9.2 Selection of Future Maintainable Earnings

The maintainable level of earnings is considered to be the level below which, in the absence of unforeseen and exceptional circumstances, the income stream flowing from the assets is unlikely to fall. Maintainable earnings can be influenced by a number of factors including the trend and consistency of historical performance, the stage of development of the business, sensitivity to key industry risk factors and the general economic outlook, and the extent to which one-off or non-recurring transactions are reflected in the financial records

Our estimate of the Future Maintainable Earnings ("FME") of Medivet has been determined after a review of:

- Medivet's earnings for the 6 months to 30 June 2013, year ended 31 December 2012 and 31 December 2011 earnings;
- Medivet's future prospects, in particular:
  - Expansion into the American market through the distribution agreement with Henry Schein Animal Health;
  - Growth prospects with the DMX and Adistem agreements.
- the effect of changes and trends in the Industry that may impact on earnings.

We have provided in the table below the adjustments we have made to obtain a normalised EBITDA of Medivet for each of periods shown. The adjustments made involved:

- Adding back depreciation, amortisation, interest paid and interest received. In addition to this, we have annualised the depreciation and interest expense for the 6 months to 30 June 2013 to obtain an estimated EBITDA for the year to 31 December 2013;
- Added back actual foreign exchange losses incurred for each of the years. When normalising EBITDA, adjustments are generally not made for foreign exchange gains and losses incurred where the effects of foreign exchange movements are an integral part of an entity's business operations. However, due to the abnormally high foreign exchange loss incurred by Medivet in the 6 months to 30 June 2013 as compared to previous periods, we have normalised EBITDA by adding back actual foreign exchange losses incurred and deducted an amount of $27,681 which represents an average of the foreign exchange losses incurred for the years ended 31 December 2012 and 2011;
- We have not made any other adjustments to normalise the earnings of Medivet.

Table 10 –EBITDA normalisation

	Annualised Year ended 31 Dec 2013 $	Unaudited Year ended 31 Dec 2012 $	Unaudited Year ended 31 Dec 2011 $
Profit (loss) before income tax	**(68,326)**	**381,857**	**201,982**
Add backs:			
Depreciation	10,408	19,509	22,586
Depreciation (to annualise to 31 Dec 2013)	10,408	-	-
Amortisation	130	130	20,539
Interest expense	16,262	4,249	757
Interest expense (to annualise to 31 Dec 2013)	16,262	-	-
Interest income	-	(309)	(255)
Foreign exchange loss (actual)	343,347	15,030	39,306
Foreign exchange loss (normalised)	(27,168)	(27,168)	(27,168)
Normalised earnings before interest, tax, depreciation and amortisation (EBITDA)	**301,323**	**393,298**	**257,747**

The consolidated results for Medivet for the 6 months to 30 June 2013 show a loss before income tax of $68,326. Both the Australian and American operations showed a decline in profitability with the American operations incurring a loss before income tax.

It is important that consideration is given to the reasons for the decline in profitability as this would have an impact on the valuation of Medivet. In particular, the capitalisation of future maintainable earning methodology values Medivet on the premise that Medivet's earnings are sustainable going forward. If this is not the case, then the values derived may be overstated.

In determining the FME of Medivet, we have taken the average EBITDA for the years ended 31 December 2012 and 2011 and the annualised EBITDA to 31 December 2013.

Table 11 –FME Calculation

	FME
Average EBITDA	317,456
Industry Growth factor (**section 7.1**)	7.2%
Estimated FME	**340,313**

Based on the above analysis, we have estimated the FME of Medivet to be $340,000. This has regard to the historical and future performance plus allowance for the future potential positive and negative factors that may influence the earnings of Medivet. The capitalisation multiple will take into consideration any future growth prospects.

9.3 Capitalisation multiple

The appropriate earnings multiple is usually assessed by collecting market evidence with respect to the earnings multiples of companies with operations that are broadly comparable to those of the entity being valued. Medivet is a private company and therefore adjustment needs to be made to ensure that an appropriate multiple is calculated when the basis is a listed company average.

