Naturally Inspired

QBiotics Limited

ACN 110 210 001

Prospectus

Offer of 25 million fully paid ordinary shares at $0.40 to raise $10 million, with a minimum raising of $7.5 million and a provision for oversubscriptions of up to $2.5 million.

The minimum Application amount under the Offer is $5,000 or 12,500 Shares.

This offer is not underwritten.

Investment in the Shares of QBiotics Limited should be considered speculative. This is an important document that should be read in its entirety. If you do not understand any part of this Prospectus, or any of its content, we recommend that you consult with your professional adviser

Offer Manager:
Axstra Capital Pty Ltd
(AFSL 390786)

AXSTRA CAPITAL

QBIOTICS

IMPORTANT NOTICE

PUBLIC OFFER

The Offer contained in this Prospectus is an invitation to apply for fully paid ordinary shares (Shares) in QBiotics Limited ACN 110 210 001 (QBiotics or Company). This Prospectus is issued by the Company.

LODGEMENT

This Prospectus is dated 29 July 2016 (Prospectus Date) and a copy of this Prospectus was lodged with ASIC on that date.

ASIC nor its officers take any responsibility for the contents of this Prospectus or for the merits of the investment to which this Prospectus relates.

EXPIRY DATE

No Shares will be allotted or issued on the basis of this Prospectus later than 13 months after the date of this Prospectus. Shares offered pursuant to this Prospectus will be issued on the terms and conditions set out in this Prospectus.

NOTE TO APPLICANTS

The information in this Prospectus is not financial product advice and does not take into account your investment objectives, financial situation or particular needs. This Prospectus should not be construed as financial, taxation, legal or other advice.

This Prospectus is important and should be read in its entirety prior to deciding whether to invest in the Company's Shares. There are risks associated with an investment in the Shares and the Shares offered under this Prospectus must be regarded as a speculative investment. Some of the risks that should be considered are set out in Section 6 of this Prospectus. You should carefully consider these risks in light of your personal circumstances (including financial and tax issues). There may also be risks in addition to these that should be considered in light of your personal circumstances.

If you do not fully understand this Prospectus or are in doubt as to how to deal with it, you should seek professional guidance from your stockbroker, lawyer, accountant or other independent professional adviser before deciding whether to invest in the Shares.

No person named in this Prospectus guarantees the Company's performance or the repayment of capital or any return on investment made pursuant to this Prospectus.

NO OFFER WHERE OFFER WOULD BE ILLEGAL

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the Shares in any jurisdiction outside Australia. The distribution of this Prospectus outside Australia may be restricted by law and persons who come into possession of this Prospectus outside Australia should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

This Prospectus has been prepared for publication in Australia and may not be distributed to any person, and the Shares may not be offered or sold, in any country outside Australia.

FINANCIAL INFORMATION AND AMOUNTS

Given the fact that the Company is in an early stage of development, there are significant uncertainties associated with forecasting the future development and expenses of the Company. As such, the Directors believe that the Company is not in a position to forecast any future earnings for the Company. To date, the Company has not made a profit. Save as set out above, the financial amounts referred to in this Prospectus are expressed in Australian dollars unless stated otherwise.

DISCLAIMER

Australian investors should not rely on any information which is not contained in this Prospectus in making a decision as to whether to acquire securities in the Company under the Offer. No person is authorised by the Company to give any information or make any representation in connection with the Offer that is not contained in the Prospectus. Any information or representation not contained in this Prospectus may not be relied on as having been authorised by the Company, its Directors or any other person in connection with the Offer. The Company's business, financial condition, results of operations and prospects may have changed since the date of this Prospectus.

This Prospectus contains forward-looking statements concerning the Company's business, operations, financial performance and condition as well as the Company's plans, objectives and expectations for its business, operations, financial performance and condition. Any statements contained in this Prospectus that are not of historical facts may be deemed to be forward-looking statements. You can identify these statements by words such as "aim", "anticipate", "assume", "believe", "could", "due", "estimate", "expect", "goal", "intend", "may", objective", "plan", "predict", "potential", "positioned", "should", "target", "will", "would" and other similar expressions that are predictions of or indicate future events and future trends.

These forward-looking statements are based on current expectations, estimates, forecasts and projections about the Company's business and the industry in which the Company operates and management's beliefs and assumptions. These forward-looking statements are not guarantees of future performance or development and involve known and unknown risks, uncertainties, assumptions and other factors that are in some cases beyond the Company's control. As a result, any or all of the Company's forward-looking statements in this Prospectus may turn out to be inaccurate. Factors that may cause such differences include, but are not limited to, the risks described in Section 6.

Potential investors and other readers are urged to consider these factors carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on the forward-looking statements. These forward-looking statements speak only as at the date of this Prospectus. Unless required by law, the Company does not intend to publicly update or revise any forward-looking statements to reflect new information or future events or otherwise. You should, however, review the factors and risks the Company describes in the reports after the date of this Prospectus.

This Prospectus contains market data and industry forecasts that were obtained from industry publications, third-party market research and publicly available information. These publications generally state that the information contained in them has been obtained from sources believed to be reliable, but the Company has not independently verified the accuracy and completeness of such information.

Some numerical figures included in this Prospectus have been subject to rounding adjustments. Accordingly, numerical figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that preceded them.

EXPOSURE PERIOD

The Corporations Act prohibits the Company from processing Applications under the Offer in the seven day period after the date of lodgment of the Prospectus with ASIC (Exposure Period).

This period may be extended by ASIC for a further period of up to seven days. The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of funds under the Offer. That examination may result in the identification of deficiencies in this Prospectus, in which case any Application received may need to be dealt with in accordance with section 724 of the Corporations Act.

This Prospectus will be made generally available to Australian residents during the Exposure Period, without the Application Forms, by being posted on the QBiotics' website at the following address: www.qbiotics.com/prospectus. Applications received during the Exposure Period will not be processed until after the expiry of the Exposure Period. No preference will be conferred on any Applications received during the Exposure Period.

ELECTRONIC PROSPECTUS

This Prospectus will be made available in electronic form on the QBiotics' website at the following address: www.qbiotics.com/prospectus. The information on www.qbiotics.com/prospectus does not form part of the Prospectus and is not to be interpreted as part of, nor incorporated into, this Prospectus.

The Offer constituted by this Prospectus in electronic form is available only to Australian residents accessing the website within Australia. It is not available to persons in other jurisdictions. Persons who access the electronic version of this Prospectus should ensure that they download and read the entire Prospectus. If unsure about the completeness of the Prospectus received electronically, or a print out of it, you should contact the Company for a paper copy of the Prospectus which will be supplied free of charge.

Applications for Shares under this Prospectus may only be made on a printed copy of the Application Form attached to or accompanying this Prospectus. By making an Application, you declare that you were given access to the Prospectus, together with an Application Form. The Corporations Act prohibits any person from passing the Application Form on to another person unless it is attached to a hard copy of the Prospectus or the complete and unaltered electronic version of the Prospectus.If this Prospectus is found to be deficient, any Applications may need to be dealt with in accordance with section 724 of the Corporations Act.

PRIVACY

By completing an Application Form, you are providing personal information to the Company and Link Market Services Limited as the Share Registry, which is contracted by the Company to manage Applications, and consenting to the collection and use of that personal information in accordance with these terms. The personal information will be collected, held and used both in and outside of Australia by the Company, and the Share Registry on its behalf, to process your Application, service your needs as a Shareholder, provide facilities and services that you request and carry out appropriate administration of your investment. If you do not wish to provide this information, the Company may not be able to process your Application.

Once you become a Shareholder, the Corporations Act and Australian taxation legislation require information about you (including your name, address and details of the Shares you hold) to be included in the Company's

public share register. This information must continue to be included in the Company's public share register if you cease to be a Shareholder.

The Company and the Share Registry on its behalf, may disclose your personal information for purposes related to your investment to their agents and service providers (which may be located outside of Australia) including those listed below or as otherwise authorised under the Privacy Act:

- the Share Registry for ongoing administration of the Shareholder register;
- printers and other companies for the purposes of preparation and distribution of documents and for handling mail;
- market research companies for the purpose of analysing the Company's Shareholder base and for product development and planning; and
- legal and accounting firms, auditors, management consultants and other advisers for the purpose of administering and advising on the Shares and for associated actions.

The Company's agents and service providers may be located outside Australia where your personal information may not receive the same level of protection as that afforded under Australian law.

Under the Privacy Act, you may request access to your personal information held by, or on behalf of, the Company. You may obtain further information about the Company's privacy practices by contacting the Company or the Share Registry, details of which are set out elsewhere in this Prospectus. You may be required to pay a reasonable charge to the Share Registry in order to access your personal information.

For further information about the Company's privacy policy, please also refer to www.qbiotics.com/privacy.

The Company aims to ensure that the personal information it retains about you is accurate, complete and up-to-date. To assist with this, please contact the Company or the Share Registry if any of the details you have provided change.

DEFINITIONS AND ABBREVIATIONS

Defined terms and abbreviations used in this Prospectus are explained in Section 11.

TIME

Defined terms and abbreviations used in this Prospectus, unless specified otherwise, have the meaning given in the glossary in Section 11. Unless otherwise stated or implied, reference to times in this Prospectus are to AEST. Unless otherwise stated or implied, references to dates or years are to a calendar year

COMPANY'S WEBSITE

Any reference to documents included on the Company's website are provided for convenience only, and none of the documents or other information available on the Company's website, or any other website referred in this Prospectus, are incorporated in to this Prospectus by reference.

PHOTOGRAPHS AND DIAGRAMS

Photographs used in this Prospectus which do not have any descriptions are for illustration only and should not be interpreted to mean that any person shown endorses this Prospectus or its contents or that the assets shown in them are owned by the Company.

Diagrams used in the Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available as at 29 July 2016.

QUESTIONS

If you have any questions in relation to the Offer, contact Axstra Capital on (02) 8234 4409 between 9.00am and 5.00pm AEST, Monday to Friday.

If you have any questions in relation to the Company, contact QBiotics on (07) 3870 8933 between 9.00am and 5.00pm AEST, Monday to Friday.

This document is important and should be read in its entirety.

CONTENTS

1. KEY OFFER INFORMATION

This Prospectus provides investors with information on an opportunity to purchase Shares in QBiotics Limited.

1.1. Key dates

Prospectus Date	Friday, 29 July 2016
Opening Date for Applications (9:00am)	Monday, 15 August 2016
Closing Date for Applications (5:00pm)	Friday, 9 September 2016
Issue and allotment of Shares (completion of Offer)	Monday, 12 September 2016
Expected dispatch of holding statements	Tuesday, 13 September 2016

The above key dates are indicative only. All times are AEST. The Company reserves the right to vary the dates and times set out above subject to the Corporations Act and other applicable laws. In particular, the Company reserves the right to extend the Closing Date or accept late Applications without notifying any recipients of this Prospectus or any Applicants. Investors who wish to submit an Application are encouraged to do so as soon as practicable after the Opening Date.

1.2. Key offer details

Offer Price per share	$0.40
Total number of Shares on issue as at the date of this Prospectus	264,039,026
Minimum investment application amount	$5,000 / 12,500 Shares

	Based on Minimum Subscription of $7.5 million	Based on Expected Subscription of $10 million	Based on Maximum Subscription of $12.5 million
Total number of Shares to be issued under the Offer	18,750,000	25,000,000	31,250,000
Total number of Shares on issue at completion of the Offer (note 1)	282,789,026	289,039,026	295,289,026
Indicative market capitalisation of the Company at completion of the Offer at the Offer Price (note 2)	$113,115,610	$115,615,610	$118,115,610
Gross cash proceeds from the Offer (note 3)	$7,500,000	$10,000,000	$12,500,000

Note 1 - Includes the maximum number of Shares available under this Offer plus Shares retained by the Existing Shareholders.

Note 2 - For indicative purposes only, market capitalisation has been determined by multiplying the total number of shares on issue after completion of the Offer (based on minimum, expected and maximum subscriptions) by the Offer Price.

Note 3 - Equal to the Shares issued under the Offer multiplied by the Offer Price.

1.3. How to invest

Applications for Shares can only be made by completing and lodging an Application Form. Instructions on how to apply for Shares are set out in Section 8.5.

1.4. Questions

If you have any questions about the Company, please contact the Company on (07) 3870 8933 (if calling within Australia) or (+61) 7 3870 8933 if calling outside Australia) from 9.00am to 5.00pm (AEST) Monday to Friday.

If you have questions about the Offer, please contact Offer Manager, Axstra Capital, on (02) 8234 4409 from 9.00am to 5.00pm (AEST) Monday to Friday.

If you are in any doubt as to what to do in relation to the Offer, you should seek professional advice from a licensed financial adviser, accountant, stockbroker, lawyer or other professional adviser before deciding whether to invest in the Company.

2. CHAIRMAN'S AND CEO'S LETTERS

29 July 2016

Dear Prospective Investor,

I am pleased to present QBiotics to you as the new Chairman as we seek to raise further funds to allow us to move forward to the next stage in our development.

The focus of the Company is on the development of novel anticancer and wound healing pharmaceuticals for the human and veterinary markets. In the next letter the CEO, Dr Victoria Gordon, sets down very useful facts and background; you should read this in conjunction with my letter.

Many of you will be existing shareholders so you should be aware I have recently joined the board as Chairman, and we have now increased the board to include two new directors, Andy Denver and Professor Bruce Robinson.

QBiotics has a clear objective to IPO and become a successful listed company in the field of Lifesciences.

I fully support that ambition and have set a clear goal to make this company a great Australian success to the fullest extent I can. By that I mean seeking both commercial and job opportunities over time that allow the Company to fulfil its full value potential while still being Australian centric to the fullest extent possible.

With the existing funds in the Company, and with these new funds, I believe we have the financial resources we need to see ourselves successfully through to an IPO. This will ultimately depend on the skill of our teams, on the timing of regulatory approvals and the development of the associated business models; but with tight focus and the effort required I believe this is achievable.

By way of background I was approached late last year to support an IPO in 2016 and possibly play a director role. That led me to do a full review of the Company, with both Andy Denver and Professor Bruce Robinson advising.

(continued)

The outcome of our review was that the Company has substantial opportunity, the market for an IPO was not conducive at this time, that there should be Regulatory approvals before any IPO and that revenue streams needed to be occurring in a way that could be sensibly modelled.

We concluded many positive things were happening and that the priorities should be to achieve major approvals for the Vet market cancer drug, and for a wider development of the wound healing drug. This could provide the revenue and cash flow potential to underpin a successful IPO that would then allow the broader range of opportunity to be developed, including the cancer drug for humans.

We further identified a goal to harmonise both QBiotics and its sister company EcoBiotics to the fullest extent possible, and this will be an area of focus for me. I believe there is a mutually beneficial way to work out a suitable and mutually fair arrangement with the shareholders of EcoBiotics.

I am excited about the future but also recognise there is a lot of work to do; we need to be focused on our priorities and ensure we deliver positive outcomes as soon as is sensibly possible.

Your sincerely,

Rick Holliday-Smith

Chairman
QBiotics Limited

29 July 2016

Dear Prospective Investor,

The tropical rainforests of Australia are places of wonder, captivating all who visit. Their biodiversity is the product of millions of years of evolution. QBiotics is developing novel drugs sourced from deep within this unique ecology. Our target therapeutic areas are the major global health priorities solid tumour cancer and chronic wounds. We develop our drug simultaneously for the human and veterinary markets thus providing for early and longer term returns.

Cancer is a leading cause of death worldwide. It is estimated that globally more than 12 million people are diagnosed with cancer and 7.6 million people die of the disease each year[1]. The global anticancer therapeutics market increased from US$12.8 billion in 2002 to US$33.3 billion in 2010 and is expected to reach US$50 Billion by 2017[2]. There are currently a large range of anticancer treatments available, however there is considerable interest in the development of new treatments mainly driven by the lack of safe and effective drugs to treat late stages of disease.

Cancer is also prevalent in our companion animals. Worldwide as many as 1 in 4 dogs and 1 in 6 cats will develop cancer at some time in their life, and almost 50% of dogs over the age of 10 years will die of the disease[3,4]. Only a very small number of registered treatments exist for cancer in companion animals providing an opportunity for new treatments in this growing market.

Chronic wounds present a significant health problem mainly due to an aging population and a sharp rise in the incidence of diabetes and obesity. In the USA alone chronic wounds affect 6.5 million patients annually and an excess of US$25 billion a year is spent on support treatments for sufferers.[5] Current treatments are not fully addressing the complex problems of wound healing for both humans and animals.

(continued)

[1] National Cancer Institute USA Website www.cancer.gov

[2] GBI Research 2011; GBI Research Report "Oncology Therapeutics Market to 2017 - High Unmet Need in the Management and Treatment of Metastatic Cancers to Drive Drug Development" GBIHC125MR; December 2011.

[3] Kelsey. J.L, Moore, A.S. and Glickman, L.T. Epidemiological studies of risk factors for cancer in pet dogs. Epidemiology Review 20 (2): 204-217. 1998.

[4] Withrow, S.J. and Vail, D.M. Small Animal Clinical Oncology, Elsevier Inc, Canada 402-421, 2007.

[5] Sen, C.K., Gordillo G.M, Roy, S., Kirsner, R., Lambert, L., Hunt, T.K., Gottrup, F., Gurtner, G.C., and Longaker, M.T. Human Skin Wounds: A Major and Snowballing Threat to Public Health and the Economy. Wound Repair Regen. 17(6): 763–771. 2009

QBiotics is developing anticancer and wound healing products with significant potential. QBiotics' lead anticancer drug, EBC-46, has proven to be efficacious against a range of spontaneous tumours in companion animals and is currently in late clinical development for the local treatment of mast cell tumours and soft tissue sarcomas in dogs. QBiotics is also making considerable progress in the human space with our Human Clinical Phase I/II safety trial. Early results are indicating an excellent safety profile for EBC-46 with signs of efficacy demonstrated in a range of solid tumour types.

Our wound healing treatment WH-1 is showing strong potential as a solution to chronic wounds. Early mechanistic work has demonstrated the ability of the drug to stimulate wound closure and to have strong antimicrobial activity. This has been supported in the veterinary clinic where chronic and seriously infected wounds in companion and native animals have been successfully treated with the drug.

QBiotics is seeking capital investment through the issue of new Shares to support market launch preparation of our anticancer veterinary product and further development of wound healing treatments. On behalf of the QBiotics Board, I am pleased to provide you with the opportunity to participate in this investment activity.

Yours sincerely,

Dr Victoria Gordon

CEO & Managing Director
QBiotics Limited

3. INVESTMENT OVERVIEW

The following table sets out some common questions and corresponding answers in relation to the Offer, and where to find more information within this Prospectus. You should read this section in conjunction with the remainder of the information contained in this Prospectus, including the Risk Factors in Section 6. If you are in doubt as to the course you should follow, please consult your professional adviser.