In determining the capitalisation multiple we have given consideration to many factors including the following:

Factor	Explanation	Impact on multiple
Size of the business	Larger companies are generally valued at higher earnings multiples which reflect the benefits of size particularly in relation to market power, control over prices and costs, depth of management, diversity of customers and general operational and financial robustness. In addition, larger listed companies may trade at higher earnings multiples because of the liquidity of their shares and the likelihood of greater interest in the shares from a wider base of investors (e.g. institutions or foreign investors). A company which has a greater diversity in the products and services it offers will tend to have a higher earnings multiple for a given level of earnings which reflects the lower revenue risk of having more than a single product or service offering. At present, Medivet has not fully pursued the opportunities in the US market due the small nature of its current operations. The agreement with Henry Schein Animal Health may provide the additional exposure required to expand the products reach.	Discount

Marketability	A discount for marketability is generally applied to private companies as minority parcels of shares in unlisted companies are valued at a discount to minority parcels of shares in comparable listed companies. An unlisted share of a closely-held company in which trading is infrequent (and which therefore lacks negotiability) is less attractive than a similar listed stock which has ready negotiability of shares and therefore liquidity.	Discount
Customer Risk	We are also of the view that the identified comparable listed companies manufacture products for a more diversified range of customers in different geographic locations. Accordingly, we are of the view that the customer risk attributable to Medivet would be higher than that of the comparable listed companies.	Discount
Growth Opportunities	A company which is expected to grow more strongly will tend to have a higher earnings multiple for a given level of earnings than one which is expected to experience slower growth. Medivet have recently secured exclusive distribution agreements with DMX International and Adistem Limited which are expected to produce greater opportunities, especially in the US market.	Premium
Key Person Risk	Despite the fact that identified comparable listed companies have more diversified executive and management teams, we are not of the view that a key person risk should be attributable to Medivet. Medivet's success is largely driven by the quality of its products and numerous supply and distribution agreements.	Neutral

The table below highlights the adjustments:

Table 12 –Capitalisation multiple adjustments

	Low	High
EBITDA to Enterprise Value – Health Care Sector Average	16.12	16.12
Adjusted for:		
Deduction for the lack of negotiability of interest in a private business	45%	35%
Deduction for the lack of company size and infrastructure	25%	20%
Deduction for the lack of depth in customer base	35%	25%
Deduction for the lack of diversity in product lines	30%	25%
Total Adjustments	18.8%	29.3%
Calculated capitalisation multiple	**3.03**	**4.72**

The adjustments are calculated as follows:

Low (1 - 0.45) x (1 - 0.25) x (1 - 0.35) x (1 - 0.30) = 18.8%

High (1 - 0.35) x (1 - 0.20) x (1 - 0.25) x (1 - 0.25) = 29.3%

Based on our analysis above, we have arrived at an EBITDA multiple range of **3.0** times to **4.75** times applicable to the selected Medivet EBITDA FME to produce an enterprise value of Medivet.

9.4 Premium for Control

Our assessment of the earnings multiple range applicable to Medivet has been derived predominately from the multiples observable from trades of minority parcels of shares in listed entities. Accordingly, the trading prices reflect a non-controlling interest value. The interest being valued represents a controlling interest in Medivet. When valuing a controlling interest, an appropriate allowance should be made for a premium for control.

Earnings multiples derived from market trading share prices do not reflect the market value for control of a company as they are for minority parcels of shares. The difference in the market value of a controlling interest and a minority interest is referred to as the premium for control. This is a phenomenon observed in developed western stock market trading. Australian studies are generally taken to indicate the premiums required to obtain control of companies range between 20% and 40% of the minority trading values.

The explanation for the observed premium for control paid in takeover situations has been attributed to a number of reasons. Fundamentally, it is usually explained as the owner of a controlling interest having the ability to do many things that the owner of a minority interest does not. These elements of control include:

- control the cash flows of the company, such as dividends, capital expenditure and compensation for personnel, including directors;

- determine the strategy and policy of the company;
- make acquisitions, or divest operations; and
- control the composition of the board of directors.

Having regard to the above considerations, we have applied to the equity value a premium for control in the case of Medivet in the range of 20% to 25%.

9.5 Adjustments Required to Calculate Equity Value

To determine the fair market value of the equity of Medivet prior to the Proposed, it is appropriate to add (subtract) any surplus assets (liabilities) and add (subtract) any other interest bearing assets (liabilities) of Medivet from the enterprise value calculated below in **section 9.6**.

The book value of debt securities and cash deposits often provides a fair indication of the market value of those securities. We have not been provided with any reasons why the book values of those assets and liabilities do not reflect the market value of the cash on hand and debt.

As at 30 June 2013, Medivet had cash of $331,611 and interest bearing liabilities totalling $289,323. In our view, it is appropriate to add net cash of $42,288 for the purpose of determining the equity value of Medivet.

9.6 Valuation Calculation

Based on the Capitalisation of Future Maintainable Earnings, we determine the fair market value of Medivet is summarised in the following table:

Table 13 – Valuation CFME – Medivet - total

AUD unless indicated otherwise	Low	High	Mid
Future Maintainable Earnings (EBITDA)	340,000	340,000	340,000
Minority basis EBITDA multiple (x times)	3.00 x	4.75 x	3.90 x
Enterprise Value (Minority basis)	**1,020,000**	**1,615,000**	**1,326,000**
Less: Debt	289,323	289,323	289,323
Equity value (Minority basis)	**730,677**	**1,325,677**	**1,036,677**
Control premium (%)	20%	25%	22.50%
Equity value after control premium	**876,812**	**1,657,096**	**1,269,929**
Add: Net non-Enterprise and surplus assets	331,611	331,611	331,611
Equity value	**1,208,423**	**1,988,707**	**1,601,540**

9.7 Valuation Cross Check

We have performed a cross check on the valuation of Medivet's business based on the net asset value of the business.

Per **section 6.3**, Medivet's most significant asset is an intangible asset of $7,547,170 relating to various IP and licence agreements.

Management has satisfied itself as to the value of the intangible asset of the company via various due diligence procedures and valuation processes.

While we have attempted to obtain a valuation of the asset, due to the limitations noted below in **section 9.8**, we have been unable to satisfy ourselves as to its carrying value.

We have critically evaluated the information provided in relation to the intangible balance and are unable to obtain a reasonable basis for the value due to the reliance on significant future expectations and risks that the company will have to undertake which are unknown and uncertain, in order to achieve these targets and objectives.

We have been unable to reliably assess the recognition and subsequent measurement of the intangible.

From our performance of the CFME valuation, we obtained a midpoint enterprise value of **$1,326,000**. It is generally accepted that for an entity that has minimal working capital requirements, enterprise value is one representation of the intangible value of that entity. For the purposes of this cross check we have substituted this intangible value for the balance currently recognised in Medivet.

Table 14 – Valuation Cross Check

AUD unless indicated otherwise	30 June 2013
Net Assets (section 6.3)	8,392,778
Less: Intangible Assets (section 6.3)	(7,547,170)
Add: Adjusted intangible value	1,326,000
Adjusted Net Asset Value	**2,171,608**

9.8 Limitations

The valuation of Medivet has been performed on the basis of the information provided. The following limitations have been considered in the calculation above:

- The information provided for both Medivet Pty Limited the Medivet US is unaudited;
- Due to both companies being privately owned we have been unable to verify whether the financial data provided has been prepared in accordance with International Financial Reporting Standards, which can have a significant impact on the reliability and accuracy of the data especially in regards to key areas of estimation such as intangible assets;
- We have been unable to determine what framework for the preparation and presentation of the financial statements has been applied;
- As stated above we have been unable to satisfy ourselves as to the value of the intangible assets as the valuation results stated below don't appear to support the values stated as per **section 6.3**.
- Due to the distribution agreement with Henry Schein Animal Health being recently executed, it is difficult to value the potential impact on future sales. The current agreement does not state any minimum purchase amounts. We have not been able to obtain current Medivet US financial data to further assess the impact of the agreement; and

- Furthermore, there appears to be concerns over the downstream distribution agreements based on a recent intellectual property due diligence report. The general comment coming from the report was that many of the agreements were poorly drafted or uncertain and consideration of appropriate amendments should be taken. These issues could have a serious impact on Medivet's ability to increase its sales volumes once the Proposal has occurred.

  We have been assured by management that this risk has been mitigated in the clauses of the SSPA and included warranties.

We bring these limitations to the shareholders attention as they are significant to the valuations that have been determined for Medivet. The market may interpret these valuations differently which may have a negative or positive effect on MLA's share price.

9.9 Valuation Summary

We have assessed the fair value of Medivet, subject of the Proposal, under both a CFME approach and under fundamental valuation principles, based on the adjusted net value of Medivet's assets. The range of values is set out in the table below.

Table 15 –Summary of Medivet's Equity Value

	Midpoint $
CFME (section 9.6)	**1,601,540**
Adjusted Net Asset Value (section 9.7)	**2,171,608**

It should be noted that from our analysis and the midpoint scenario, an EBITDA of over $800,000 is required in order to affect our view on the fairness of the Proposal.