3.1. Business overview

QUESTION	ANSWER	WHERE TO FIND MORE INFORMATION
Who is the issuer of this Prospectus	QBiotics Limited ACN 110 210 001 (QBiotics or the Company).	Section 5
What does the Company do?	QBiotics' primary business is the research, development and eventual commercialisation of pharmaceutical drugs that target the oncology and wound healing markets for both humans and Companion Animals globally. QBiotics lead drugs are EBC-46, which is a local treatment targeting solid tumours, and WH-1 which will initially target chronic wounds but potentially has application in all areas of wound healing. All Intellectual Property (IP) and technology relating to these two drugs are owned by QBiotics. EBC-46 is currently in Human Clinical Phase I/II trial in Australia, meaning that the drug is being tested on patients with the target diseases to assess the drug's safety and effectiveness. QBiotics' veterinary product is in late stage development with the USA Food and Drug Administration – Centre for Veterinary Medicine (FDA-CVM) and the UK Veterinary Medicines Directorate (VMD)/European Medicines Agency (EMA). WH-1 is currently in preclinical development for human and early clinical development for veterinarian markets. Since 2010 and as at 31 December 2015, QBiotics has invested over $28 million into its Intellectual Property and technology and has taken significant steps to build a solid foundation from which shareholder value can to grow.	Section 4
Does the Company generate revenue?	QBiotics does not currently generate any revenue from sales of its products as they are yet to be commercialised.	Section 6

QUESTION	ANSWER	WHERE TO FIND MORE INFORMATION
What is the Company's business model and business plan?	The Company's business model and current plans are as follows: For EBC-46: • Develop EBC-46 for the veterinary market through to registration via the FDA-CVM, the VMD/EMA, and the Australian Pesticides and Veterinary Medicines Association (APVMA). Once registration is obtained, marketing and distribution will either be via partnering with a global veterinary pharmaceutical company and/or directly by the Company depending on regions. • Develop EBC-46 for the human market through to Phase IIA/B via the Food and Drug Administration of the United States of America (FDA), then partner with a global pharmaceutical company for completion of development, registration, marketing and distribution. For WH-1: • Complete all necessary preclinical testing and move into clinical trials for human markets and more advanced clinical trials for the veterinary market. • For the veterinary market, develop WH-1 through to registration via the FDA-CVM, VMD/EMA and APVMA. Marketing and distribution will either be via partnering with a global veterinary pharmaceutical company and/or directly by the Company depending on regions. • For the human market, develop WH-1 through to at least Phase IIA/B via the FDA, then partner with a global pharmaceutical company for final development, registration, marketing and distribution.	Section 4
What Intellectual Property does QBiotics own?	QBiotics owns all IP relating to both EBC-46 and WH-1. Both products are novel compounds. EBC-46 is protected under patents granted in all major regions covering both composition-of-matter (being novel compounds the structure itself can be patented) and use (application against the target disease). WH-1 is currently undergoing examination in all major regions for composition of matter and use patents.	Section 9
How will the Company generate income?	For veterinary products following registration, revenue will either be generated (i) directly by sales of products where QBiotics takes the marketing and distribution lead, and/or (ii) via royalties on sales where QBiotics partners with a large animal health company for marketing and distribution. For human products, where partnering at Phase II A/B with a large human pharmaceutical company is planned, revenue is expected to be derived from upfront licensing fees, milestone payments and royalties on sales resulting once QBiotics' products are commercialised.	Section 4

QUESTION	ANSWER	WHERE TO FIND MORE INFORMATION
How does the Company expect to funds its operations?	QBiotics expects to fund its operations by utilising the capital raised under this Offer along with existing capital to fund its business objectives and growth strategy.	Section 4

3.2. Summary of the Offer

QUESTION	ANSWER	WHERE TO FIND MORE INFORMATION
What is the Offer?	This Prospectus relates to an offering of 25,000,000 Shares at a price of $0.40 each to raise $10 million (Expected Subscription). The Offer is conditional on the Company raising at least $7.5 million (Minimum Subscription). If the Company fails to raise the Minimum Subscription within 3 months after the Prospectus Date, all Application Monies received by the Company will be refunded to Applicants (without interest) in accordance with the Corporations Act. The Company may accept Oversubscriptions under the Offer for up to 6,250,000 Shares at an issue price of $0.40 per Share to raise up to a further $2.5 million. The maximum amount which may be raised under the Offers is therefore $12.5 million (Maximum Subscription). The Share being offered will represent 6.63%, 8.65% and 10.58% of the total Shares on issue on completion of the Offer depending on if the Minimum Subscription, Expected Subscription or Maximum Subscription, respectively, is achieved.	Section 8
What is the purpose of the Offer?	The purpose of the Offer is primarily to fund: • launch preparation of the Company's anticancer product EBC-46 for the veterinary market; and • human and veterinary development of the Company's wound healing treatment WH-1.	Section 8
How will the proceeds of the Offer be used?	The proceeds of the Offer are intended to be used for: • construction of marketing plans and product branding for EBC-46 veterinary pharmaceutical for Europe, the USA and Australia; • chemistry Manufacturing and Controls (CMC) activities for WH-1; • Preclinical development for the wound healing product WH-1 and advancing it to clinical trials for both the human and veterinary markets; and	Section 8

<table>
<tr><th>QUESTION</th><th>ANSWER</th><th>WHERE TO FIND MORE INFORMATION</th></tr>
<tr><td></td><td>

providing further working capital and pay expenses of the Offer.

The Company believes that current funding should be sufficient to:

finalise development of EBC-46 through to registration as a veterinary pharmaceutical with the FDA-CVM, VMD/EMA and APVMA, which may potentially produce revenues for QBiotics;
complete Human Clinical Phase I/II Trials for EBC-46 in Australia; and
preliminary preclinical and preliminary manufacturing of WH-1.

Below is a summary of the proposed use of the funds raised under the Offer.
<table>
<tr><th>Product</th><th>Activity</th><th>Based on Minimum Subscript-ion of $7.5 million</th><th>Based on Expected Subscript-ion of $10 million</th><th>Based on Maximum Subscript-ion of $12.5 million</th></tr>
<tr><td></td><td></td><td>$</td><td>$</td><td>$</td></tr>
<tr><td>EBC-46 Vet</td><td>Launch preparation</td><td>4,000,000</td><td>4,000,000</td><td>4,000,000</td></tr>
<tr><td>WH-1 Vet & Human</td><td>CMC process development</td><td>1,000,000</td><td>1,000,000</td><td>3,000,000</td></tr>
<tr><td>WH-1 Vet & Human</td><td>Formal preclinical toxicology</td><td>2,000,000</td><td>2,000,000</td><td>2,000,000</td></tr>
<tr><td>WH-1 Human</td><td>Clinical Phase I/II Trial AU</td><td>-</td><td>2,000,000</td><td>2,000,000</td></tr>
<tr><td>WH-1 Vet</td><td>Clinical development</td><td>-</td><td>500,000</td><td>1,000,000</td></tr>
<tr><td>Other</td><td>General</td><td>500,000</td><td>500,000</td><td>500,000</td></tr>
<tr><td>TOTAL</td><td></td><td>7,500,000</td><td>10,000,000</td><td>12,500,000</td></tr>
</table>
In the opinion of the Directors, on completion of the Offer, the Company will have sufficient working capital to carry out its objectives as stated in this Prospectus.
</td><td></td></tr>
<tr><td>Is there any brokerage, commission or stamp duty payable by Applicants?</td><td>No brokerage, commission or stamp duty is payable by Applicants on acquisition of Shares under the Offer.</td><td>Section 8</td></tr>
</table>

QUESTION	ANSWER	WHERE TO FIND MORE INFORMATION
What are the tax implications of investing in the Shares?	The tax consequences of any investment in Shares will depend on your personal circumstances. Prospective investors should obtain their own tax advice before deciding to invest.	Section 10
Can the Offer be withdrawn?	The Company reserves the right not to proceed with the Offer at any time before the issue of Shares to successful Applicants. If the Offer does not proceed, the Share Registry, your Broker or the Company will refund all Application Monies. No interest will be paid on any Application Monies refunded as a result of the withdrawal of the Offer.	Section 8
Who can apply for Shares under the Offer?	The Offer is open to retail investors who reside in Australia as well as Institutional Investors in Australia and certain other jurisdictions determined by the Company in which it is lawful for the Company to make the Offer.	Section 8
What are the rights and liabilities attached to the security being offered?	All Shares issued under this Prospectus will rank equally in all respects with existing Shares on issue. A description of the Shares, including the rights and liabilities attaching to these, is set out in Section 10.4.	Section 10
What is the Offer period?	The key dates, including details of the Offer period, are set out in Sections 1 and 8. No Shares will be issued on the basis of this Prospectus later than the Expiry Date of 13 months after the Prospectus Date.	Section 1 and 8
What is the minimum Application amount under the Offer?	The minimum Application amount under the Offer is $5,000 or 12,500 Shares. If you apply for a total Application amount that is not a multiple of the Offer Price, your Application will be rounded down to the nearest multiple of the Offer Price and any difference will be retained by the Company.	Section 8
Over-subscriptions	The Company may accept oversubscriptions of up to $2.5 million, as determined by the Directors.	Section 8
How do I apply for shares?	Online: Applicants can apply for Shares via the online Offer website located at www.qbiotics.com/prospectus which is the preferred method. Application Form: Applicants can complete an Application Form attached to the back of this Prospectus. Applicants who are Existing Shareholders must complete the Existing Shareholder Application Form. Applicants who are not Existing Shareholders must complete the General Application Form. Instructions on how to apply are set out in Section 8 and on the back of the Application Forms. To the extent permitted by law, an application under the Offer is irrevocable.	Section 8

QUESTION	ANSWER	WHERE TO FIND MORE INFORMATION
How do I pay?	Application Monies should be paid using the following methods: **By BPAY®:** by following the instructions on the online Application Forms. This is the preferred method. **By Cheque:** Cheques should be crossed "Not Negotiable" and made out to "QBiotics Limited" and posted to: QBiotics Limited C/- Link Market Services Limited Locked Bag A14 Sydney South NSW 1235	Section 8
What is the allocation policy and what happens if there are over-subscriptions?	Applicants who are Existing Shareholders will be allotted Shares under the Offer in priority to any other Applicants. Applicants who pre-registered for a copy of the Prospectus via the Company's pre-registration website will receive their allocation of Shares under the Offer in priority to Applicants who did not pre-register, but behind Applicants who are Existing Shareholders. In the case of oversubscriptions from either Existing Shareholders or Applicants who have pre-registered, Existing Shareholders will be prioritised over those Applicants who pre-registered. Within the above allocation policy, the Board has absolute discretion regarding the basis for allocation of Shares, and there is no assurance that any Applicant will be allocated any Shares, or the number of Shares for which they have applied.	Section 8
Who should you contact if you have an enquiry?	For enquiries relating to the Offer, please contact Axstra Capital on (02) 8234 4409 from 9.00 am until 5.00 pm (AEST) Monday to Friday, or info@axstra.com.au. For enquiries regarding the Company, please call (07) 3870 8933 from 9.00 am until 5.00 pm (AEST) Monday to Friday. If you are unclear in relation to any matter or are uncertain as to whether the Company is a suitable investment for you, you should seek professional guidance from your solicitor, stockbroker, accountant or other independent and qualified professional adviser before deciding whether to invest.	Section 8

3.3. Board & Management

QUESTION	ANSWER	WHERE TO FIND MORE INFORMATION
Who are the Directors of QBiotics?	The Board of Directors consists of: • Rick Holliday Smith– Non-Executive Chairman • Dr Victoria Gordon - Managing Director / Chief Executive Officer • Dr Paul Reddell – Executive Director / Chief Scientific Officer • Professor Bruce Robinson – Non-Executive Director • Andrew Denver – Non-Executive Director • Ross Patane – Non-Executive Director • Dr John Ayerbe - Non-Executive Director • Graeme Levy – Non-Executive Director	Section 5
Who are the key Executives of QBiotics?	The Executive Management consists of: • Dr Victoria Gordon – Chief Executive Officer • Dr Paul Reddell - Chief Scientific Officer • Daniel Parry – Chief Financial Officer • Michael Wenzel – Director of Accounting and Financial Reporting • Mary Phipps - Director of Sales and Marketing • Professor Peter Parsons - Principal Research Scientist Preclinical Development • Dr Rodney Cusack - Director of Human Drug Development • Dr Peter Schmidt - Director of Veterinary Drug Development • Dr Stewart Lowden - Chief Veterinary Officer	Section 5
How are the Directors and key Executives remunerated?	Details on the shareholding and remuneration of the Directors and senior executives can be found in Section 5.	Section 5

3.4. Summary of key risks

RISK	ANSWER	WHERE TO FIND MORE INFORMATION
Regulatory Environment	The regulatory framework in Australia and overseas territories in which the Company operates or intends to commercialise its products, may change. QBiotics may fail in seeking regulatory approval in the USA, Europe, Australia or in other jurisdictions in which it seeks regulatory approval with respect to its products.	Section 6
Market Adoption	The success of QBiotics' commercialisation strategy relies on market specialists, human and veterinary medical facilities, patients and pet owners accepting the Company's products for routine use. Take up of the products will involve clinical studies to further provide evidence of the medical benefits of the products in order to overcome any market resistance. The Company's ability to generate revenues in the future will depend on its ability to market and sell its products.	Section 6
Product Liability	The testing, marketing and sale of the Company's products, whether directly or through licensees, involves a risk of product liability claims being brought against the Company. QBiotics seeks to limit its liability for such claims in its agreements with medical specialists and veterinarians and is also entitled to be indemnified by them in various circumstances. However, limitations of liability are not necessarily effective at law and indemnifications may not always be available. The Company intends to maintain product liability insurance in respect of its products. However, if the Company is unable to obtain sufficient product liability insurance at an acceptable cost this could prevent or inhibit the commercialisation of products the Company develops.	Section 6
Intellectual Property	One of the Company's assets is its IP rights that support its technology and other future products. The commercial value of the IP is dependent on certain legal protection, including patent rights. The grant of patent rights does not inevitably follow after making an application for such rights. Examination of patents, for example, may be expensive and time consuming with no guarantee that patent rights will be secured. Further, the grant of patent rights does not guarantee that such rights are valid or that they do not infringe another party's patent rights and no assurance can be given that others will not challenge the Company's IP rights in its technology.	Section 6
Future Product Development	There are many risks inherent in the development and use of new products for the human and veterinary markets. Products may fail during clinical trials or may fail to gain regulatory approval if required. The Company cannot guarantee that the development work being undertaken will result in the development of any products, or even if they do, that the products will be marketed or commercially successful.	Section 6

RISK	ANSWER	WHERE TO FIND MORE INFORMATION
	The time required to develop and obtain regulatory approval for marketable products can be uncertain and in some cases very long.	
Raw material	Adverse weather conditions and other unpredictable factors may adversely affect the availability of the Fontainea shrub and therefore QBiotics' operations. However, Fontainea is easy to grow and domestication and grow-out programs for the plant have been running for the past 5 years undertaken by EcoBiotics (Grow-Out Program). The Company has estimated that raw material availability provides ample amounts to meet development and commercialisation needs for both anticancer and wound healing programs. EcoBiotics currently has full control of the Grow-Out Program. The Company and EcoBiotics are parties to services agreement (details of which are set out in section 10.7). The Company intends acquiring all of the rights that EcoBiotics has in the Grow-Out Program and has commenced negotiations with EcoBiotics in this respect. However, until these rights are acquired the Company relies on EcoBiotics to supply raw material for the development and commercialisation needs for both EBC-46 and WH-1. Accordingly, there is a risk that EcoBiotics may fail to supply the Company with Fontainea.	Section 6
Clinical Validation	A core component of the Company's strategy is the commercialisation and registration of its products. For the registration process, successful clinical trials will be necessary for the Company to obtain regulatory approval for its products. Such trials are expensive, time consuming, complicated, may be delayed or may fail. This could delay or restrict the Company's ability to commercialise some or all of its products.	Section 6
Reputational Damage	The reputation of the Company and its individual brands is important in attracting both human and veterinary medical specialists, hospitals and patients and key employees. Reputational damage could arise due to a number of circumstances, including: • inadequate services or unsatisfactory clinical outcomes for patients; • error, malpractice or negligence of the Company's employees; or • error, malpractice or negligence of the medical specialists performing the treatments. Negative publicity could adversely impact the Company's reputation which may potentially result in a fall in the number of patients seeking the Company's products or medical specialists willing to providethem.	Section 6
Technological Development and Competitors	Currently there are many competing drugs either in the market, or being developed by other companies that aim to address the same indications as EBC-46 and WH-1 are targeting. Due to the time it may	Section 6

RISK	ANSWER	WHERE TO FIND MORE INFORMATION
	take for QBiotics to commercialise its products, there is a risk that other competing or superior products may enter the market.	
Dependencies on service providers	The Company is dependent on service providers to perform many activities such as toxicology studies, management of clinical trials and manufacturing of products. While these service providers are replaceable, the sourcing of effective replacements in a timely manner may have an adverse effect on the future financial performance of the business.	Section 6
Commercialisation	The Company is yet to generate any revenue from product sales or make a profit. There is no guarantee that the Company will generate revenue or profits in the future.	Section 6
Reliance on key personnel	The Company's success depends to a significant extent on key personnel and the senior management team. QBiotics may not be able to attract and retain key staff or be able to find effective replacements in a timely manner. The loss of key personnel may have an adverse effect on the future financial performance of the business.	Section 6
Sufficiency of funding	The Directors believe that, on completion of the Offer, the Company will have sufficient working capital to carry out its stated objectives. Nevertheless, there can be no assurance that such objectives can be met or that no further funding will be required. Additional funds may be difficult to raise and will be dilutionary to Existing Shareholders.	Section 6
Speculative nature of investment	The Shares to be issued pursuant to the Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares. QBiotics does not produce any current revenue and applies its cash reserves to the development of its technology. The success of the Company is largely dependent on the results of its technology development, the outcome of its proposed human clinical trials and obtaining regulatory approvals. An investment in its Shares should therefore be considered very speculative.	Section 6
Liquidity	QBiotics shares are not listed on any stock exchange. Therefore there is no liquid market for the trading of shares. Furthermore, the Company has no plans to list on any stock exchange for now or in the near future. Therefore, an investment in QBiotics should be considered a long term, high risk, illiquid investment.	Section 6
Other risks	A number of other risks are included in Section 6, and investors should review those risks and consider their own personal circumstances, investment objectives, financial situation and particular needs carefully and seek professional advice before making an investment decision.	Section 6

4. BUSINESS OVERVIEW

4.1. Overview

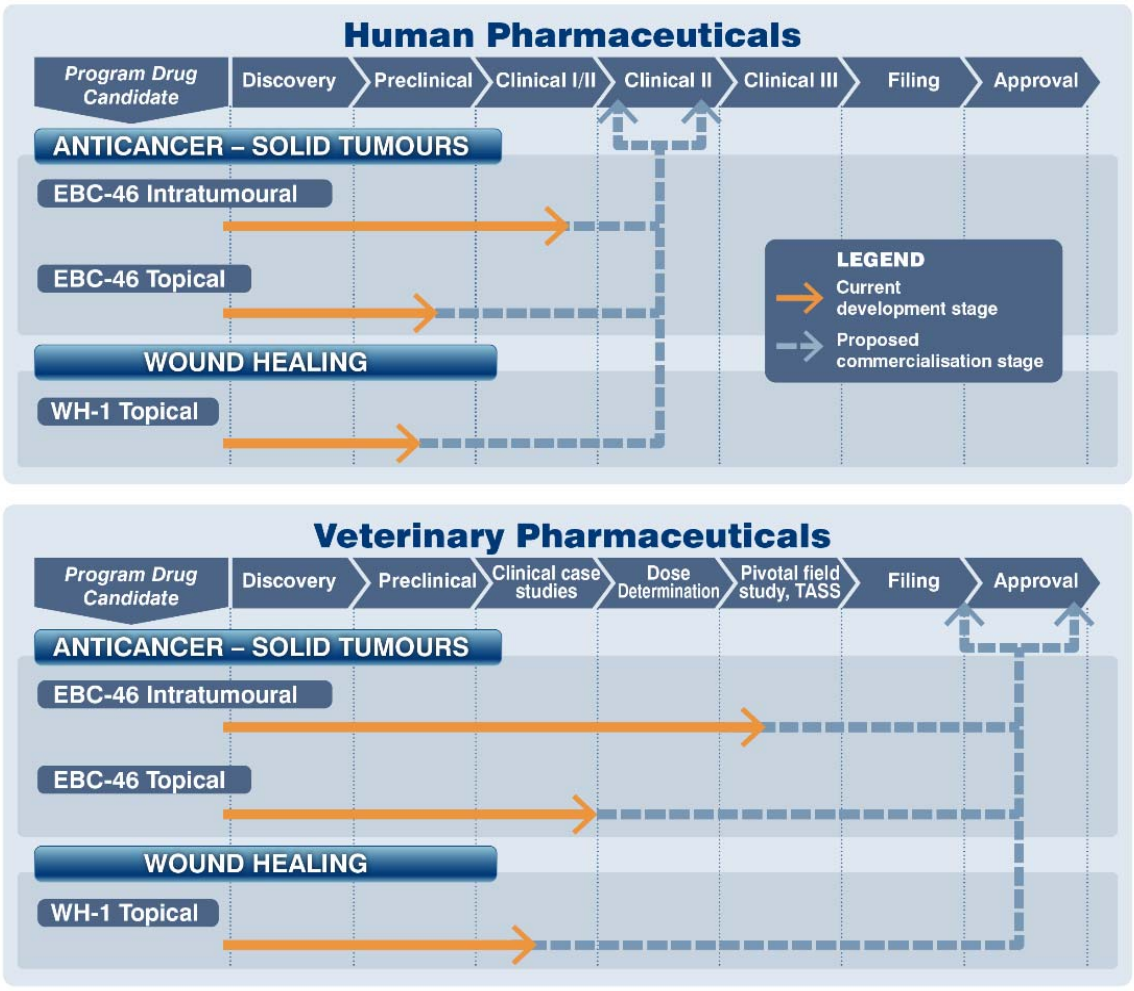
There are major global health problems in the areas of solid tumour cancer and chronic wounds in both the human and veterinary markets.[1,3] QBiotics is developing pharmaceutical solutions that will target these markets.