Based on the above, we have assessed the fair market value of all the equity in Medivet on a controlling interest basis to be in the range of approximately $1,601,000 to $2,172,000, with a midpoint of approximately $1,886,500.

10 Assessment of the Proposal

10.1 Basis of Assessment

In assessing whether the Proposal is fair and reasonable for the non associated shareholders, we have had regard to the criteria set out in ASIC's Regulatory Guide 111 "*Content of Experts Reports*".

We have considered all the circumstances of the Proposal, and compared the likely advantages and disadvantages to non associated shareholders if the Proposal is accepted to the advantages and disadvantages to those shareholders if the Proposal is not.

The following factors have been considered in evaluating if the Proposal is fair and reasonable for existing MLA non associated shareholders:

- the fair value of MLA shares;
- the issue price of shares under the Proposal;
- the financial impact of the Proposal on MLA;

- the extent of any premium for control being received by MLA shareholders;
- the alternatives available to MLA if the proposal does not proceed; and
- any other factors which may have a material impact.

ASIC Regulatory Guide 111 prescribes that under its convention an offer is fair '*if the offer price or consideration is equal to or greater than the value of the securities subject of the offer*'.

10.2 Fairness

We have assessed the fairness of the Proposal, as far as it affects the non associated MLA Shareholders as follows:

Table 16 – Assessment of "fair"

	Low	High	Mid
Value of Consideration			
Consideration Shares (Section 8.1.1)	3,703,000	3,887,000	3,795,000
Total Consideration	**3,703,000**	**3,887,000**	**3,795,000**
Value of Medivet			
Equity Value (Section 9.9)	**1,601,000**	**2,172,000**	**1,886,500**
Fair / (Unfair)	**(2,102,000)**	**(1,715,000)**	**(1,908,500)**

Accordingly we consider the Proposal is **not fair**.

10.3 Reasonableness

10.3.1 Advantages of the Proposal

In our opinion, the Proposal has a number of potential positive implications for the non associated MLA Shareholders, including:

Advantage	Explanation
More diversified product offering	Currently MLA is a distributor of medical devices in Australia. The approval of the Proposal will result in a biotechnology company with resources and operations in both Australia and the US, two of the world's largest biotechnology sectors.
Current position of MLA	MLA has an emphasis of matter in relation to going concern and has been loss making in the past. The acquisition of a profitable business with similar operations will allow the company to benefit from synergies. This has the potential to grow the Company and provide positive returns to shareholders in the future.
Synergies	The company has identified a number of synergies that are expected to be realised if the Proposal occurs. These synergies include administrative, procurement and supply chain efficiencies. MLA expect that the reduction of costs in these areas will have a positive effect on the financial results of the company and hence the share price.
Exposure to the US market	The US biotechnology industry is the largest in the world with more than 1,800 operating entities and annual revenue of US$87.0 billion. If the Proposal is approved, MLA will have access to research facilities and other resources, including highly experienced board members and management personnel, in the US. A US presence may enable MLA to more easily capitalise on the significantly larger US biotechnology market by leveraging the relationships of the US based board members to potentially partner with US pharmaceutical manufacturers.
Distribution agreement with Henry Schein	The company has signed a distribution agreement with Henry Schein Animal Health (a division of Henry Schein) which is a US Fortune 500 company. Henry Schein is a large US company and the distribution agreement may provide significant opportunity to MLA to distribute its products in the US market.
Experienced team	As part of the Proposed Proposal Mr Jeremy Delk is to join MLA's board. In addition the company has established a Stem Cell Advisory board with prominent individuals to assist the company develop and exploit its products in the US and Australia market.

10.3.2 Disadvantages of the Proposal

In our opinion, the Proposal has a number of potential negative implications for the non associated MLA Shareholders, including:

Disadvantage	Explanation
Valuation uncertainty in relation to Medivet	Medivet is a private company with limited transparency located in Sydney. Medivet US is also a private company with limited transparency located in the US. The level of sophistication of financial information provided has been limited and we have been unable to satisfy ourselves as to its reasonableness. Following the proposed Proposal Medivet will be wholly owned by MLA and will be subject to the Australian financial reporting requirements and ASX Listing Rules. It is possible that the market will have a different view of the value in relation to Medivet which may adversely impact MLA's share price following the Proposed Proposal.
Dilution of ownership	If the Proposal is approved, Medivet share holders will be issued with 36,666,667 fully paid ordinary shares in MLA, representing 37.7% of the total issued share capital in the Merged Entity. The issue of 37.7% of the total issued share capital in MLA to the Medivet security holders will dilute the holdings of the current MLA Shareholders. Dilution could reduce any potential future benefits that current MLA Shareholders may receive in the future.

10.3.3 Alternatives Available if the Proposal is Not Approved

We consider it probable that in the absence of shareholders approving the Proposal, MLA is likely to need to raise further capital in order to maintain its operations. The current operations of the company have incurred negative cash flows from operations and net losses over the past two years. If this is to continue the company will be required to raise capital in order to ensure its debts are able to be paid as and when they fall due.

The issue of shares to raise $3,000,000 is a condition precedent to the Proposal occurring. Should the Proposal not proceed, MLA may still need to proceed with the capital raising or obtain alternate funding in order to continue as a going concern in its current structure.

10.4 Financial impact of the Proposal on value of MLA Securities

The value of securities is typically determined by the earnings derived or the asset backing.

We consider that on a fundamental analysis approval of the Proposal:

- Is likely to positively impact on the reported net asset backing per MLA share; and
- is likely to have a positive impact on earnings per share.

10.4.1 Asset Back Per Share

Table 16 sets out our assessment of the impact of the Proposal on net asset backings per share. Approval of the Proposal will allow for the issue of 15,259,410 ordinary shares in MLA at 19.66 cents a share (calculated as 75% of the VWAP over the 15 trading days before 14 October 2013), raising $3,000,000. The primary use of these funds is to extinguish liabilities on its balance sheet and provide additional working capital.

In the table we have taken the adjusted net asset position of Medivet per **section 9.7** and assumed the share raising is achieved and have ignored the effect of consolidation adjustments, share issue costs and current year losses.

Table 17 – Impact of Proposal on MLA Net Asset Backing

	Position as at 30 June 2013	Effect of the share issue to raise $3,000,000	Effect of the purchase of Medivet
Net Asset Value ($)	3,607,255	6,607,255	8,778,863
Shares issued	45,392,583	60,651,993	97,318,660
Estimated net asset backing per share	**7.9 cents**	**10.9 cents**	**9.0 cents**

The approval of the proposal has a positive effect on the net asset value of the company. If the unadjusted figures are used for Medivet in the above analysis this would have an even stronger increase in the value of the net asset position.

10.4.2 Earnings Per Share

As noted at **section 5.5** MLA has incurred significant losses from operations for the previous two years.

If the Proposal is approved and occurs, the company is expected to implement a number of synergies and cost reducing measures. Along with the positive cash flow that that Medivet has experienced being brought into the MLA group it is expected that the Proposal will have a positive effect on the cash flows and earnings of the company.

10.5 Opinion on the Proposal

We have considered the terms of the Proposal as outlined in this Report and as a result of our review and after consideration of all of the factors, including the financial effect on the company and the advantages and disadvantages of whether the Proposal was to proceed or not, we are of the opinion **the Proposal is not fair but is reasonable** to the non- associated shareholders of MLA.

We consider that the directors are justified in submitting the Proposal to shareholders in the absence of any other offers.

APPENDIX A
Statement of Qualifications, Independence, Declarations and Consents

Qualifications

Nexia Court Financial Solutions Pty Ltd ("Nexia") is an associated entity of Nexia Court & Co; Chartered Accountants which is a Sydney based accounting, audit and business advisory practice and is a licensed investment adviser within the terms of the Corporations Act 2001. The directors of Nexia specialise in and regularly perform corporate and asset valuations and advice on Company restructures, acquisitions and proposals. Nexia Court & Co, acting through different partners also performs audits on the accounts of Australian companies.

The person responsible for preparing this Report on behalf of Nexia is Andrew Hoffmann, a partner of Nexia Court & Co. Andrew has a significant number of years of experience in relevant corporate advisory matters including valuations and independent expert reports.

Independence

Nexia considers itself to be independent in terms of Regulatory Guide 112 issued by ASIC relating to independence of experts and has developed and issued an opinion and report on an unbiased basis.

Nexia and its related entities or any of its Directors or Partners have not had within the previous two years, any shareholding in the Company.

Nexia and its related entities have not within the previous 2 years provided professional services to the Company.

None of the Nexia persons, as above, nor any other member, director, partner or employee of any of Nexia has any interest in the opinion reached by Nexia except that we are entitled to receive professional fees for the completion of this Report based on time incurred at normal professional rates. With the exception of these fees no parties will receive any other benefits, whether directly or indirectly, for or in connection with issuing this Report.