QBiotics has developed a diverse product pipeline of novel anticancer and wound healing products with clearly identified, multiple commercialisation targets (refer to Figure 4.1). QBiotics' products are based on new chemical entities and thus are unique and novel with strong intellectual property protection and a high potential for market position following successful development and registration.

QBiotics is developing its products simultaneously for the veterinary and human pharmaceutical markets. The development pathway for veterinary products is faster and less expensive than for humans, thus providing the potential for the Company to become revenue positive more rapidly than otherwise possible. Veterinary product development underpins the more complex but greater return human pharmaceutical development. This approach also takes advantage of a double return on investment for early stage development as requirements at these stages are very similar for human and veterinary products.

Since 2010 QBiotics has continued to advance its technology and has undertaken significant laboratory and clinical testing at a cost of approximately $28 million (as at 31 December 2015). Results to date are demonstrating the significant safety and efficacy profiles of QBiotics' products.

Figure 4.1: QBiotics' product pipeline showing stage of product development and preferred stage of product commercialisation



QBiotics' aim is to become a world leader in the development and commercialisation of pharmaceutical products targeted at solid tumours and wounds. To achieve this goal, QBiotics is pursuing the following businessstrategies:

- Demonstrate the clinical safety and efficacy of, and gain regulatory approval for its anticancer and wound healing products initially for the growing Companion Animal market, and then for the human market. While human pharmaceuticals are QBiotics' primary target, the Company recognises the considerable potential in the significant and growing Companion Animal markets. QBiotics is therefore developing both product areas simultaneously for these two major markets. This approach mitigates single product failure risk, and takes advantage of multiple staged markets. The swifter to market veterinary products potentially provide for early revenues that underpin the longer to market but highly valuable human products.
- Commercialise and drive adoption of EBC-46 and WH-1, initially in the Companion Animal market. As clinical trials designed to achieve regulatory approval for the Companion Animal market are being conducted, QBiotics' is advancing its commercialisation plan in anticipation of approval to allow for the commercial sales of its products in the USA, UK/Europe and Australia. Marketing of veterinary drugs is planned to be either via partnering with animal health pharmaceutical companies or directly by QBiotics (region dependent). Revenue is expected to be generated from a combination of upfront payments, royalties on sales and direct sales;
- Build awareness and support among veterinarians. The clinical development strategy is to closely collaborate with key opinion leaders (both Specialists and General Practitioners) in the field of solid tumours and wounds. QBiotics believes these key opinion leaders can be valuable advocates of the technology and be important in the market adoption of QBiotics' products once the products are approved and commercialised. In addition, QBiotics intends to look to these veterinarians to generate and publish scientific data that further supports the benefits of QBiotics' products;
- Licence human products. QBiotics' plans to develop to Human Clinical Phase II (proof of concept stage), before licensing on to pharmaceutical companies for final development and marketing of the product in return for up front and milestone payments, and royalties on sales;
- Provide the highest quality products for QBiotics' customers and patients. QBiotics has assembled a team of experienced professionals who are focused on patient safety and product quality. QBiotics incorporates these principles in every aspect of its business including clinical research, product development, manufacturing and quality assurance. QBiotics intends to build on this foundation by offering only the highest quality products to human and veterinary customers.

4.3. Human and veterinary drug registration pathways

To align the commercialisation plan with regulatory development, QBiotics' registration pathway for both anticancer and wound healing human drug development will be focused on the USA FDA. All the larger pharmaceutical companies (our QBiotics' potential partners) have a strong interest in registration initially via the FDA.

Regulatory pathway for Veterinary Product Development

The regulatory pathway for EBC-46 veterinary product is as follows:

- Develop as a treatment for canine Mast Cell Tumours (MCT) under the USA FDA-CVM;
- Simultaneously develop as a treatment for Soft Tissue Sarcomas (STS) under the UK VMD/ European Medicines Agency EMA;

- Submit data prepared under the FDA-CVM for canine MCT to the VMD/EMA and the APVMA for registration;
- Submit data prepared under the VMD/EMA for canine STS to the FDA-CVM and the APVMA for registration; and
- Consider approach for other regions.

EBC-46 injection is currently under development in the USA regulatory space for treatment of local MCT in dogs. The product was assigned under the jurisdiction of the FDA-CVM following consultation with both FDA-CVM and the United States Department of Agriculture (USDA). An Investigational New Animal Drug (INAD) was opened with the FDA-CVM to initiate discussions with the agency to gain insight on FDA-CVM expectations on all safety, efficacy and manufacturing elements of the program. QBiotics has received FDA-CVM concurrence on the study design for the Target Animal Safety (TAS) study as well as agreement on the contents of our Phase I Chemistry, Manufacturing and Controls (CMC) submission. QBiotics is currently waiting on the response from the FDA-CVM on its planned pivotal efficacy study protocol. The New Animal Drug Application (NADA) strategy is to submit the separate technical sections as the data for each becomes available and submit for an administrative review when all technical sections are considered as approvable by the FDA-CVM. QBiotics has identified Schafer Veterinary Consultants as our agent and regulatory advisor in the USA regulatory space.

EBC-46 Injection is currently under development in the European space for the treatment of skin and subcutis Soft Tissue Sarcomas (STS) in dogs. The regulatory program has only recently been initiated with a request and approval for Minor Use/Minor Species (MUMS) classification for this indication from the European Medicines Agency, Committee for Medicinal Product for Veterinary use (EMA-CVMP). QBiotics subsequently presented to the Veterinary Medicines Directorate (VMD) at an introductory meeting. QBiotics has submitted an Animal Test Certificate (ATC) for initiation of a pivotal efficacy study to be performed in the UK with approval of the VMD. It is the intention to pursue a Marketing Authorisation (MA) with the VMD for registration in the UK in the first instance to be followed with submissions via Mutual Recognition Procedure (MRP) to other EU countries. Triveritas are operating as our agent and advisors in this regulatory space.

In Australia, QBiotics is planning to submit to the Australian Pesticides and Veterinary Medicines Authority (APVMA) completed modules for review as they become available with a full submission upon completion of the requirements for registration for the treatment of canine MCT. Redcap Solutions are operating as our regulatory consulting group in this regulatory space.

Regulatory pathway for Human Product Development

EBC-46 injection is currently under development for the treatment of refractory cutaneous and subcutaneous tumours. From the beginning there has been a focus on tapping into the USA market, as it is the largest in terms of sales. The USA also has a supportive environment with regards pharmaceutical development, with highly experienced reviewers at the FDA who are encouraged by the government to help guide product development and make sure new medicines are made available to the general public as soon as possible. Early in the development of EBC-46, a series of email communications were exchanged with the FDA as part of a Pre-IND (Pre-Investigational New Drug) meeting and feedback from the FDA was considered when designing the Phase I First-Time-in-Humans (FTIH) study of EBC-46.

The next step in the development pathway was to consider submitting an IND to the US FDA. This process involves presenting the FDA with the technical package detailing the known pharmacology, toxicology and chemistry, manufacturing and controls (CMC). However, submission of an IND requires that the technical package contain information obtained from two Good Laboratory Practice (GLP) repeat-dose toxicology

studies in a rodent and a non-rodent. QBiotics has conducted the requisite GLP study in rats, but has yet to do so in dogs (the typical non-rodent toxicology species).

The reason for the lack of a dog study is that, early on in development, it was discovered that the dog toxicology study could be used to support not just the human product, but also the veterinary dog product (the Target Animal Safety Study or TASS). Following the 3Rs principle (Reduce, Re-use and Replace), QBiotics took the decision to use the one study to support both development programs (Human and Dog). As the veterinary programrequires the product for the TASS be of marketing quality this study could not be undertaken until the CMC program was at this advanced stage. The dog toxicology study is now underway and should be finalized before the end of 2016.

Completion of the dog toxicology study will enable an IND submission to be made to the FDA in early 2017. In the meantime, owing to the slightly more flexible regulatory environment in Australia, a Phase I FTIH study was able to proceed without the dog data. This study was initiated in 2014, with recruitment opening in October of that year. It is intended that information from this Phase I study will be submitted under an IND to the USA FDA to conduct of Phase IIA study.

Having received feedback from key opinion leaders (KOLs) in the USA and Australia, QBiotics plans to conduct small Phase IIA studies, with the aim of testing the response of patients to EBC-46 in combination with existing standard therapies. This is a common approach in oncology and promises to offer enhanced recruitment to the trials and speedier approval. This is important in the USA setting, where the FDA offer a number of programs to accelerate the approval process. These include “Fast-Track”, “Breakthrough”, and “Orphan”. “Breakthrough”, in particular, offers the potential for an approval prior to completion of the Phase III studies, which are typically required prior to marketing authorisation being received. Following positive results in the small Phase IIA studies, larger Phase IIA/B trials would be opened to gain the necessary statistical power to justify investment being made to conduct a Phase III trials.

4.4. CANCER - EBC-46 a new approach to cancer treatment

Overview

QBiotics’ anticancer product EBC-46 is proving to have significant potential as a treatment for a range of solid tumours. The drug is a small molecular weight natural product that is isolated from the seed of the Australian rainforest native shrub Fontainea. A single treatment of EBC-46 is delivered by either direct injection into the tumour (intratumoural or ‘IT’) or topical application as a gel, depending on tumour type. Treatment does not usually require anesthetic and there are no significant adverse effects at efficacious doses. QBiotics believes that EBC-46 has the potential to be a leading anticancer pharmaceutical (refer to Table 4.1)

Treatments to date have concentrated on cutaneous and subcutaneous tumours (i.e. tumours externally accessed). However, the drug also has potential to treat a range of internally situated tumours where injection can be guided by imaging (refer to Figure 4.2). Essentially, any tumour that can be accessed directly or biopsied is potentially amenable for treatment with EBC-46.

QBiotics’ initial development focus is the IT product. However, some early stage development of the topical application is also being undertaken. The manufacturing of the injectable form of EBC-46 (Chemistry Manufacturing and Controls or ‘CMC’) under Good Manufacturing Practice (GMP) is advancing towards validation stage in preparation for marketing of the canine MCT product.

The drug’s mechanism of action (the way the drug works) is via specific protein kinase C (PKC) activation where it locally stimulates the immune system resulting in destruction of the tumour’s blood supply and

the tumour mass, as well as initiating rapid healing of the site.[6] Tumour destruction is usually within 4-14 days with the site fully healed within approximately 3 weeks.

EBC-46 has successfully treated a range of spontaneously produced solid tumours in over 300 Companion Animals with no apparent short or long term significant adverse effects reported when applied at efficacious doses. Re-occurrence of treated tumours is rare. Early development in human trials is also very encouraging. QBiotics is undertaking a Human Clinical Phase I/II dose escalation study primarily to examine the safety parameters of the drug. The trial is mid completion and there have been no significant adverse effects noted, and signs of efficacy has been demonstrated in all tumours treated.

Figure 4.2: EBC-46 current product development and commercialisation focus and future potential market areas

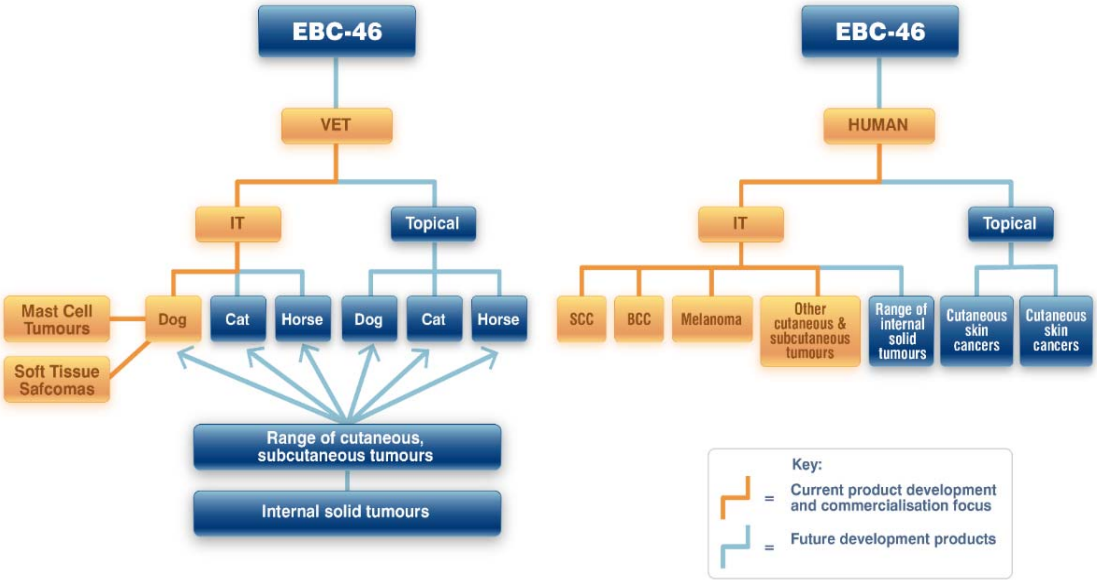


Table 4.1: QBiotics believes that EBC-46 has the potential to be a leading anticancer pharmaceutical for both human and veterinary application due to the following features:

Effective treatment:	Rapid and effective local treatment of a wide range of solid tumours.
Minimal side effects:	No apparent significant adverse effects at efficacious doses.
Strong efficacy data:	From standard cancer models in mice and successful treatment of spontaneous tumours in humans, dogs, cats, horses and other species including the Tasmanian Devil.
Dual mechanism of action:	Induction of a localised immune response which disrupts tumour blood vessels, destroys tumour mass and invasive edges and initiates healing.

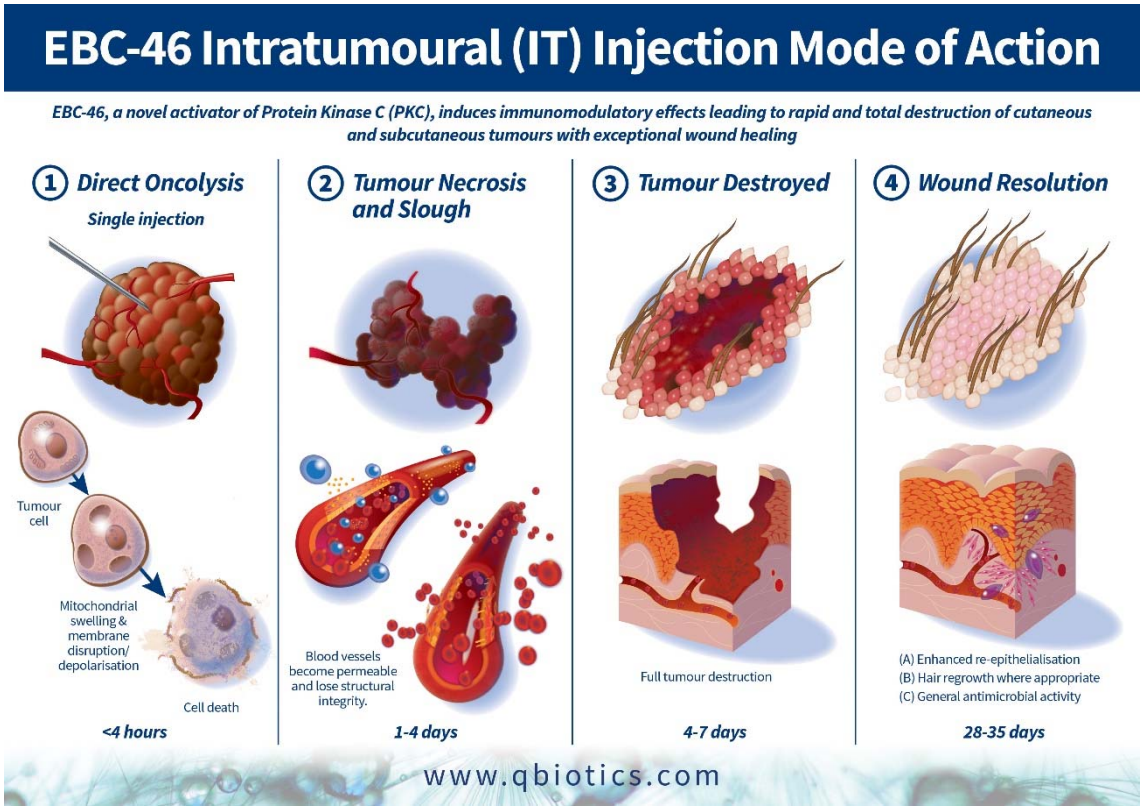
[6] Boyle GM, D'Souza MMA, Pierce CJ, Adams RA, Cantor AS, Johns JP, Maslovskaya L, Gordon VA, Reddell PW, Parsons PG. 2014. Intra-lesional injection of the novel PKC activator EBC-46 rapidly ablates tumours in mouse models. PLoS ONE 9(10): e108887. doi:10.1371/journal.pone.0108887.

Applicable to a wide range of cancer types:	Either alone or in combination with existing therapies.
Easy delivery:	By IT injection or by topical application for certain skin cancers.
Single treatment:	Applied once in most cases, with minimal or no trauma to the patient.
Usually no sedation or anaesthetic required:	Important consideration for aged and compromised patients.
Easy to produce:	Small and potent, plant-derived, molecule which is comparatively easy to isolate, purify and produce in commercial quantities.
Strong intellectual property position:	Patents granted covering both composition of matter and use in all major regions.

How EBC-46 works

The mechanism of action of EBC-46 (the way the drug works) is by local stimulation of the patient's innate immune system to destroy the tumour (refer to Figure 4.3). Simply, activation of specific PKC occurs resulting in destruction of the tumour's blood supply and the tumour mass as well as initiating rapid healing of the site with minimal scarring. Tumour destruction is usually within 4-14 days with full healing of the site within approximately 3 to 4 weeks. Of note, human and animal patients tolerate the drug very well with side effects reported to be mild, transient and related to the drug mechanism (i.e. mild injection site pain and mild swelling around the tumour, but for only the first one or two days post treatment). The wound remaining after tumour destruction usually heals without any intervention (e.g. no requirement for antibiotics, antiseptic creams etc.).

Figure 4.3: The EBC-46 mechanism of action



4.5. CANCER - Human market

Despite the significant effort expended on research and development of new cancer treatments, cancer remains a significant and ongoing problem. The annual cost of cancer care for the USA alone in 2010 was US$125 billion and is projected to be US$157 billion by 2020[1]. The majority of this spend is on solid tumour cancers[1].

Surgery and ionising radiation are the current standard of care for local treatment of solid tumours[7]. However, only one third of all cancer patients are successfully treated using these methods and side effects such as (i) scarring and disfigurement due to surgery, and (ii) nausea, vomiting, damage to epithelial surfaces[8], infertility and disfigurement due to radiation therapy can have a significant detrimental effect[9]. In addition, their application and effectiveness can be limited by factors such as the condition of the patient, proximity and/or infiltration of tumours into adjacent vital tissues, inaccessibility, large tumour volume and intolerance of normal tissue to repeated courses of treatment[10]. Consequently, there exists a demand for better local therapies for a wide range of tumours.