Disclaimers

This Report should not be used or relied upon for any purpose other than as an expression of Nexia's opinion of the fairness and reasonableness of the Proposals. Nexia expressly disclaims any liability to any person who relies on our Report, or seeks to rely on the Report for any other purpose and to any other party who relies or purports to rely on this Report for any purpose.

Appendix C identifies the sources of information upon which this Report has been based. Whilst Nexia has no reason to believe that such information is not reliable and accurate, it has not caused such information to be independently verified or audited in any way. Inquiry, analysis and review have brought nothing to our attention to indicate a material misstatement, omission or lack of reasonable grounds upon which to base our opinion.

The opinions given by Nexia in this Report are given in good faith and in the belief on reasonable grounds that such statements and opinions are correct and not misleading. This Report has been prepared with care and diligence. However, no responsibility is accepted by Nexia or any of its officers or employees for errors or omissions however arising in the preparation of this Report, provided that this shall not absolve Nexia from consequences related to an opinion expressed recklessly or in bad faith.

Advanced drafts of this Report were provided to the Directors of the Company. Minor changes for factual content were made to this Report. There was no alteration to the methodology or conclusions reached as a result of discussions related to drafts of the Report.

APPENDIX A (Continued)

Statement of Qualifications, Independence, Declarations and Consents

Nexia's opinion is based on prevailing conditions at the date of this Report including market, economic and other relevant circumstances. These can change over relatively short time period and any subsequent changes in these conditions in the value either positively or negatively

Indemnity

The Company has agreed that it will indemnify Nexia and its employees and officers in respect to any or all losses, claims, damages and liabilities arising as a result of or in connection with the preparation of this Report.

Consent

This Report has been prepared at the request of the Company and may accompany the Information Memorandum to be given to shareholders.

Nexia consents to the issuing of this Report and the form and context to which it is to accompany the Information Memorandum. Other than this Report, Nexia has not been involved in the preparation of the documents or other aspects of the Proposals or the Notice of Meeting to which this Report may be attached. Accordingly, we take no responsibility for the content of the Notice of Meeting or the Proposals as a whole. Neither the whole nor any part of this Report nor any reference thereto may be included in any other document without prior written consent of Nexia as to the form and context to which it appears.

APPENDIX B
Nexia Court Financial Solutions Pty Ltd Financial Services Guide

Nexia Court Financial Solutions Pty Ltd
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Level 29 Australia Square
264 George Street
SDYNEY NSW 2000

Tel: +61 (0) 2 9251 4600

Financial Services Guide
February 2010

This Financial Services Guide ("FSG") is an important document the purpose of which is to assist you in deciding whether to use any of the general financial product advice provided by Nexia Court Financial Solutions Pty Ltd. The us of "we", "us" or "our" is a reference to Nexia Court Financial Solutions Pty Ltd ("Nexia") as the holder of Australian Financial Services Licence ("AFSL") No.247300. The contents of this FSG include:

- who we are and how we can be contacted
- what services we are authorised to provide under our AFSL
- how we (and any other relevant parties) are remunerated in relation to any general financial product advice we may provide .
- details of any potential conflicts of interest
- details of our internal and external dispute resolution systems and how you can access them.

Information about us

We have been engaged by Medical Australia Limited to give general financial product advice in the form of a report to be provided to you in connection with a financial product to be issued by another party. You are not the party or parties who engaged us to prepare this Report. We are not acting for any person other than the party or parties who engaged us. We are required to give you an FSG by law because our Report is being provided to you. You may contact us by writing to PO Box H195, Australia Square, Sydney 1215, or by telephone on +61 (0) 2 9251 4600.

Nexia Court Financial Solutions Pty Ltd is ultimately owned by the partners of Nexia Court & Co, a provider of audit and assurance, accounting, tax, corporate advisory, superannuation, investment advisory and consulting services. Directors of Nexia Court Financial Solutions Pty Ltd are partners of Nexia Court & Co.

The financial product advice in our Report is provided by Nexia Financial Solutions Pty Ltd and not by Nexia Court & Co or any of its other related entities.

Nexia has an agreement in place with Securitor Financial Group Pty Ltd to provide Nexia with extensive resources and dedicated teams to support our financial advisers, including technical experts in areas such as superannuation and retirement planning. Securitor is fully owned by St.George Bank. The partnership of Nexia Court & Co (and its related bodies corporate) may from time to time provide professional services to financial product issuers in the ordinary course of business.

APPENDIX B (Continued)
Nexia Court Financial Solutions Pty Ltd Financial Services Guide

What financial services are we licensed to provide?

The AFSL we hold authorises us to provide the following financial services to both retail and wholesale clients:

- to provide general financial product advice only in respect of securities, derivatives, debentures, stocks or bonds issued or proposed to be issued by a government and interests in managed investment schemes including investor directed portfolio services and deposit and payment products limited to basic deposit products and deposit products other than basic deposit products.

Information about the general financial product advice we provide
The financial product advice provided in our Report is known as "general advice" because it does not take into account your personal objectives, financial situation or needs. You should consider whether the general advice contained in our Report is appropriate for you, having regard to your own personal objectives, financial situation or needs.

Information about the general financial product advice we provide (continued)

If our advice is being provided to you in connection with the acquisition or potential acquisition of a financial product issued by another party, we recommend you obtain and read carefully the relevant Product Disclosure Statement ("PDS") or Prospectus provided by the issuer of the financial product. The purpose of the PDS is to help you make an informed decision about the acquisition of a financial product. The contents of the PDS will include details such as the risks, benefits and costs of acquiring the particular financial product.

How are we and our employees remunerated?

We have agreed a fee of $18,500 for this engagement. Our fees are usually determined on an hourly basis; however they may be a fixed amount or derived using another basis. We may also seek reimbursement of any out-of-pocket expenses incurred in providing the services.

Fee arrangements are agreed with the party or parties who actually engaged us and we confirm our remuneration in a written letter of engagement to the party or parties who actually engage us.

Neither Nexia Court Financial Solutions Pty Ltd nor its directors and officers, nor any related bodies corporate or associates and their directors and officers, receives any commissions or other benefits, except for the fees for services rendered to the party or parties who actually engage us.

All of our employees receive a salary with partners also having an equity interest in the partnership. We do not receive any commissions or other benefits arising directly from services provided to you. The remuneration paid to our directors reflects their individual contribution to the Company and covers all aspects of performance.

We do not pay commissions or provide other benefits to other parties for referring prospective clients to us.

What should you do if you have a complaint?

If you have any concerns regarding our Report, you may wish to advise us. Our internal complaint handling process is designed to respond to your concerns promptly and equitably. Please address your complaint in writing to:

The Directors
Nexia Court Financial Solutions Pty Ltd
PO Box H195 Australia Square
Sydney NSW 1215

APPENDIX B (Continued)
Nexia Court Financial Solutions Pty Ltd Financial Services Guide

If you are not satisfied with the steps we have taken to resolve your complaint, you may contact the Financial Industry Complaints Service ("FICS"). FICS provides free advice and assistance to consumers to help them resolve complaints relating to members of the financial services industry. Complaints may be submitted to FICS at:

Financial Ombudsman Service
GPO Box 3
MELBOURNE VIC 8007
Telephone: 1300 780 808
Fax: +61 3 9613 6399
Email: info@fos.org.au
Internet: http://www.fos.org.au

The Australian Securities and Investments Commission ("ASIC") regulates Australian companies, financial markets, financial services organisations and professionals who deal and advise in investments, superannuation, insurance, deposit taking and credit. Their website contains information on lodging complaints about companies and individual persons and sets out the types of complaints handled by ASIC. You may contact ASIC as follows:

Info line: 1300 300 630
Email: info@asic.gov.au
Internet: http://www.asic.gov/asic/asic.nsf

Indemnification

As a condition of Nexia's agreement to prepare this Report, MLA agrees to indemnify Nexia's in relation to any claim arising from or in connection with its reliance on information or documentation provided by or on behalf of MLA which is false or misleading or omits material particulars or arising from any failure to supply relevant documents or information.