Head and neck cancer

Head and neck cancers are cancers that start in the tissues and organs of the head and neck, including the larynx, tongue and salivary glands[11]. Head and neck cancer is a large treatment population with over 600 thousand new cases diagnosed annually on a global basis[11,2]. There is a need for less invasive and disabling approaches for head and neck cancer, and this is especially so for the elderly (refer to Table 4.2) and those suffering from human papillomavirus (HPV) oral cancer[12] .There is currently poor prognosis for unresectable (unable to be removed by surgery) tumours treated with existing chemotherapy options and/or radiation as 25% of oral cancer patients are over 75 years of age, 35% of tongue cancer patients have local disease at diagnosis and approximately 40% of oral cancer patients receive non-surgical or no therapeutic treatment[13]. EBC-46 has potential to treat primary tumours in all of these cases as an alternative to surgery and radiation as well as in combination with chemotherapy for metastasized (spread of cancer to other parts of the body) disease.

There is an increase in use of systemic treatments[2]. Erbitux is the only targeted agent approved by the FDA for the treatment of head and neck cancer with $2.2 billion in 2014 global sales (also included colorectal cancer)[2]. Erbitux, in combination with multi-agent chemotherapy, only had a response rate of 35.6% and a median duration of overall survival of 10.1 months (as compared to 7.4 months for chemotherapy alone) in

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[7] Kennedy, J.E. High-intensity focused ultrasound in the treatment of solid tumours. Nature Reviews Cancer **5**, 321-327.2005.

[8] Roila, F, Herrstedt, J., Aapro, M., Gralla, R., Einhorn, L., Ballatori, E., Bria, E., Clark-Snow, R., Esperson, B., Feyer, P., Grunberg, S., Hesketh, P., Jordan, K., Kris, M., Maranzano, E., Molassiotis, A., Morrow, G., Olver, I., Rapoport, B., Rittenberg, C., Saito, M., Tonato, M., Warr, D. Guideline update for MASCC and ESMO in the prevention of chemotherapy- and radiotherapy-induced nausea and vomiting: results of the Perugia consensus conference . *Annals of Oncology*. (2010) 21 (suppl 5): v232-v243.

[9] Meirow, D. and Nugent, D. The effects of radiotherapy and chemotherapy on female reproduction. *Human Reproduction Update.* Volume 7, Issue 6 Pp. 535-543.2001.

[10] Rabow, M.l W. Current Medical Diagnosis & Treatment 2013. Eds. Stephen J. McPhee, and Maxine A. Papadakis. McGraw-Hill Medical.

[11] National Cancer Institute, USA website: www.cancer.gov.

[12] American Society of Clinical Oncology (ASCO) 2013 Education Book.

[13] Jacobson, J. , Epstein, J., Eichmiller, F., Gibson, T., Carls, G., Vogtmann, E., Wang, S. and Murphy, B. The cost burden of oral, oral pharyngeal, and salivary gland cancers in three groups: commercial insurance, medicare, and medicaid,. Head Neck Oncology 2012; 4:15.

squamous cell cancer of the head and neck[2]. Systemic treatments only represents approximately 10% of patients according to insurance data[2] and there is a need for more targeted, less intensive options[12]. Of the existing market, the Company estimates the percent eligible for treatment by EBC-46 is at least 25%.

Table 4.2: Opportunity for EBC-46 as a treatment for head and neck cancer[2,11,12,13,14]

Opportunity	Challenge	EBC-46 Solution
Local disease	Need less invasive approach, with low rate of recurrence and minimal functional impact.	Convenient, physician office administered; rapid healing with minimal scarring and good cosmesis.
Un-resectable disease	Cannot be completely surgically removed based on size or location. Currently treated with chemotherapy and/or radiation, need for better outcomes – approximately 60% do not receive sufficient reduction in tumour size to be surgically eligible, non-surgical patients have 50% shorter overall survival (~8 months).	Applicable to some sites unsuitable for surgery. Can treat multiple tumours and multiple sites. No potential for resistance on multiple use.
Very elderly or sick	Medical condition precludes surgery; head and neck impacts elderly; need for treatment option.	Usually no requirement for general anaesthetic; minimal transient side effects; single treatment.
Functional impact	Significant functional morbidity would be anticipated with surgery. Surgical impact on speech, breathing, swallowing, eating.	Good local destruction of tumour; no requirement for extensive margins (as in surgery); rapid healing with minimal scarring and good cosmesis.

Melanoma and non-melanoma skin cancer

There are three main types of skin cancer, basal cell carcinoma (BCC), squamous cell carcinoma (SCC), and melanoma[11]. BCC and SCC are the most common forms of skin cancer and are collectively referred to as non-melanoma skin cancers[11]. There are an estimated 3 million individuals treated for non-melanoma skin cancers and over 5 million patient prevalence in the US alone[15].

Melanoma is the most deadly form of skin cancer and is the fifth most common type of new cancer diagnosis in American men[15]. There will be over 76,000 new cases of melanoma diagnosed in the US in 2015and 230,000 worldwide[15]. Australia has a high incidence of melanoma with approximately 12,000 cases diagnosed annually[16]. Melanoma is a common malignancy with 90% of cases presenting as early stage, local lesions with high survival rates with surgery[15]. However, in 20% of patients the disease will spread and become difficult to treat, thus the outcome for this population is poor[15]. New treatments for metastatic

[14] Patil, V., Prabhash, K., Noronha V., Muddu, V., Dhumal, S., Arya, S., Juvekar, S., Chaturvedi, P., Chaukar, D., Pai, P., Kane, S., Patil, A., Agarwal, J., Ghosh-Lashkar, S. and Dcruz, A. Neoadjuvant chemotherapy followed by surgery in very locally advanced technically unresectable oral cavity cancers. Oral Oncol 2014, Oct; 50 (10).

[15] American Cancer Society Melanoma Overview 04/13/15 http://www.cancer.org/cancer/cancercauses/sunanduvexposure/skin-cancer-facts.

[16] Cancer Australia website https://melanoma.canceraustralia.gov.au/statistics

disease, with a value forecast US$2.8 billion market[17] do not directly target local spread on the skin and in-transit (spread through a lymph vessel) lesions.

IT treatments are already in use but there is limited data to support efficacy of these treatments (refer to Table 4.3 and Table 4.4). Recommendations for use are consistent with an unmet need for local skin and subcutaneous (below the skin) destruction and control. Both available and in development IT products are immune modulating with multiple injections and several months needed to achieve destruction or maintain stasis of tumours (refer to Table 4.3 and Table 4.4).

EBC-46 has the potential to be:

- the first focused tumour destruction agent for IT treatment of multiple secondary cutaneous and subcutaneous (on or below the skin) tumours presenting in Stage III and IV melanoma; and
- used in conjunction with systemic treatment in Stage IV and unresectable disease to improve symptom and disease control; Achieve a faster time to tumour destruction, a better healing result and the ability to safely treat dozens of tumours in an out-patient visit.

Table 4.3: Currently available Intratumoural treatments for melanoma[18]

Product	Currently Available Data
Interferon (IFN)	Case reports of intralesional IFN-α successfully treating melanoma *in situ*, either primary or recurrent disease. Case reports of cutaneous metastases of melanoma as well as anorectal and esophageal melanoma responding to intralesional injections of IFN-β.
Interleukin-2 (IL-2)	Cutaneous disease, Complete Response (CR) rates of 41-69% in 3 trials. Biweekly IL-2 in combination with Imiquimod: CR but only 3 patients.
Bacillus Calmette-Guerin (BCG)	With Imiquimod cream, (number of patients=9), 56% CR of in-transit disease, with a mean interval between first treatment and complete resolution of 6.5 months.

Table 4.4: Opportunity for EBC-46 as a treatment for melanoma[15]

Opportunity	Challenge	EBC-46 Solution
Cutaneous and subcutaneous metastases Satellite and distal tumours	Multiple lesions, difficult to resect; high rates of recurrence; poor prognosis; no approved agents; intratumoural treatment is recommended but data is limited; need for improved intratumoural treatment.	Can treat multiple lesions with rapid healing and good cosmesis; fast tumour destruction which may reduce further spread; safe, can be used in conjunction with other treatments.
Unresectable tumours	Systemic treatments reduce disease burden but need for localized disease control and symptom control.	In combination with PD-1 inhibitors; targeted local disease control.

[17] ReCap Oncology Deal making and Development Trends 2008-2012. 2013..

[18] Maverakis, E., Cornelius, L., Bowen, G., Phan, T., Patel, F., Fitzmaurice, S., He, Y., Burrall, B., Duong, C., Kloxin, A., Sultani, H., Wilken, R., Martinez, S. and Patel, F. Metastatic melanoma – A review of Current and Future Treatment. Acta Dermat Venereologica 2015 EPUB.

Opportunity	Challenge	EBC-46 Solution
		EBC-46 has very good safety profile and thus is an excellent drug for PD-1 combination.
Locoregional recurrence	Similar to satellite lesions; no approved agents; multiple lesions, difficult to resect; intratumoural treatment is recommended but data is limited; need for improved intratumoural treatment.	Can be used in conjunction with systemic treatment; fast and effective symptom and local control.

Examples of anticancer deals

Pharmaceutical companies often look to smaller companies like QBiotics to acquire new and interesting anticancer programs through acquisitions, licensing and R&D collaborations. There were 569 oncology licence and joint venture deals 2008-2012[17]. QBiotics plan is to develop EBC-46 for the human market to Clinical Phase IIA/B and then licence on to a larger company for final development and marketing. Table 4.5 lists a selection of recent anticancer product deals. Direct value comparison to QBiotics' drug cannot be drawn from this information. However, the data does provide an indication of the level of funding large pharmaceutical companies are willing to invest to acquire new and interesting technology in the anticancer space.

Table 4.5: Examples of anticancer product deals finalised during 2015-2016[17,19,20,21]

Date	Company	Drug or technology	Develop-ment stage	Target indication	Deal value ($US M)	Acquiring company
April 2015	AstraZeneca	Durvalumab	Phase I	Immuno-onc	450	Celgene
April 2015	Innate	IPH2201	Phase II	Multiple	1,300	Astra Zeneca
May 2015	Sorrento	Cynviloq	Phase III	Multiple	1,300	NantPharma
June 2015	Juno	CAR-T, multiple	Phase I	Cancer	1,000	Celgene
July 2015	Regeneron	PD Abs	Phase I	Immuno-onc	2,170	Sanofi
August 2015	BioMarin	Talaoparib	Phase III	Breast	570	Medivation
August 2015	Alligator Bio	ADC-1013	Phase I	Immuno-onc	700	Janssen
August 2015	Inovio	INO-3112	Phase I/II	Cervical; head & neck	700	Astra Zeneca
August 2015	Phosplatin	PT-112	Phase I	Solid tumours	ND	ND – China partner
August 2015	Advaxis	Axalimogene 2 other drugs	Phase II	Cervical; head & neck, anal	30	Knight
August 2015	Advaxis	Axalimogene 2 other drugs	Phase II	Cervical, head & neck, anal	30	Knight

[19] Evaluate Pharma 2014-2020.

[20] BioSpace website www.biospace.com.

[21] Fierce Biotech website www.fiercebiotech.com

Date	Company	Drug or technology	Develop-ment stage	Target indication	Deal value ($US M)	Acquiring company
October 2015	Five Prime	FPA008 CSF1R abs	Phase I	Multiple	1,740	BMS
October 2015	Admune	1L-15 agonist	Phase I	Multiple, metastatic	ND	Novartis
Nov. 2015	Lilly	Taladegib	Phase II; Preclinical topical	Basal cell carcinoma	40	Ingynta
Dec. 2015	Bavarian Nordic	MVA-BN, HPV vaccine	Preclinical	Head & neck	180	Janssen
Jan. 2016	Teva	CEP-8983 CEP-9722	Phase I	Solid tumors	ND	Checkpoint Therapeutics
Jan. 2016	Surface Oncology	Immuno-oncology	Preclinical	Multiple	$170	Novartis
Feb. 2016	Exelexis	cabozantanib	Market	Renal, liver, other	>$855 +26% royalty	Ipsen
April 2016	Medimmune (AZ)	PBD for ADC dev.	Discovery	Immuno-oncology	ND	Regeneron

EBC-46 human product development & commercialisation

Extensive preclinical development has been completed to support advancement of EBC-46 into human trials. QBiotics is currently completing a Human Clinical Phase I/II trial with EBC-46 IT, under the Australian Clinical Trials Notification (CTN) scheme, treating a variety of cutaneous and subcutaneous solid tumours including melanomas, squamous cell carcinomas, basal cell carcinoma, breast carcinomas and skin metastases. This trial is being undertaken primarily to test the safety parameters of the drug. However, the trial has the potential to demonstrate initial efficacy of EBC-46 as the individuals recruited for this study have cancer (i.e. are patients) and the drug is injected into tumours.

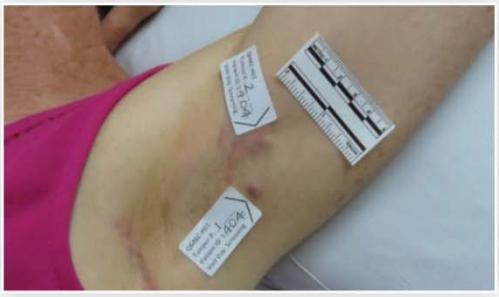
Eight patients have been treated and the trial has reached the fifth cohort (groups of patients at each dose level). Tumour types treated to date include squamous cell carcinoma, basal cell carcinoma, breast adenocarcinoma and melanoma. The dose has not yet reached the optimum treatment dose. However, preliminary results are encouraging. Evidence of efficacy has been noted in tumours of all patients treated, being the appearance of bruising and initial tumour breakdown of the section of the tumour treated (similar to that which we see in other species). All patients treated to date have tolerated the drug very well with side effects reported to be mild and related to the drug mechanism (i.e. mild injection site pain and mild swelling around the tumour). These side effects are transitory usually lasting for one or two days, usually subsided after 24-48 hours. (refer to Figure 4.4 for example).

Following the Clinical Phase I/II trial, the plan is to develop the drug to Human Clinical Phase IIA/B under an Investigational New Drug (IND) status with the FDA. Commercialisation of the human IT product is planned to be through licencing to a pharmaceutical company for final development and marketing in return for an upfront licensing fee, milestone payments and royalties on sales.

Figure 4.4: Human Clinical Phase I/II trial example – EBC-46 treating melanoma

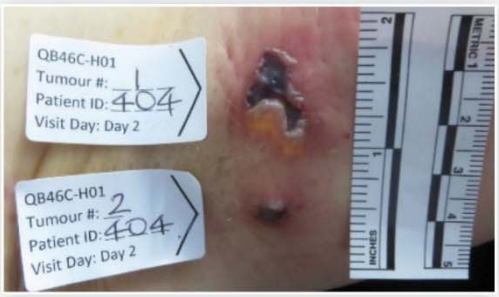
ANTICANCER:
EBC-46 IT Human Clinical Phase I/II trial

Melanoma. Single treatment EBC-46 0.98 mg entire dose.
Drug well tolerated. No wound intervention was necessary.

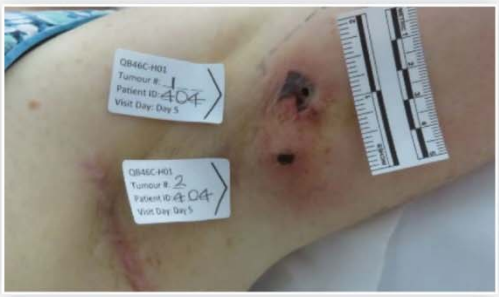


A: Pretreatment

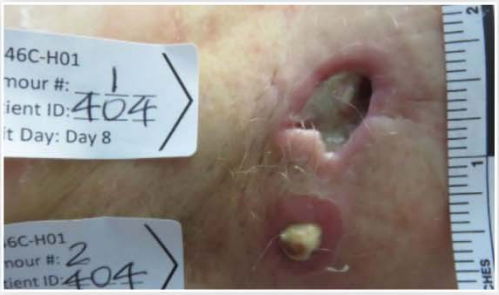
B: During treatment



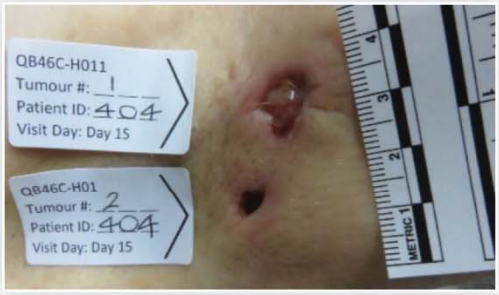
C: Day 2: Tumour 'bruising' and necrosis visible



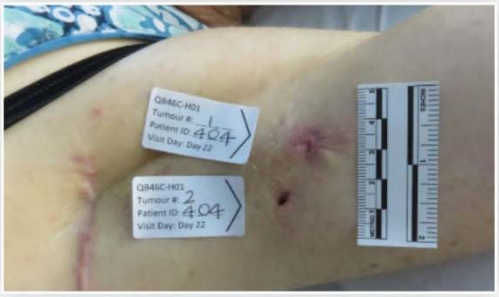
D: Day 5: Tumour necrosis continues



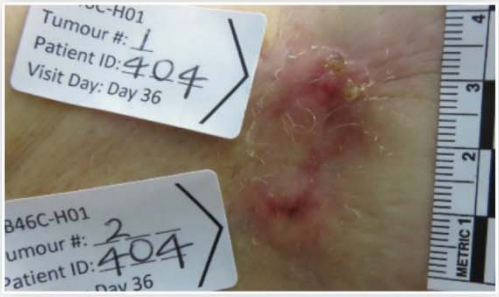
E: Day 8: Necrotic material expelling



F: Day 15: Both tumours destroyed



G: Day 22: Healing progressed



H: Day 36: Both sites healed

4.6. CANCER - Companion animals

Overview

Numbers of Companion Animals

Companion Animals (dogs, cats and horses) have come to play an important role in the lives of many people, providing companionship and a sense of responsibility. They demand care and attention, and respond with affection[22].

More than three-quarters of the Companion Animal market is concentrated in the USA and Europe, with the United Kingdom, Germany and France being the most prominent European markets[24,25].

Companion animal ownership is continuing to increase globally. According to the European Pet Food Industry Federation Facts and Figures (2012):

- 62% of USA households own a dog and/or cat, equating to 195 million pets;
- one in two households in France have a companion animal (11 million cats and 7 million dogs);
- one in two households in the United Kingdom have a companion animal (8.5 million cats and 8.5 million dogs); and
- in Germany more than one third of households own a pet (8 million cats and 5 million dogs).

Australia has high incidences of pet ownership, with 39% of households owning a dog (4.2 million dogs) and 29% of households owning a cat (3.3 million cats)[23].

Horses are also considered to be companion animals. In the USA, 1.8 million households own a horse with a total of 9.2 million horses in that country alone[22].

Spending On Companion Animals

Spending on Companion Animals is increasing. In the USA spending has increased from a total of US$23 billion in 1998 to US$61 billion in 2015[24]. Around US$15.7 billion of this spending was on veterinary care (including medicines)[24].

The willingness of Companion Animal owners to spend more on their animals' health and the ability of veterinarians to meet that need have continued to be the key drivers of the veterinary market[25]. Companion animals are living longer and their care (including diagnosis, disease monitoring and treatment) often mirrors the trends in human health care[25].

Cancer in Companion Animals

Cancer in Companion Animals is a key concern for both veterinarians and pet owners. According to the Morris Animal Foundation, cancer is the leading cause of death for pets over the age of two. It has been estimated that, worldwide, as many as 1 in 4 dogs and 1 in 6 cats will develop cancer at some time in their

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[22] 2012 US Pet Ownership & Demographics Sourcebook

[23] AVA website www.ava.com.au/13123

[24] American Pet Products Association website http://americanpetproducts.org/press_industrytrends.asp

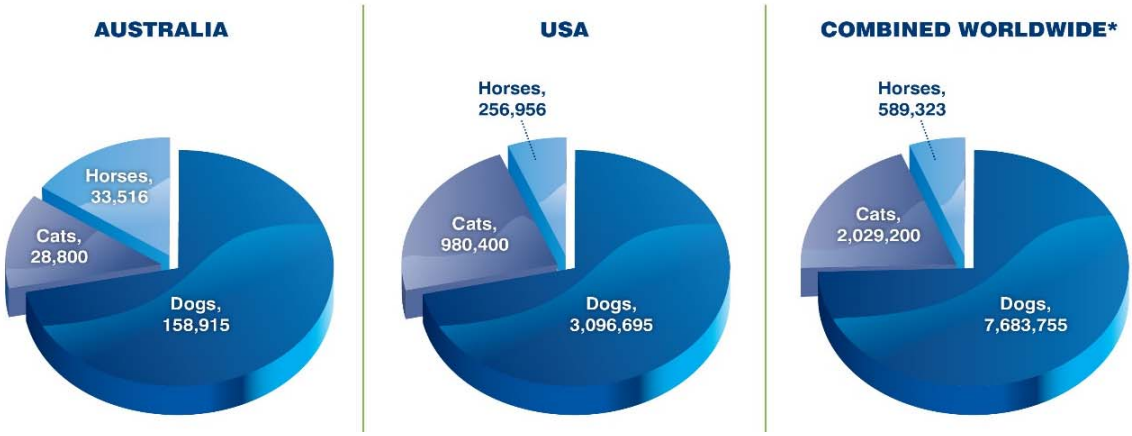
[25] Brakke Consulting Report "Cancer in Dogs and Cats"; October 2014.

life and almost 50% of dogs over the age of 10 years will die of the disease[3,26]. Cancer in horses is less prevalent compared to that in dogs and cats,[27,28] however it is still a problem and there is currently no registered treatment for cancer in horses.

As veterinary care becomes more developed and pets are living longer, veterinarians are diagnosing cancers more frequently in Companion Animals[26]. However, despite the willingness of many pet owners to pursue and pay for cancer therapies, many veterinarians recognise cancer to be amongst the most challenging and least successful areas of therapy[25].

Unlike human medicine, veterinary medicine does not have a single centralized reporting mechanism for recording cancer diagnoses, so it is exceedingly difficult to determine the incidence rates of specific types of cancer in the pet population. QBiotics has estimated the occurrence and epidemiology of different cancers in Companion Animals using survey data collected from university veterinary hospitals and large veterinary practices.

Figure 4.5: Estimated annual cases of cancer in dogs, cats and horses[3,26,27,29]



* Combined World – USA, Europe, Brazil, Australia, Japan & Canada

Specific market for canine Mast Cell Tumour and Soft Tissue Sarcoma cancers

Mast Cell Tumour (MCT) is the most common form of cancer in dogs representing approximately 16- 21% of all canine cutaneous cancers[26] followed by Soft Tissue Sarcoma (STS) making up approximately 15 %[26]. Standard of care treatment for both MCT and STS includes surgical removal, with usually wide margins, of the tumour[26,32]. When this is not possible, one or a combination of chemotherapy, radiotherapy or cytoreductive (debulking) surgery is undertaken[26] (refer to Figure 4.6 for current method of treatment for MCT)[31].

[26] Withrow, S.J. and Vail, D.M. Small Animal Clinical Oncology, Elsevier Inc, Canada 402-421, 2007.

[27] Cotchin, E. 1977, A general survey of tumours in horses, Equine Veterinary Journal 9 (1):16-21.

[28] Scott, W. and Miller, W. Neoplastic and non-neoplastic tumours, Equine Dermatology, Elsevier Inc., Missouri, 719-31. 2003.

[29] MacVean DW, Monlux AW, Anderson PS Jr, Silberg SL, Roszel JF. Frequency of canine and feline tumors in a defined population. Vet Pathol. 1978 Nov;15(6):700-15. PubMed PMID: 220774.

These therapeutic approaches are often (i) costly, (ii) have low success rates, and (iii) result in moderate to severe adverse side effects[4]. Consequently, there remains a high demand for a widely available, efficacious therapy with improved quality of life outcomes for the patient.

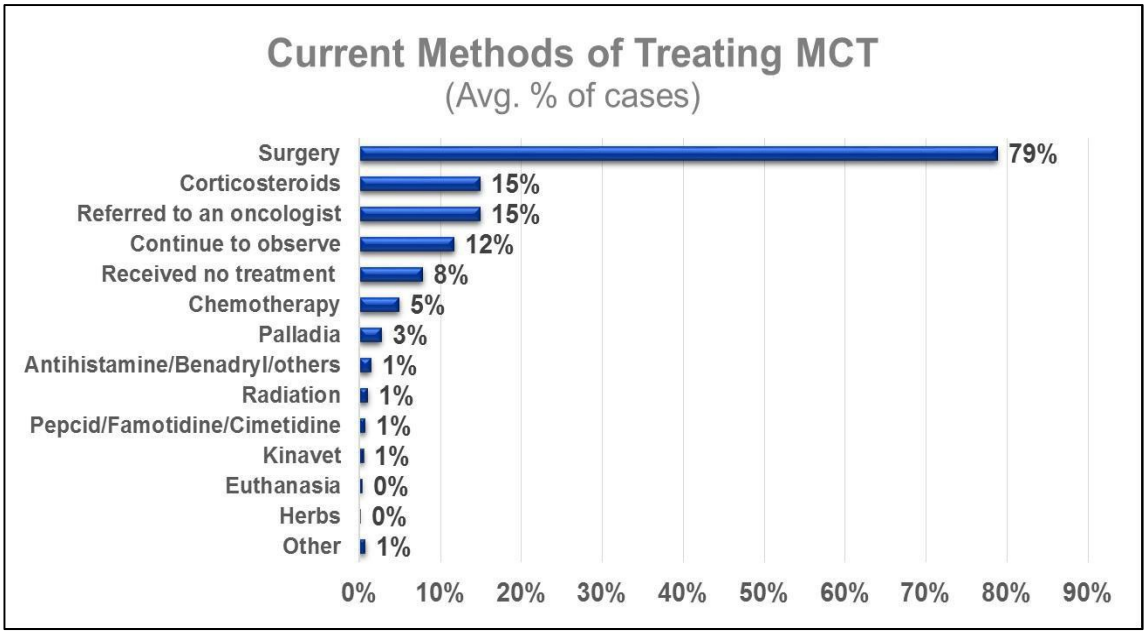
In clinical studies in Australia and the USA, General Practitioners are demonstrating success using EBC-46 as a replacement alternative to surgery for the treatment of MCT (AU and USA), STS and a range of other solid tumour types (currently AU only).

EBC-46 for the General Practitioner and wider use

Cancer treatments are often the domain of the Specialist Oncologists[26]. As EBC-46 is relatively simple to use, it is being developed for use not only by the Specialist Oncologists but by the General Practitioner which has the potential to significantly expand the market reach for the drug. For example, in the USA alone there are 50,000 General Practitioners while there are only 332 Board Certified Oncology Specialists and only 1,200 Board Certified Internal Medicine Specialists offering oncology treatments[25].

Once a drug is registered, veterinarians can use these drugs for indications other than those they are specifically registered for[30]. EBC-46 has been demonstrated to successfully treat a wide range of solid tumours in Companion Animals. Although development work for registration of EBC-46 as a veterinary pharmaceutical has focused on canine MCT and STS, QBiotics has undertaken formal clinical case studies treating a range of other tumours. QBiotics intends submitting this work for publication in peer reviewed journals to support capture of this extended market.

Figure 4.6: Current methods of treating Mast Cell Tumours[31]



Cost of current treatments for solid tumours in Companion Animals

Treatment costs for cancer therapy in Companion Animals can vary widely based on the treatment chosen, the size of the pet, and the length of time treatment is continued (refer to Table 4.6). For an average sized dog or cat, surgical treatment for cancer usually runs several hundred dollars or more, while chemotherapy, which typically requires multiple rounds of treatment, can cost several thousand dollars.

[30] FDA website http://www.fda.gov/RegulatoryInformation/Guidances/ucm126486.htm

[31] MarketSense Inc. USA Report "Canine Mast Cell Tumor Market Assessment & EBC-46 Product Concept Test"; August 2014.

Except for the simpler procedures, the cost of treatment can be outside that which many owners can, or are willing to, afford. In addition, recovery from treatment is often a long and arduous process. Except for minor surgery, the majority of anticancer treatments are usually undertaken by a small number of Specialist Oncologists[26].

Table 4.6: Current solid tumour treatments for Companion Animals and example costs*

Treatment component or type	Cost per treatment (AU$)	
	Dogs/Cats	Horses
Initial visit including diagnosis and development of treatment plan	$200	$200
Minor surgery to remove small, superficial and/or easily accessible tumours	$600	$620 - $1,050
Laser surgery to remove small accessible tumours	$400 - $850	$750
Cryosurgery to remove small accessible tumours	$400 - $850	$1,100
Major surgery to remove a deep tumour, or from site requiring reconstruction	$1,400+	Usually not applied
Chemotherapy with registered and/or off-label use of cytotoxic human cancer drugs – pricing depends on factors such as drug, animal size and treatment protocol	$200 - $2,000	$600 – $800 (topical only)
Radiation therapy - pricing depends on depending type of radiation and number of treatments required	$2,000 - $5,000	Usually not applied

*Source: Primary Research by the Company from practicing veterinarians in Australia.

Veterinary pharmaceutical companies and their cancer products

Given that current treatments have variable success rates and adverse side effects that can range from mild to severe[4], there exists a significant medical need for products that offer a higher therapeutic benefit without the adverse effects of these existing anticancer therapies.

The products in the table below are the first anticancer products to be formally approved for veterinary use. Other major animal health pharmaceutical companies are also now establishing anticancer programs and, as for their human equivalents, look to smaller companies like QBiotics to obtain products of interest to add to their portfolio.

The interest in this space from large pharmaceutical companies demonstrates the significant global commercial opportunity that exists with treating cancer in Companion Animals.

Table 4.7: EBC-46 compared to currently registered veterinaryanticancer[32,33,34,35,36,37]

Company	Product	Cancer	Cost per treatment	Adverse events	Success rate
QBiotics	EBC-46	Mast Cell Tumours; Soft Tissue Sarcomas & range of other solid tumour types	TBD	Local swelling for first 24-48 hours – no other adverse events	Complete Response in 90% based on MCT data
Zoetis (formerly Pfizer)	Palladia USA – June 2009 Australia – December 2011	Mast Cell Tumours in dogs	Tablets ~US$300 per month; continuous treatment	Diarrhoea, anorexia, lethargy, vomiting, lameness & weight loss; death due to bleeding	Partial Response/ Stable Disease in 40% of cases
AB Sciences	Masivet EU – June 2009	Mast Cell Tumours in dogs c-Kit mutation only	Tablets ~US$200 per month; continuous treatment	Diarrhoea, vomiting, oedema, neutropenia, renal disorders & haemolytic anaemia	Partial Response/ Stable Disease in 40% of cases
Merial (Sanofi Aventis)	Oncept USA – March 2007 EU – March 2013	Melanoma in dogs	Therapeutic vaccine ~US$2,100 per treatment	Lethargy, fever, and inflammatory or hypersensitivity types of reactions	Complete Response/ Stable Disease in 50% of cases
Merial (Sanofi Aventis)	Oncept IL-2 USA – March 2007 EU – March 2013	Fibrosarcoma (in combination with surgery and radiotherapy) in cats	Therapeutic vaccine	Lethargy, fever, and inflammatory or hypersensitivity types of reactions	Complete Response/ Stable Disease in 50% of cases
Aratana	AT-004 USA – January 2015	B-cell lymphoma	US$1,800 - US$3,600 depending on use	Not able to access	PFS: 167 days OS: 325 Control PFS: 93 days Control OS: 177 days

[32] Blackwood, L., Murphy, S., Buracco, P., De Vos, J., De Fornel-Thibaud, P., Hirschberger, J., Kessler, M., Pastor, J., Ponce, F., Savary-Bataille, K., and Argyle,D. European consensus document on mast cell tumours in dogs and cats. Veterinary and Comparative Oncology. DOI:10, 3, e1 – e29. 2012.

[33] Rusk J.F., Rosenberg, A., Henry M., Mitchener C., Klein K., Hintermeister M., Bergman J., Couto P., Mauldin G., and Michels G. Multi-center, placebo-controlled, double-blind, randomized study of oral toceranib phosphate (SU11654), a receptor tyrosine kinase inhibitor, for the treatment of dogs with recurrent (either local or distant) mast cell tumour following surgical excision. *Clinical Cancer Research* 2009.

[34] Hahn, K., Ogilvie, G., Rusk, T., Devauchelle, P., Leblanc, A., Legendre, A., Powers, B., Leventhal, P., Kinet, J., Palmerini, F., Dubreuil, P., Moussy, A. and Hermine O. Masitinib is safe and effective for the treatment of canine mast cell tumors. *Journal of Veterinary Internal Medicine*; **22**: 1301–1309. 2008.

[35] Denies, S. Sanders, N.N. Recent progress in canine tumor vaccination: potential applications for human tumor vaccines. *Expert Rev Vaccines* Nov;11(11):1375-86. DOI: 10.1586/erv.12.104. 2012.

[36] European Medicines Agency. Committee for medical products for veterinary use. Oncept IL-2. EMA/CVMP/100985/2013. 8 March 2013.

[37] Fierce Animal Health http://www.fierceanimalhealth.com/story/five-questions-aratana-ceo-steven-st-peter/2014-10-20.

EBC-46 veterinary product development & commercialisation

EBC-46 is in advanced development stage as an IT veterinary pharmaceutical. QBiotics is initially developing the drug as a treatment for dogs and then will consider development for cats and horses.

Numerous case studies have been successfully undertaken treating a range of solid tumours in over 300 Companion Animals. In many of these cases a single application of EBC-46 resulted in rapid destruction (usually within 4-14 days) of the treated tumour with no apparent significant adverse effects at efficacious doses. In addition, the remaining 'wound' healed rapidly without intervention and resulted in excellent cosmesis (lack of scarring; hair growing back etc).

A formal dose determination study in Australia (Clinical Phase II human equivalent) treating MCT in dogs has been completed. The optimum dose cohort from this study resulted in total tumour destruction in 90% of cases with 75% remaining tumour free at the 11-14 month assessment times. An extension of this study has also been successfully undertaken in the USA with results confirming those reported in the Australian study.

The STS development program is an extension of the MCT program. A formal confirmatory study treating STS in dogs is currently being completed. For examples of treatments for MCT and STS and their outcomes refer to Figures 4.7 to 4.12.

QBiotics has been granted an Investigational New Animal Drug (INAD) status for EBC-46 with the FDA-CVM which allows the Company to perform final development and registration of EBC-46 as a veterinary pharmaceutical treating canine MCT in that country. The protocol for a Pivotal Field Efficacy Study is in final assessment with the FDA-CVM and the Target Animal Safety Study for this product has commenced. These two studies are the final clinical studies prior to application for registration with the FDA-CVM.

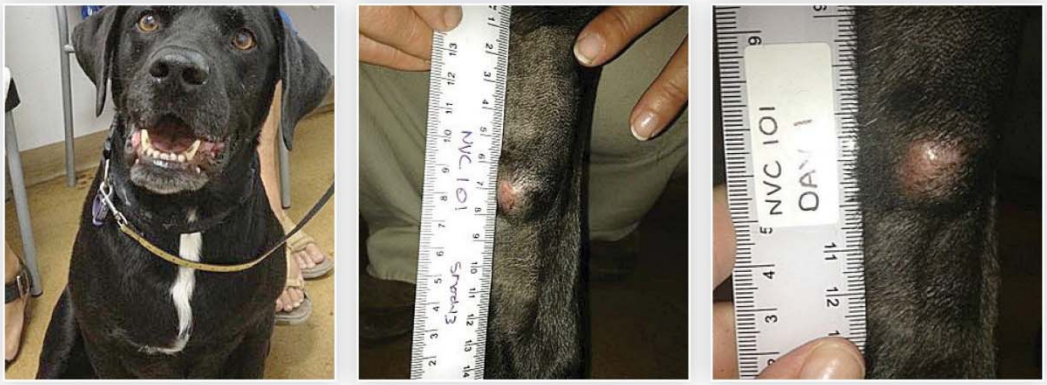
QBiotics has been granted a Minor Use Major Species (MUMS) status by the EMA for its initial Pivotal Field Efficacy Study treating canine STS with EBC-46 in that country. The protocol for this study has been submitted for assessment.

Selected General Practitioner Veterinarians have used EBC-46 to successfully treat MCT and STS in Australia as case studies since 2010. Feedback from these veterinarians has been very encouraging with 'successful outcomes of treatment' and 'ease of use' being consistent comments. As mentioned above, QBiotics is developing EBC-46 not just for the Specialist Oncologist market but for the much larger General Practitioner market.

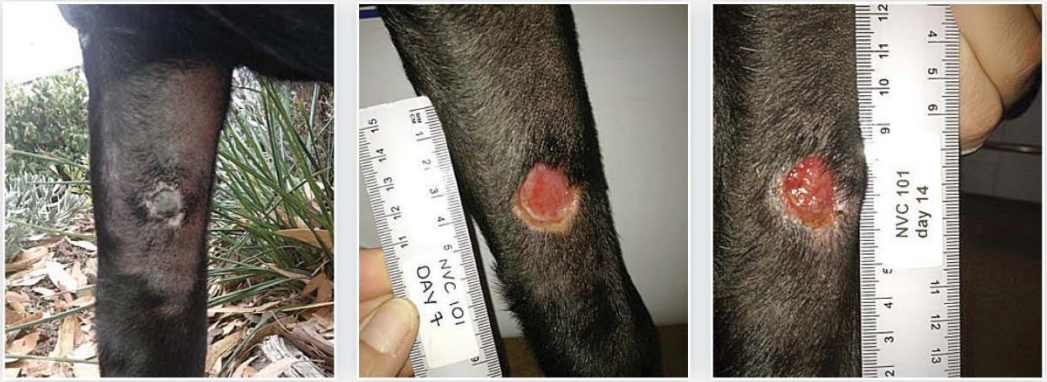
Figure 4.7: MTC Case Study – Labrador

EBC-46 Anticancer Intratumoural Treatment

8 year old Labrador. Grade II Mast Cell Tumor.
Single IT injection. Drug well tolerated.
No wound intervention was necessary.



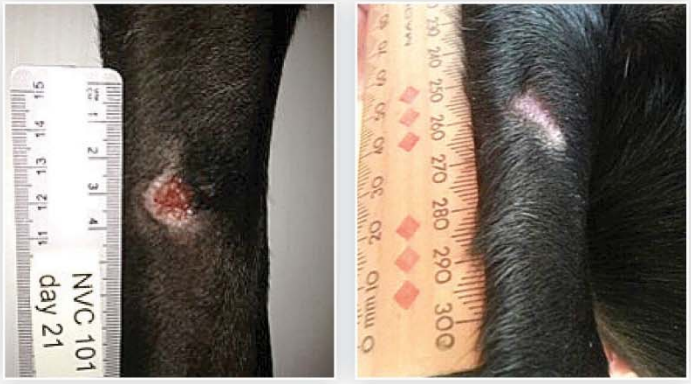
A, B & C: Immediately prior to treatment



D: 24 hours post treatment – necrosis of tumor visible

E: 7 days post treatment - tumor completely destroyed; clean granulation of wound

F: 14 days post treatment – wound continues to heal



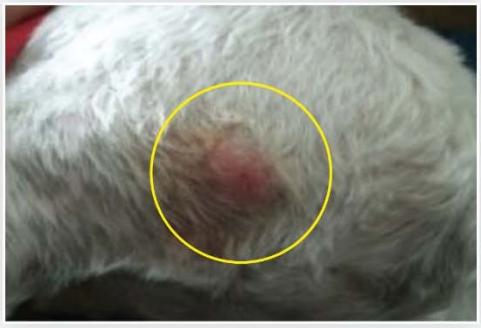
G: 21 days post treatment – good wound healing progression

H: 37 days post treatment – tumor completely destroyed and wound healed

Figure 4.8: MCT Case Study – Maltese dog

EBC-46 Anticancer Intratumoural Treatment

6 year old male Maltese dog. Mast Cell Tumour on left hind leg.
Single IT injection. Drug well tolerated.
No wound intervention was necessary.