APPENDIX C
Sources of Information

1. Notice of Meeting and Explanatory Memorandum
2. MLA announcements released to the ASX
3. MLA year ended 30 June 2013 financial statements
4. MLA half-year ended 31 Dec 2012 financial statements
5. MLA year ended 30 June 2012 financial statements
6. MLA half-year ended 31 Dec 2011 financial statements
7. MLA company website http://www.medaust.com/
8. Business Sale Agreement between Medivet Pty Limited and Medical Australia Limited
9. Vendors' Shareholders Sale and Purchase Agreement between Medivet Pty Limited and Medical Australia Limited
10. Transaction Summary prepared by management of Medical Australia Limited
11. Intellectual Property Due Diligence Report prepared by Spruson & Ferguson Lawyers
12. Medivet Pty Limited management accounts for the year ended 30 June 2013, 30 June 2012 and 30 June 2011
13. Medivet US management accounts for the year ended 31 December 2012 and 2011
14. Medivet Pty Limited consolidated financial statements for the 6 months to 30 June 2013, year end 31 December 2012 and 2011 prepared by management
15. Medivet company website http://www.Medivet.net.au/
16. Distribution agreement between Adistem Limited and Medivet Pty Limited
17. Distribution agreement between DMX International, LLC and Medivet Pty Limited
18. Distribution agreement between Medivet America, LLC and Butler Schein Animal Health
19. IBISWorld Industry Report X0001 Biotechnology in Australia, May 2013
20. IBISWorld Industry Report M6970: Veterinary Services in Australia, May 2013
21. First Research Industry Profile – Veterinary Services NAICS CODE: 54194, April 2013
22. First Research Industry Profile – Biotechnology Research Services NAICS CODE: 541711, May 2013
23. Numerous discussions and correspondence with MLA management, directors and solicitors
24. MLA shareholder spread, top shareholders and escrowed securities data provided as at 31 August 2013
25. www.etrade.com.au; www.asx.com.au; www.finance.yahoo.com; and various other websites and public domain information services.

APPENDIX D
Overview of valuation methodologies

Discounted Cash Flow Based Analysis

This methodology recognises the present value of the net cash flows which are expected to be derived from future activities. These future cash flows are discounted to current values by recognising both the risk of their receipt and the time value of money using a suitable discount rate. This methodology is normally considered to be the most appropriate method in the calculation of the value where there is adequate information about likely future cash flows, usually over a finite term.

Capitalisation of Maintainable Earnings (CME)

This requires consideration of the following factors:

(a) estimation of future maintainable earnings. The maintainable level of earnings is considered to be the level below which, in the absence of unforeseen and exceptional circumstances, the income stream flowing from the assets is unlikely to fall. Maintainable earnings can be influenced by a number of factors including the trend and consistency of historical performance, the stage of development of the business sensitivity to key industry risk factors and the general economic outlook, and the extent to which one-off or non-recurring Proposals are reflected in the financial records ; and

(b) determination of an appropriate capitalisation rate which will reflect a purchaser's required rate of return from the business. It should therefore reflect among other things: -

- the operational risks of the business;
- the growth profile of the business
- the working and long-term capital requirements of the business currently and requirement for funding growth;
- the nature of the environment in which the business operates: and
- alternative investment opportunities.
- a separate assessment of surplus or unrelated assets and liabilities, being those items which are not essential to producing the estimated future earnings.

This methodology is generally recognised as a surrogate for a discounted cashflow analysis (DCF). It is typically employed where an entity or asset has mature operations with a history of profits and an expectation that these will be maintained at similar levels in the future. It is considered a reliable methodology particularly where capital expenditure does not constitute a large part of the cash outflows of the business or where such outflows are generally of a replacement nature.

Comparable Market Proposals

This methodology requires research to ascertain details of any comparable Proposals in the same industry for a similar entity to that being valued. If such Proposals exist and the entity being valued is directly comparable to that being acquired then the assets, revenue or earnings multiples, or other measures employed in the actual Proposal, can be utilised in the valuation.

The difficulty with this methodology is the sourcing of sufficient information involving the sale process to accurately analyse the consideration paid and to establish the comparability of the two businesses or entities.

Quoted price of listed shares

This methodology can be used on some listed companies and other private companies that are comparable. The methodology involves research on share prices, volumes, spreads, trading day and the company's capital. This is then analysed to determine whether the shares are reflective of market forces and publically available information. If so the values are used as an indication of the fair value of the company due to the operations of an efficient market which the ASX is taken to be.

Net assets or cost based

In the absence of positive or very poor cash flows or earnings, the net asset value of an entity can be a reasonable indication of the minimum value for that entity. This involves the determination of the net realisable value of the assets of the business or Company assuming an orderly realisation of those assets. This value includes a reduction in value to allow for the reasonable costs of carrying out the sale of assets and for the time value of money. It is not a valuation on the basis of a forced sale, where the assets might be sold at values materially different from their fair market value.

This approach is appropriate where the business or entity concerned is predominately a property or liquid investment entity, is not generating adequate returns and in certain circumstances where there are surplus non-operating assets.