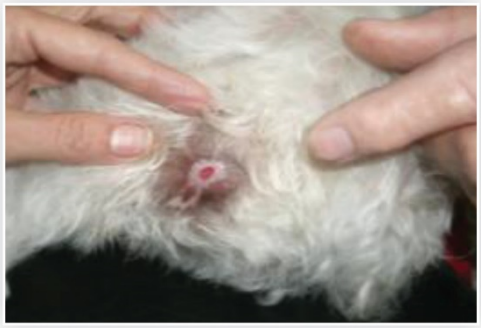


A: Just prior to treatment – yellow ring outlining extent of tumour

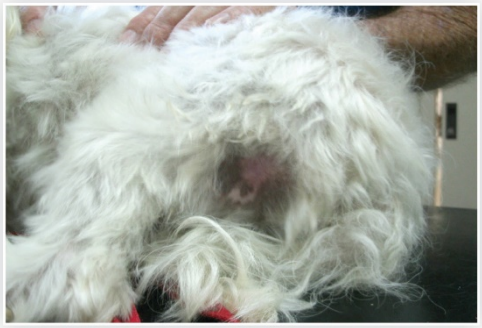
B: 5 days post treatment – tumour is breaking down, blood supply to tumour has been disrupted as seen by blackening (bruising)

C: 13 days post treatment – tumour completely destroyed; good granulation of wound

D: 24 days post treatment – good wound healing progression



E: 31 days post treatment – wound almost completely healed

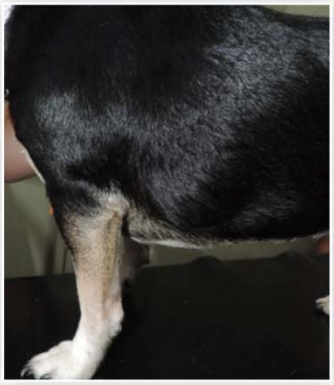


F: 57 days post treatment – wound healing complete

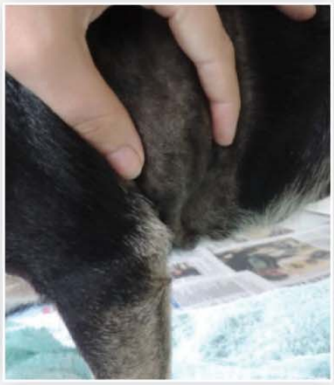
Figure 4.9: MCT Case Study - Jack Russell

EBC-46 Anticancer Intratumoural Treatment

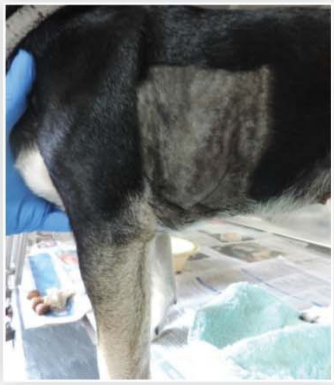
12 year old Jack Russell with Mast Cell Tumour.
Single IT injection. Drug well tolerated.
No wound intervention was necessary.



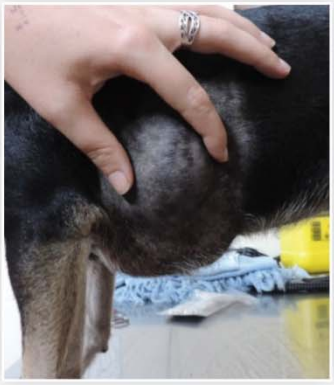
A: Pretreatment



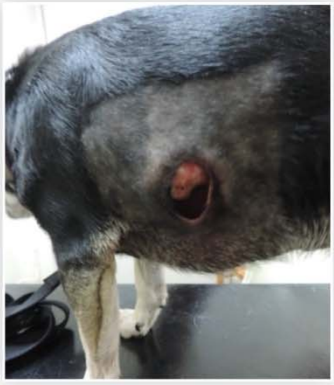
B: Pretreatment



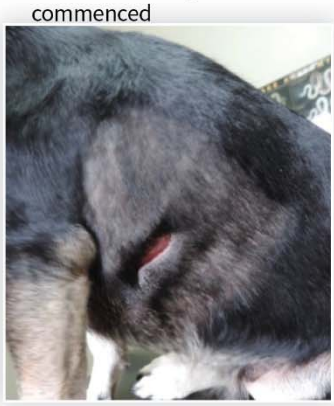
C: 4 Hours: Swelling of site commenced



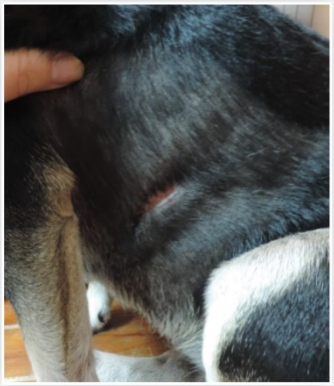
D: 24 Hours: Swelling of site continued



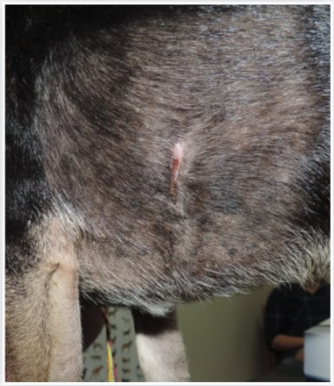
E: Day 7: Tumour destroyed; good granulation of site



F: Day 14: Healing progressing



G: Day 21: Site almost completely healed

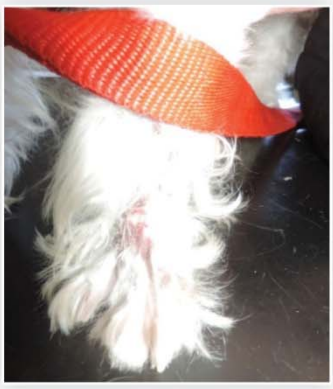


H: Day 30: Site healed

Figure 4.10: MCT Case Study – Shi Tzu

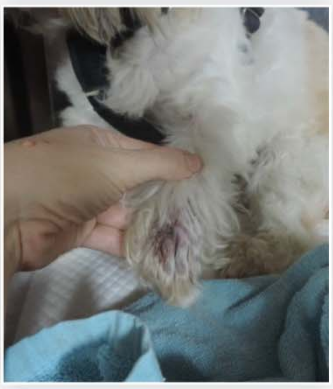
EBC-46 Anticancer Intratumoural Treatment

8 year old Shi Tzu with Mast Cell Tumour on forefoot.
Single IT injection. Drug well tolerated.
No wound intervention was necessary.



A: Pretreatment

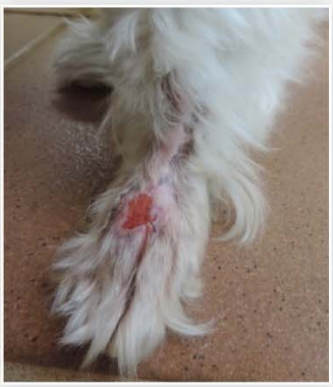
B: Pretreatment



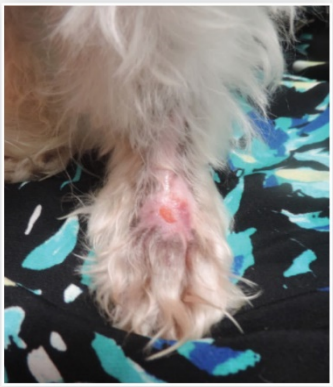
C: 4 Hours: Swelling of site

D: 24 Hours: Tumour 'bruising' and necrosis visible

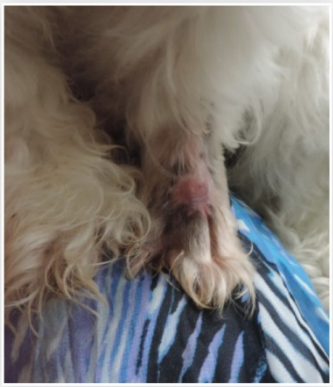
E: Day 7: Tumour necrosis contunues



F: Day 14: Healing of site with good granulation



G: Day 22: Site almost completely healed

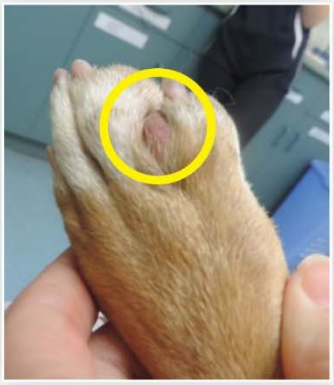


H: Day 28: Site healed

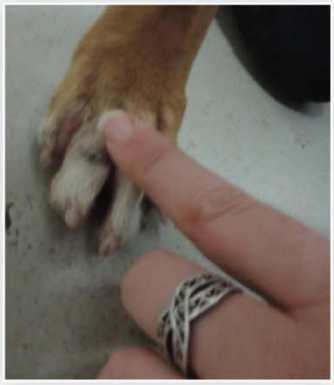
Figure 4.11: MCT Case study – Staffordshire Terrier

EBC-46 Anticancer Intratumoural Treatment

11 year old Staffordshire Terrier X with Mast Cell Tumour between toes.
Probably amputation of toes or paw. Single IT injection. Drug well tolerated.
No wound intervention was necessary.

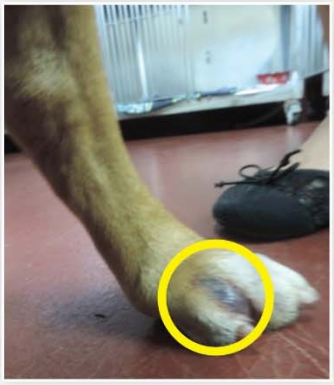


A: Pretreatment

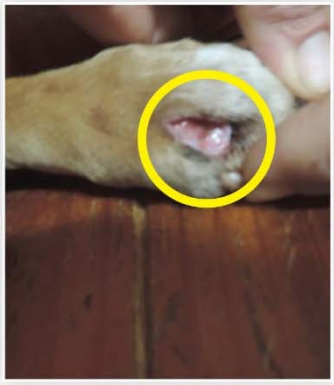


B: Pretreatment

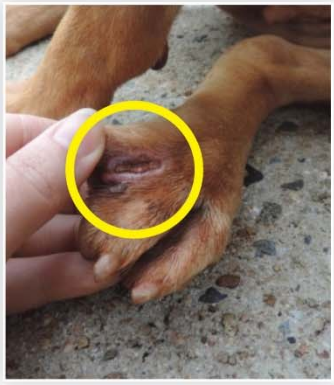
C: 4 hours: Swelling of area



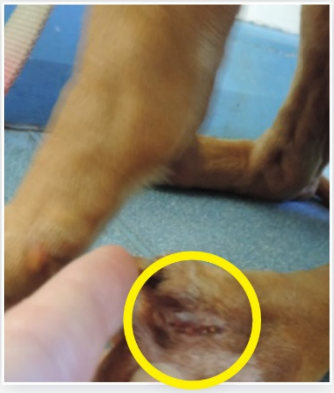
D: 24 hours: Tumour 'bruising' visible



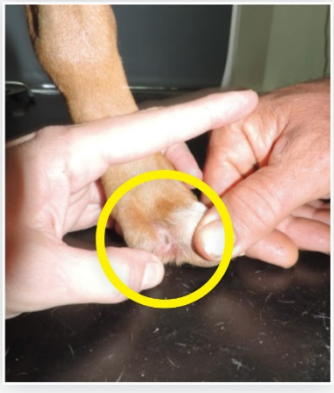
E: Day 8:Tumour destroyed



F: Day 15: Healing progressed



G: Day 19: Site almost completely healed

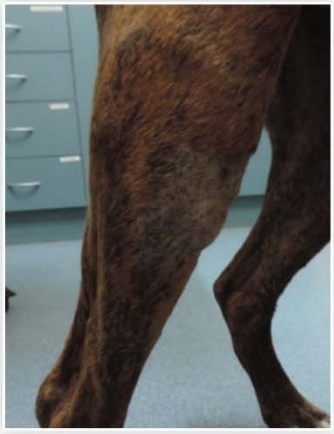


H: Day 30: Site healed

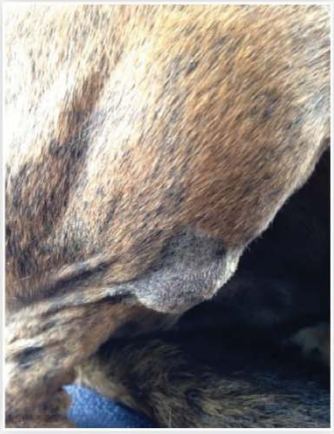
Figure 4.12: STS Case Study - Boxer

EBC-46 Anticancer Intratumoural Treatment

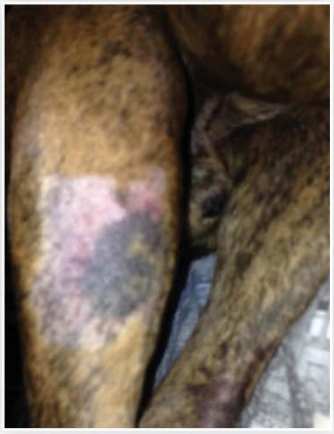
7 year old Boxer with Soft Tissue Sarcoma.
Single IT injection. Drug well tolerated.
No wound intervention was necessary.



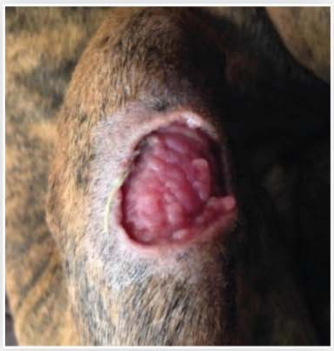
A: Pretreatment



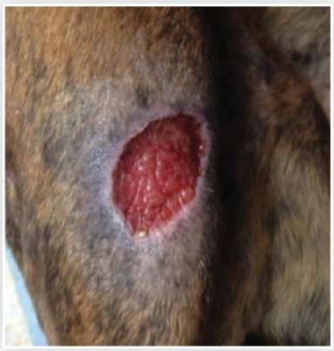
B: 1 Hour: Inflammation visible



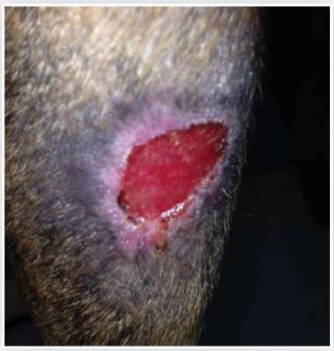
C: 24 Hours: 'bruising' of site visible



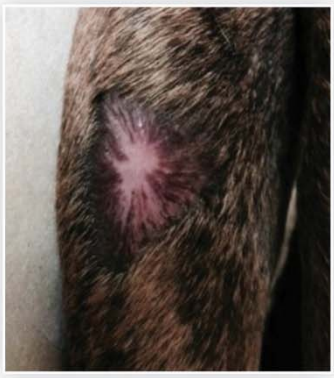
D: Day 7: Tumour destroyed; good granulation of site



E: Day 14: Site continues to heal



F: Day 21: Healing progressed



G: Day 42 : Site fully healed

4.7. WOUND HEALING – WH-1

Overview

Despite advances both in understanding wound biology and in treatment regimens and supportive technologies, many wounds are still challenging clinical problems which have significant social and economic costs[38,39,40,41.42]. Utilising its technology platform, QBiotics is developing a wound healing treatment, WH-1. QBiotics believes that WH-1 will have a range of applications for both the human and Companion Animal markets where there is a substantial unmet medical need.

WH-1 is a novel small molecular weight natural product that is isolated from the same plant as EBC-46. Although still at early stage of development, WH-1 is proving to have promising potential as a wound healing agent. Anecdotal evidence gained from 'real world' Animal Clinical Case Studies treating dogs, cats, horses and native animals in the veterinary environment supports the ability of WH-1 to stimulate rapid wound closure, and reduce or elimination infection with good cosmetic outcomes (little or no scarring and hair regrowth)[43]. In addition, controlled laboratory *in vitro* studies have demonstrated the ability of WH-1 to both facilitating wound closure and have antimicrobial action against multiple resistant organisms. QBiotics' initial focus for WH-1 is on chronic wounds, however the treatment has the ability to assist wound healing across the range of wound types (refer to Figure 4.13).

WH-1 is currently in early preclinical development as a human product and early clinical development ('Clinical Case Studies') as a veterinary product. The plan is to develop the drug to Human Clinical Phase IIA/B as a human product and to registration as a veterinary product prior to commercialization via a similar route as described above for EBC-46.

WH-1 has the potential to achieve:

- Re-stimulation of the wound healing process in chronic wounds.
- Rapid wound closure in all wound types.
- Reduction of wound infection.
- Low scarring and good cosmetic outcomes.

There is currently no registered product that can offer all of the above. WH-1 has strong potential to meet the demand for a product that offers significant therapeutic benefit over existing approaches and become the standard of care for a wide range of wound types for both human and veterinary application.

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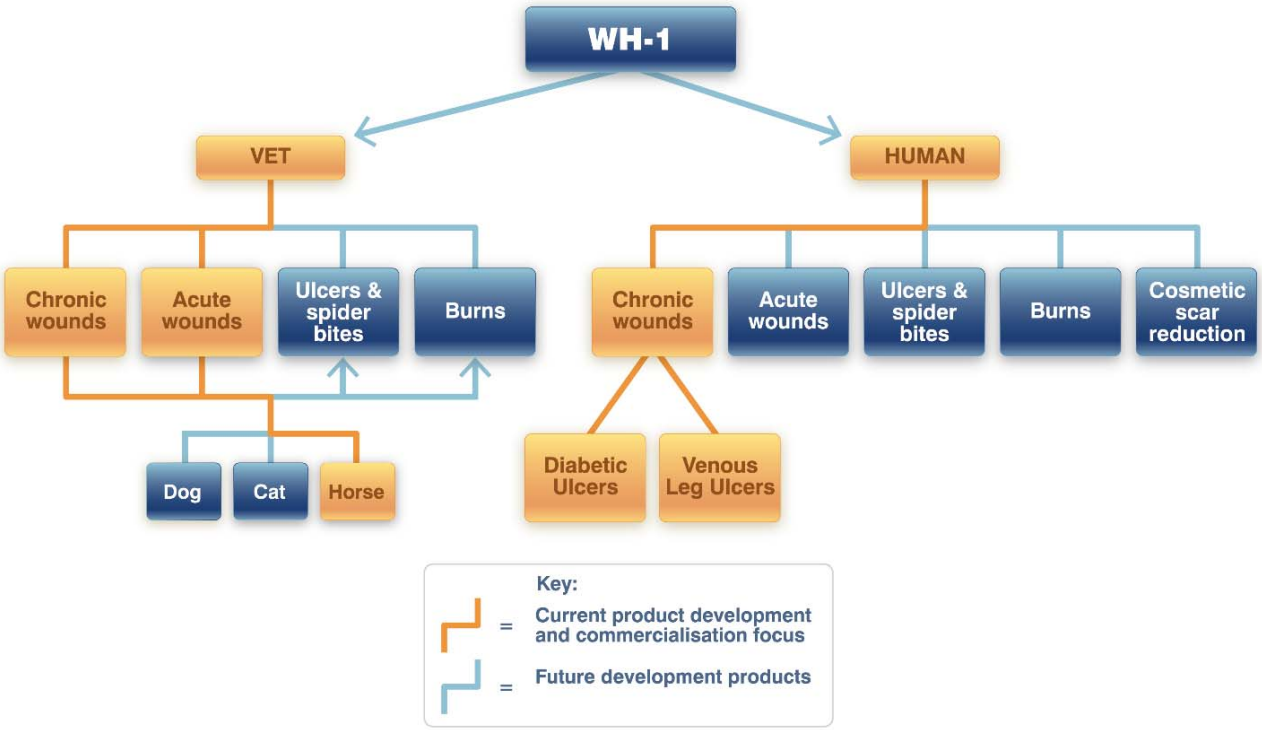
[43] Campbell J, Miller J, Blum A, Toole S, Ayerbe J, Verning M, Poulos C, Boyle G, Parsons P, Moses R, Steadman R, Schmidt P, Gordon V, Reddell P. 2014. Exceptional in vivo wound healing following destruction of cutaneous and subcutaneous tumours in domesticated animals treated with the novel epoxy-tigliane drug EBC-46. Wound Repair & Regeneration 22: A76

Figure 4.13: WH-1 current product development & commercialisation focus and future potential market areas



How WH-1 works

Work on the mechanism of action of WH-1 is at an early stage, however initial results are encouraging. *In vitro* studies have demonstrated the ability of WH-1 to facilitate wound closure while reducing scarring by:

- selectively stimulating both the proliferation and the migration of keratinocytes ('wound healing' cells) thus facilitating wound closure (refer to Figure 4.14); and
- modifying the proliferation and differentiation of fibroblasts (also 'wound healing' cells) thus minimising the production of scarring associated with the wound[44].

In vitro studies have demonstrated the antimicrobial potential of WH-1 by:

- attraction and activation of white blood cells (neutrophils) involved in bacterial destruction;
- development of white blood cells (macrophages) into phenotypes involved in both bacterial destruction and tissue repair; and
- destruction of biofilms produced by bacteria as a 'protective' device (refer to Figure 4.15).

[44] Dally J, Moses R, Midgley A, Howard-Jones R, Errington R, Reddell P, Steadman R, Moseley R. 2015. Modulatory effects of novel epoxy-tigliane pharmaceuticals on dermal fibroblast-myofibroblast wound healing responses mediate their enhanced anti-scarring properties. Wound Repair & Regeneration 23: A6.

Figure 4.14: In vitro scratch test demonstrating stimulation of keratinocytes (skin cells) proliferation and migration

Figure 4.14-A: Human keratinocyte cells treated with the vehicle-only control, 48 hours post scratch. The red dotted lines indicate the edges of the original scratch.

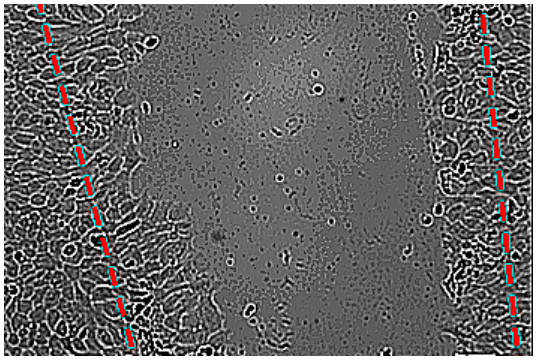


Figure 4.14-B: Human keratinocyte cells treated with WH-1, 48 hours post scratch. Note the proliferation and migration of cells across the 'wound' as compared to Figure 4.14-A.

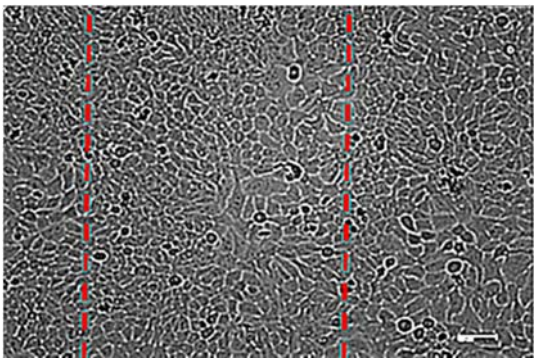
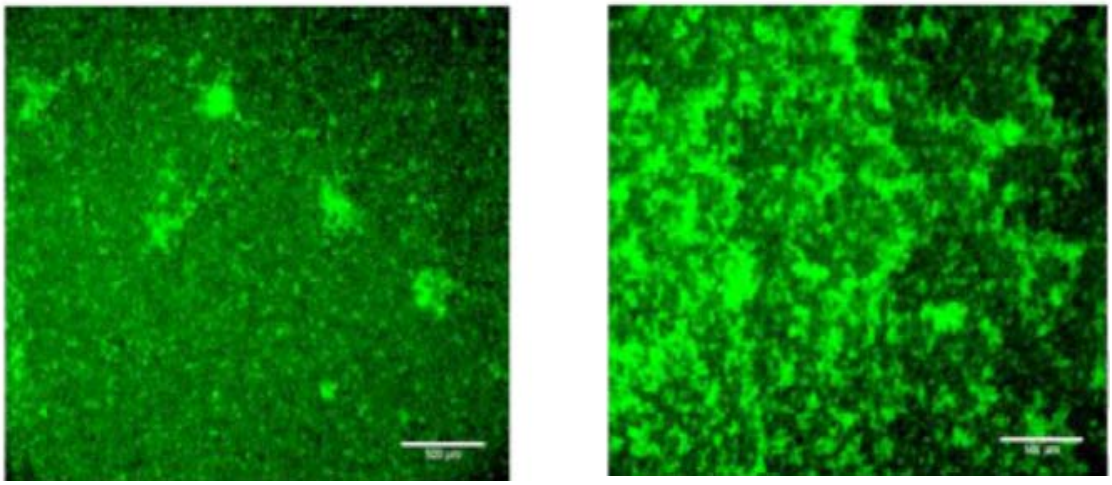


Figure 4.15: Destruction of Multiple Restraint Staphylococcus aureus biofilm in vitro by WH-1: Imagine used LIVE/DEAD florescent microscopy



4.8. Wound healing market – Humans & Companion Animals

Overview – Human Market

Current standards of care for complex wounds are often multifaceted with several interventions used concurrently dependent on the type of wound, severity and patient factors[38,39]. These interventions can range for basic wound bed preparation/management and infection control using debridement, surgery, dressings and/or topical wound therapies (cleansing agents, antimicrobials, hydrocolloids) through to more sophisticated technologies such as negative pressure wound therapy, hyperbaric oxygen therapy, topical growth factors, acellular matrix therapies and bioengineered skin equivalents[38].

However, despite the plethora of new techniques and products, there remains very substantial unmet medical need in three particular areas:

- emergency care of acute traumatic wounds and burns[38,39,45];
- chronic wounds including diabetic ulcers, venous ulcers and pressure sores and which represent a silent epidemic affecting an increasing proportion of the world's ageing population[40,46,47,48,49,50]; and
- excessive scarring and fibrosis, as a result of emergency surgery or significant localised trauma, which can have long-lasting functional, cosmetic and psychological consequences for the patient[51].

The chronic wound market

Chronic wounds are defined as wounds that are either slow to heal or do not heal at all[38]. This can be due to both poor physiological process as well as microbial infection[38].

Wound infections are the most expensive complications following surgery and remain a major source of bacteria that drive the 'acquired in a hospital' infection rates[38,39]. Wounds also may heal to leave significant scarring which can cause ongoing problems as scar tissue is functionally and cosmetically inferior to normal skin[51].

A variety of marketed products exists that address various aspects of a wound[52,53,54.55,56]. These products assist the physiological process and scarring reduction, but, to the Company's knowledge, have not been demonstrated to address overall wound infection and or the healing process[57].

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[45] Gordon, M.D., Gottschlich, M.M., Helvig, E.I., Marvin, J.A., Richard, R.L. Review of evidenced-based practice for the prevention of pressure sores in burn patients. *J Burn Care Rehabil.* 25:388–410. 2004.

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[49] Fife, C., Walker, D., Thomson, B., Carter, M. Limitations of daily living activities in patients with venous stasis ulcers undergoing compression bandaging: problems with the concept of self-bandaging. *Wounds.* 19:255–57. 2007

[50] Abbade, L.P., Lastoria, S. Venous ulcer: epidemiology, physiopathology, diagnosis and treatment. *Int J Dermatol.* 44:449–56. 2005.

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[57] Landro, L. A Burgeoning Market for Wound Care. *WSJ Health Report.* April 16. 2012.

The demand for advanced wound care products is expected to rise over the next 10 years, driven by an increase in chronic wounds[39,57,58].

Chronic wounds represent a significant burden to patients, health care professionals, and the US health care system, affecting 5.7 million patients and costing an estimated US$20 billion annually[39,57]. This cost is growing rapidly due to increasing health care costs, an aging population and a sharp rise in the incidence of diabetes and obesity worldwide[39,57].

In the veterinary space, both acute and chronic wounds also represent a significant management challenge for veterinary surgeons[59]. The situation is often compounded by the ability to successfully manage the wound compared to human equivalents and there remains a constant and high demand for superior products. This is especially so for wound management in horses[60,61,62,63.]

Consequently, there exists a significant medical need for products that simultaneously assist the physiological wound healing process, address the significant problem of infection, and reduce scarring for both human and veterinary application.

Examples of chronic wounds

Common chronic skin and soft tissue wounds include the pressure ulcer, the diabetic foot ulcer and the venous stasis ulcer. These wounds are difficult to treat and are often unresponsive.[40,46,47,48,49,50]

Pressure ulcers

Pressure ulcers can be a major source of infection and lead to complications such as septicaemia, osteomyelitis (bone infection) and even death[41,48]. About 15% of patients in acute care facilities and up to 29% of patients in long-term care facilities will experience a pressure ulcer[39].

Based upon research undertaken for the US market, the price of managing a single full-thickness pressure ulcer is as much as US$70,000, and expenditures for treating pressure ulcers have been estimated at $11 billion per year[42]. Nearly 60,000 deaths occur annually in the USA from hospital- acquired pressure ulcers[53].

Diabetes related chronic wounds

Over 23 million people in the USA alone sufferfrom diabetes[46].

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[58] Augustin, M., Herberger, K., Purwins, S., Debus, E.S. Cost-of-illness of venous leg ulcers in Germany - a nationwide cross-sectional study. E*WMA Annual Meeting*; Lisbon. 2008.

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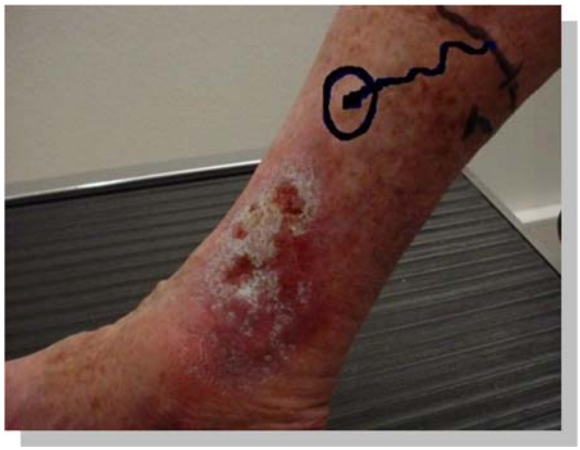
Up to 25% of individuals with diabetes expected to develop a foot ulcer during their lifetime, and about 12% of these require limb amputation[40]. About 71,000 non-traumatic lower-limb amputations were performed in people with diabetes in the USA in 2004[64].

Venous ulcers

Venous ulcers account for 70%–90% of ulcers found on the lower leg[65].

The prevalence of venous ulcers in the USA is approximately 600,000 annually[66]. The annual cost of treating these ulcers to the US healthcare system is estimated at US$2.5 billion to US$3 billion, with up to one-third of treated patients experiencing four or more episodes of recurrence[67].

Figure 4.16: Example of a venous ulcer just prior to foot amputation



Utilising its technology platform, QBiotics is developing a wound healing treatment, WH-1, that is showing promising preclinical results on Companion Animals. QBiotics believes that WH-1 will have a range of applications for both the Companion Animal and human markets where there is a substantial unmet medical need.

Examples of wound healing deals

As noted above, wound healing, especially for chronic wounds, represents a significant unmet medical need. As such, technologies marketed or in development are few. Table 4.8 lists recent deals that the Company was able to locate.

Table 4.8: Wound healing deals for the 2012 – 2016 period[68,69]

Date	Company	Products	Deal Value ($US M)	Deal Type	Partnering Company
April 2012	General Biotech	Cell Therapies	ND	M&A	Cook Biotech
Jan 2014	BioDLLC	Placenta tissue derived products for wound and burns	ND	Product acquisition	Dermasciences
Jan. 2014	Shire	Dermagraft	ND	Product acquisition	Organogenesis

[64] Rogers, L.C., Lavery, L.A., Armstrong, D.G. The right to bear legs--an amendment to healthcare: how preventing amputations can save billions for the US Health-care System. *J Am Podiatr Med Assoc*. 98:166–8. 2008.

[65] Fife, C., Walker, D., Thomson, B., Carter, M. Limitations of daily living activities in patients with venous stasis ulcers undergoing compression bandaging: problems with the concept of self-bandaging. *Wounds.* 19:255–57. 2007.

[66] Abbade, L.P., Lastoria, S. Venous ulcer: epidemiology, physiopathology, diagnosis and treatment. *Int J Dermatol.* 44:449–56. 2005.

[67] Hodde, J.and Allam, R. Extracellular Wound Matrices. *Wounds*. 19:157– 62. 2007.

[68] Wound Care, MarketsandMarkets, August 2014

[69] Wound Management, Worldwide Market and Forecast to 2021, Report #S249, Medmarket Diligence

Date	Company	Products	Deal Value ($US M)	Deal Type	Partnering Company
May 2014	ArthroCare	Resection and repair medical devices	1,500	M&A	Smith and Nephew
Jan. 2015	Stability Biologics	Human tissue products	>10	M&A	MiMedx
Sept. 2015	GHD	Wound Dressings	ND	Distribution	Acelity
Nov. 2015	Omnio	Biologic for DFU	ND	R&D, Licensing	ProMetic
Feb. 2016	Johns Hopkins	Topical for DFU	ND	Licensing	Gemstone Bio
Feb. 2016	Sundance Solutions	Pressure ulcer patient management	25	M&A	Molnycke
Feb. 2016	Mediq	Wound care and regenerative medicine	ND	Distribution	Acelity
April 2016	Vivex Biomedical	Tissue products	ND	Co-promote	Onkos Surgical

WH-1 product development

Human and veterinary clinical development

WH-1 is currently in Preclinical development as a human product and Animal Clinical Case Study stage as a veterinary product.

In the veterinary environment, WH-1 has demonstrated an ability to heal chronic wounds in 'real world' situations. Non-healing wounds in dogs, cats, horses and native animals with chronic and 'difficult' acute infections have been successfully treated with WH-1 by practicing veterinarians in case study situations. Wounds healed to complete resolution within weeks of treatment with excellent cosmetic outcomes. Refer to Figure 4.17 for example of a chronic wound case study and Figure 4.18 for example of a 'difficult' acute wound case study. The treating veterinarian had exhausted all methods of treatment for chronic wounds prior to applying WH-1. Healing was comparatively rapid and impressive with no apparent significant adverse side effects reported. The case study set has been small to date, however the results are promising.

The initial development of WH-1 will be focused on finalising Preclinical development and moving Drug Substance and Drug Product manufacturing activities into GMP production in preparation for filing for a Human Clinical Phase I trial. The focus for initial development for the human market will be diabetic ulcers and venous leg ulcers. Following successful outcomes of the first in human trial, a Human Clinical Phase IIA trial under the FDA is planned to be implemented.

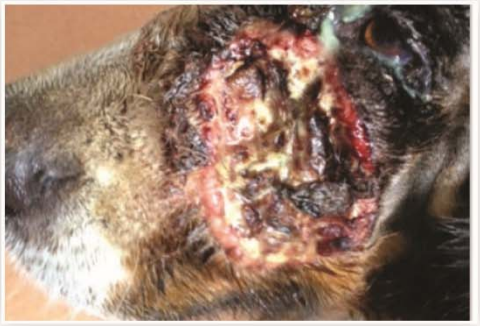
For WH-1 as a veterinary product development is planned to be focused on the completion of a Dose Determination Study in horses to underpin application for an INAD filing with the FDA-CVM possibly combined with an EMA application.

Figure 4.17: Case study of a chronic wound on the face of a dog treated with WH-1

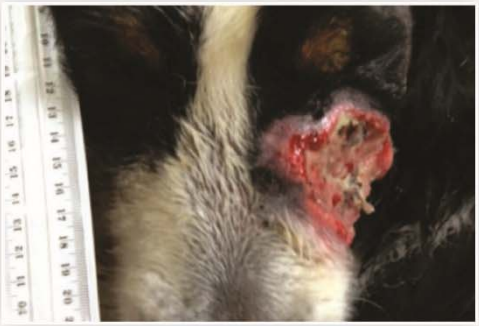
WH-1 Wound Healing Topical Treatment

3 year old Bernese Mountain Dog.
Chronic wound possibly from spider bite.
Previous 3 month treatment with antibiotics and anti-inflammatories with no effect; rapid extension of wound.Treated with WH-1 gel once per day for 5 days; small injection at day 21. No other treatment. Drug well tolerated.

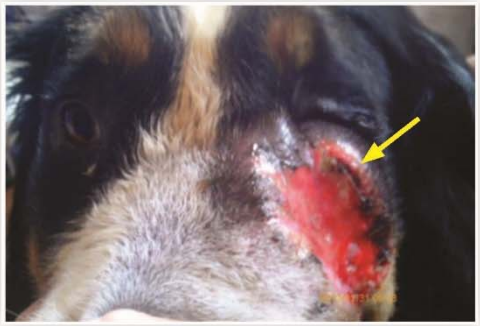
A: Immediately prior to treatment: wound is extensive and impinging on ocular orbit



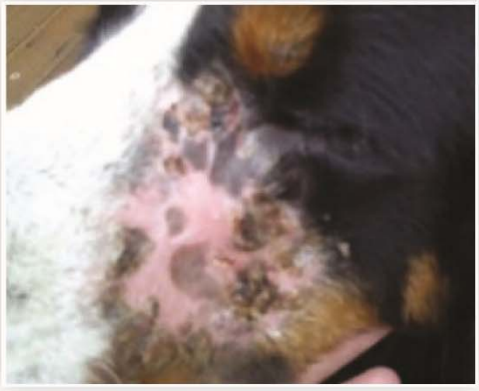
B: 3 days post initial treatment – wound healing has been activated and necrotic tissue disintegrating



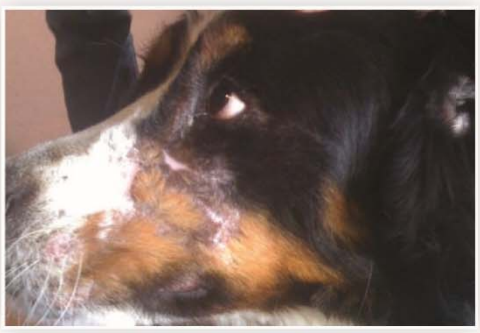
C: 6 days post initial treatment – wound is looking much cleaner



D: 21 days post initial treatment – good wound healing progression; small injection of WH-1 solution at site indicated by arrow to speed the process



E: 63 days post treatment – wound healed

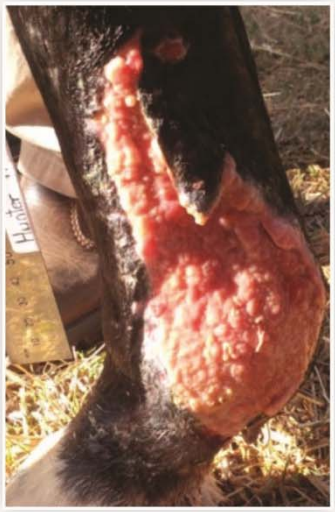


F: 104 days post treatment – minimal scarring and regrowth of hair; good cosmesis

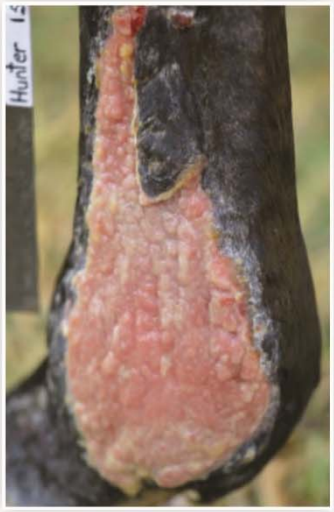
Figure 4.18: Difficult to heal wound on the leg of a horse treated with WH-1

WH-1 Wound Healing Topical Treatment

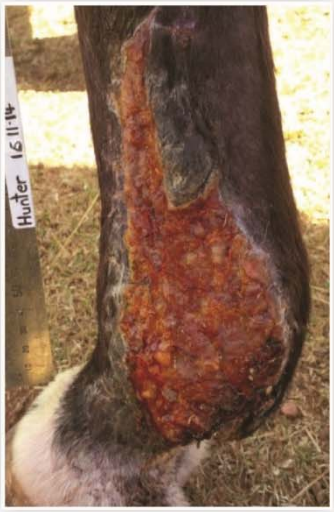
Horse: severe degloving injury.
Horses are very prone to 'proud flesh' (exuberant tissue granulation) especially on leg injuries. Horse aged 22 years and in tropical environment. Treated with WH-1 gel once per day on day 1, 5 and 10. No other treatment. Drug well tolerated.



A: Pretreatment: wound 3 days old with signs of proud flesh

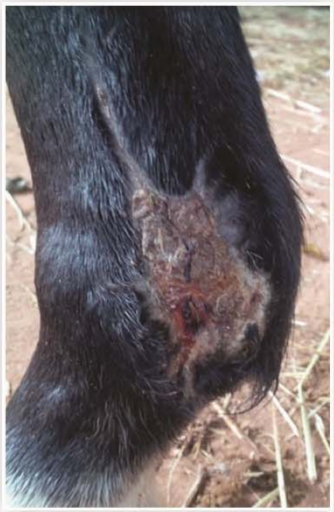


B: Day 5: Tissue granulation less exuberant

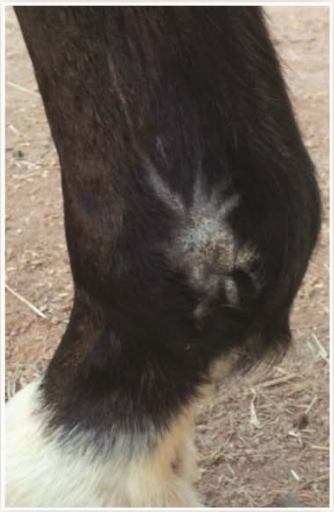


C: Day 6: Wound healing progressed – no sign of proud flesh

D: Day 8: Healing progressed



E: Day 86: Wound significantly smaller and hair growth



F: Day 172: Wound healed with a small scar area

4.9. Product manufacturing of EBC-46 and WH-1

Raw Material - Manufacturing and Supply

EBC-46 and WH-1 are novel short-chain diterpene esters from the tigliane class of compounds discovered from the fruit of Fontainea, a rainforest shrub endemic to Far North Queensland (refer to Figure 4.19). Both compounds are major metabolite in the seed of Fontainea.

Straightforward and high yielding methods for the EBC-46 compound (Drug Substance) isolation have been developed. In addition, GMP production of the Drug Substance as well as the Drug Substance in the carrier (Drug Product) as an injectable product has been established. The GMP program for the Drug Substance has been submitted for validation for commercial production approval for the canine veterinary product by the FDA-CVM (Phase I submission). Preparation for submission of the injectable (IT) Drug Product (Phase II submission) has commenced. The manufacture program for WH-1 is in earlier stage of development but as WH-1 and EBC-46 are relatively similar compounds, development of the GMP program for WH-1 is facilitated by previous experience with EBC-46.

Fontainea is easy to grow and domestication and grow-out programs for the plant have been running for the past 5 years (refer to Figure 4.19) undertaken by EcoBiotics, a substantial shareholder in QBiotics (Grow-Out Program). The Company and EcoBiotics are party to a services agreement (details of which are set out in section 10.7) pursuant to which EcoBiotics has agreed, among other things, to provide the Company with Fontainea for the production of the products being developed by the Company. The Company has estimated that raw material availability provides ample amounts to meet development and commercialization needs for both anticancer and wound healing programs.

EcoBiotics currently has full control of the Grow-Out Program. However, QBiotics intends to acquire all of the rights that EcoBiotics has in the Grow-Out Program and has commenced negotiations with EcoBiotics in this respect. Firm cost of production of EBC-46 is yet to be finalised. However, our initial calculations indicate that EBC-46 can be brought to the market at a price which is highly competitive with existing anticancer treatments for both human and veterinary markets. The pricing for WH-1 is also expected to be very competitive.

Figure 4.19: Examples of domestication program for Fontaineapicrosperma

Figure 4.19-A: Mature Fontainea shrub with fully mature fruit

Figure 4. 19-B: Fruit produced by 12 month old seedling of Fontainea

4.10. Barriers to entry

The commercialisation of QBiotics' products are subject to a number of regulatory approvals both in the USA and Australia, as well as other countries. Refer to Section 6 for a discussion of risk associated with QBiotics' business.

5. BOARD, MANAGEMENT & GOVERNANCE

5.1. Board of Directors

The Board of Directors of QBiotics has a broad range of experience in the life sciences and pharmaceutical industry combined with Australian public company, capital markets, legal, financial and commercial expertise. The following table provides information regarding the Directors, including their positions and ages:

Table 5.1: Directors' age, position and independence status

Rick Holliday-Smith	Dr Victoria Gordon	Dr Paul Reddell	Professor Bruce Robinson	Andrew Denver	Ross Patane	Dr John Ayerbe	Graeme Levy
BA (Hons) CA FAICD	BAppSc (Hons) PhD GAICD	BSc (Hons) PhD FAICD	MD MSc FRACP FAHMS FAICD	BSc. (Hons) MBA FAICD	BBus FCA MAICD FFin	BVSc GAICD	LLB
66	57	56	59	67	49	70	70
Non-Executive Chairman	Managing Director & Chief Executive Officer	Executive Director & Chief Scientific Officer	Non-executive Directors				
Indepen-dent	Executive & not independent		Independent				

Rick Holliday-Smith – Non-executive Chairman

Mr Holliday-Smith brings a wealth of invaluable corporate experience to the Chairman's role. Among his current senior leadership roles, Mr Holliday-Smith is Chairman of the Australian Securities Exchange (ASX) and Chairman of Cochlear Limited. He is also a Director of Servcorp Limited.

Mr Holliday-Smith's extensive board career spans close to 20 years and includes long term positions including SFE Corporation Limited, MIA Group Limited, Exco Resources Limited and Macquarie University Faculty of Business and Economics.

Previously, Mr Holliday-Smith held several global leadership positions in the finance industry including CEO of Chicago Research and Trading, President for global trading and sales at Nations Bank-CRT and Managing Director of London based HongKong Bank Limited.

Dr Victoria Gordon – Managing Director & Chief Executive Officer

Dr Gordon brings to QBiotics a sound scientific background combined with broad business management experience and a strong commercial emphasis. She left her position as a research scientist in chemical ecology with the Commonwealth Scientific and Industrial Research Organisation (CSIRO) to establish EcoBiotics Limited (EcoBiotics) in 2000 and QBiotics Limited in 2004.

Dr Gordon has broad experience in the management of commercial research for Boral Timber Division, then one of Australia's largest plantation forestry companies and has owned and managed a number of small businesses. Dr Gordon's recent board and committee experience includes Non-Executive Director of Biopharmaceuticals Australia, member for two consecutive terms of the Queensland Government Biotechnology Advisory Council and Non-Executive Director and Non-Executive Chairman of the Australian Rainforest Foundation. Dr Gordon is also currently Chairman of EcoBiotics. In 2004 Dr Gordon was presented an award by the Queensland Premier for her service to the biotechnology industry in Queensland.

Dr Victoria Gordon holds a PhD in Microbiology, Bachelor of Applied Science (Honours), Diplomas in Human and Animal Health, has undertaken extensive business management and pharmaceutical development training and is a Graduate of the Australian Institute of Company Directors.

Dr Paul Reddell - Executive Director & Chief Scientific Officer

Dr Reddell brings to the Company expert scientific knowledge combined with extensive practical experience in leadership, resourcing and management of multi-institutional research and development projects. Dr Reddell is co-founder of EcoBiotics and QBiotics.

Dr Reddell is an internationally recognised expert in tropical rainforest ecology, specialising in the Queensland, Papua New Guinea and Melanesia region. Prior to founding EcoBiotics, Dr Reddell was Principal Ecologist for an environmental consulting business in the Rio Tinto group of companies and was a Principal Research Scientist and Program Leader at CSIRO's Tropical Forest Research Centre. Dr Reddell is also a Director of EcoBiotics.

Dr Reddell holds a PhD in Forest Ecology, a Bachelor of Science (Honours), has undertaken extensive business management and pharmaceutical development training, and is a Fellow of the Australian Institute of Company Directors.

Professor Bruce Robinson – Non-executive Director

Professor Robinson is an Endocrinologist and formerly, Head of the Cancer Genetics Laboratory in the Kolling Institute at Royal North Shore Hospital. He was Acting Dean and then Dean of Medicine 2006 - 2016. Professor Robinson graduated from the University of Sydney in 1980 and then undertook studies for a Master of Science degree. His further molecular research work was performed at the Brigham and Women's Hospital and the Children's Hospital, Harvard Medical School from 1986-1989 and he was awarded a Doctorate of Medicine from the University of Sydney in 1990. He has developed and led the Cancer Genetics Laboratory since 1990 and has supervised over 35 doctoral and masters students working on the genetic basis for tumour formation and gene therapy. He has published over 300 peer-reviewed scientific articles. In 2003, Professor Robinson was awarded the Daiichi Prize by the Asia and Oceania Thyroid Association for this work on the pathogenesis of thyroid cancer.

Until early 2016, Professor Robinson was Dean (International) in the Faculty of Medicine at the University of Sydney and was Head of the Division of Medicine at the Royal North Shore Hospital from 1998-2006. He also served on the Council of the Endocrine Society of Australia from 2001-2005. He is on the Editorial Board of the International journals 'Nature, Clinical Practice and Endocrinology' and 'Thyroid'. Professor Robinson has a strong interest in furthering relations between Australia and Asia and he is the Founding Chairman of Hoc Mai, the Australia-Vietnam Medical Foundation, which sponsors and supports medical nursing, allied health and scientific exchanges between Australia and Vietnam. He was awarded the People's Health Medal by the Vietnamese Government in 2008. He is a Fellow of the Australian Institute of Company Directors.

More recently Professor Robinson was appointed Chair of the Medicare Benefits Schedule (MBS) Review Taskforce which will consider how services can be aligned with contemporary clinical evidence and improve health outcomes for patients. He has also been appointed as the Chair of the Council of NHMRC.

Andrew Denver – Non-executive Director

Mr Denver has extensive expertise that is relevant to the Company, including in assisting the commercialisation of several technology companies. Mr Denver has a wide ranging knowledge of the life sciences industry of which our Company is a part, risk assessment, financial reporting experience and general management, which are important in the success of our business. Mr Denver has served as the interim Chief Executive Officer of Universal Biosensors, Inc. (UBI) from September 2010 to May 2011, a director of UBI since December 2002 and as Chairman since September 2005. Between 2002 and 2005, Mr Denver was President of Pall Asia, a subsidiary of Pall Corporation after the acquisition by Pall Corporation of US Filter's Filtration and Separations business, where he was also President. Pall Corporation is a technology based filtration, separation and purification multinational company.

Mr Denver is a non-executive director of Vaxxas, Inc., SpeeDx Pty Ltd and Cochlear Ltd, all of which are life sciences companies,

Mr Denver graduated from the University of Manchester with a Bachelor of Science Degree (Honors) in Chemistry and achieved a distinction in his MBA at the Harvard Business School and is a Fellow of the Australian Institute of Company Directors.

Ross Patane – Non-executive Director

Ross Patane is a Chartered Accountant with 30 years of professional finance and accounting experience. Mr Patane is presently the Managing Partner of Crowe Horwath in Southern Queensland. He holds a Bachelor of Business (Accountancy), is an Associate of the Chartered Accountants Australian and New Zealand, an Associate of the Australian Institute of Company Directors and is a Senior Fellow of the Financial Services Institute. Mr Patane was appointed by the Queensland Government as a director of the Board of Trustees of the Queensland Art Gallery and Gallery of Modern Art (QAGOMA), and is the Chair of the QAGOMA Audit and Risk Committee. He is a director of ASX listed investment company Henry Morgan Limited, and NSX listed hedge fund manager John Bridgeman Ltd. Mr Patane brings to QBiotics extensive experience in corporate governance, corporate finance, and financial markets having been involved as an adviser in a wide range of transactions including ASX listings, securitisation, debt portfolio sales, property trust and syndicate formations, mergers and acquisitions, venture capital and other equity raisings.

Dr John Ayerbe – Non-executive Director

Dr John Ayerbe graduated with a Bachelor of Veterinary Science in 1969. In 1970 he travelled to Europe and practiced in the U.K. and Ireland. In 1974 he returned to Australia and established Newtown Veterinary Clinic in Geelong. That practice now employs six veterinarians. In 1986 Dr Ayerbe became a founding director of MaST Australia an international training and development organisation and served as Chairman for a number of years. As well as being a graduate of the Australian Institute of Company Directors Dr Ayerbe brings a wide range of experience to QBiotics, including veterinary medicine, veterinary product development, strategic planning and business and human resource management. Over time Dr Ayerbe has been involved in a number of community activities including school councils, animal welfare organisations, serving as an elected councilor on local government and many other areas. In recognition for his services to the RSPCA Dr Ayerbe was made a life member in 1995 and in 2000 was presented with a Meritorious Service award. Since 1980 Dr Ayerbe has served on a number of Animal Ethics Committees and currently lectures in that discipline for the Victorian Bureau of Animal Welfare. Dr Ayerbe is also currently Chairman of the Barwen Health Foundation.

Graeme Levy – Non-executive Director

Graeme Levy is a lawyer and co-founder of Madgwicks, a leading mid-tier law firm and the Melbourne representative of the global alliance of independent law firms, Meritas. Mr Levy has over 40 years' experience advising medium and large companies on commercial and corporate law, corporate reconstruction and litigation, mergers & acquisitions and compliance. Mr Levy has acted on many complex corporate reconstructions and commercial disputes and has been a trusted adviser to many of Madgwicks' largest clients, and has served on a number of boards. Mr Levy's experience spans a broad range of industries including services, manufacturing, distribution and information technology, in both the private and public sectors.

Director disclosures

No Director of the Company has been the subject of any disciplinary action, criminal conviction, personal bankruptcy or disqualification in Australia or elsewhere in the last ten years which is relevant or material to the performance of their duties as a Director of the Company or which is relevant to an investor's decision as to whether to subscribe for Shares under the Offer.

5.2. Executive Management Team

The Company has a highly experienced Executive Management Team, as set out below:

Name	Age	Position
Dr Victoria Gordon	57	Managing Director & Chief Executive Officer
Dr Paul Reddell	56	Chief Scientific Officer
Daniel Parry	60	Chief Financial Officer & Company Secretary
Mary Phipps	50	Director of Sales & Marketing
Michael Wenzel	39	Director of Accounting and Financial Reporting
Professor Peter Parsons	74	Principal Research Scientist Preclinical Development
Dr Rodney Cusack	43	Director of Human Drug Development
Dr Peter Schmidt	43	Director of Veterinary Drug Development
Dr Stewart Lowden	51	Chief Veterinary Officer

The Company directly employs key personnel who manage a strong team of contracted personnel for both the business, and research and development activities. This approach has the benefit of reducing the typically high infrastructure and maintenance spend of a biotechnology company while providing access to world class providers.

While the Company engages Australian based providers for many of its activities, the provision of certain highly specific expertise and capabilities are not available in Australia and, as such, the Company necessarily source these from overseas providers. Consequently, the QBiotics team is an international team with providers based in Australia, the USA, Canada, Switzerland, Italy, France and the United Kingdom.

Dr Victoria Gordon – Managing Director & Chief Executive Officer

Please see details of Dr Gordon's experience in Section 5.1 above.

Dr Paul Reddell – Chief Scientific Officer

Please see details of Dr Reddell's experience in Section 5.1 above

Daniel Parry – Chief Financial Officer & Company Secretary

BBA CA MBA MAICPA MAICD

Mr Parry has over 30 years of experience in corporate finance and business spanning the USA, Australia and the UK. He has particular expertise in the life science sector working for a diverse range of organisations including Implicit Bioscience, Genetrax, Accera, Heska, Cortech, Synergen and Astellas.

Mr Parry's key areas of expertise include investor relations, IFRS and US GAAP financial reporting and disclosures, complex financial modeling, international tax planning and compliance, management of USA financial operations, merger and acquisition transactions, strategic planning, board reporting, business model optimisation and organisational development.

Mr Parry holds a Bachelor of Business Administration, is an Associate of the Chartered Accountants Australia and New Zealand, a Member of the American Institute of CPAs and holds an MBA from the Kellogg Graduate School of Management at Northwestern University in Chicago.

Mary Phipps – Director of Sales & Marketing

BBus MCom (Mktg)

Ms Phipps has extensive experience in marketing of animal health products spanning more than 25 years.

Ms Phipps has held senior management and business roles with Novartis Animal Health for 15 years including Head of Sales ANZ, Marketing Director Therapeutics Brands USA, Senior Brand Manager Sentinel USA, Marketing Manager Companion Animals ANZ and Business Unit Head Companion Animals ANZ. Prior to Novartis Ms Phipps was employed by Novogen, Alcon and Sanofi Aventis.

Mr Phipps holds a Bachelor of Business and Masters of Commerce (both with marketing majors).

Michael Wenzel – Director of Accounting & Financial Reporting

BCom CA CIA

Mr Wenzel has gained a wealth of experience across a range of industries, working for over 13 years in the audit and advisory divisions of KPMG Cairns. During this time, Mr Wenzel was a senior engagement manager, key client contact, and quality control reviewer on a variety of external and internal audits including biotechnology companies. Mr Wenzel specialises in the areas of Australian Accounting Standards, financial and management reporting matters and advisory services.

Mr Wenzel holds a Bachelor of Commerce, is a Registered Company Auditor, a Certified Internal Auditor and Member of the Institute of Internal Auditors – Australia and is an Associate of the Chartered Accountants Australia and New Zealand.

Professor Peter Parsons – Principal Research Scientist-Preclinical Development

BAppSc (Hons) PhD

Professor Parsons is a Senior Principal Research Fellow at the Queensland Institute of Medical Research (QIMR) and Head of the Drug Discovery Group (majority of activities are QBiotics dedicated). He is also Adjunct Professor in the School of Medicine at the University of Queensland.

Professor Parsons brings to QBiotics extensive knowledge and experience in Preclinical drug development especially in the area of oncology. Professor Parsons played a major role in Preclinical validation at QIMR, target identification and development of commercial scale GMP purification of Peplin Biotech's novel anti-skin cancer product recently registered in the USA and Australia. Professor Parsons has long experience in melanoma biology. He has served on the National Health and Medical Research Council's (NHMRC) grant review panels, reviews grant applications to the NHMRC, the Australian Research Council, state Cancer Councils and the Health Research Council of NZ; and is reviewer for a number of relevant journals.

Professor Parsons holds a PhD in Organic Chemistry and a Bachelor of Science (Honours).

Dr Rodney Cusack – Director of Human Drug Development

BAppSc (Hons) PhD

Dr Cusack has extensive experience in Preclinical and early clinical development of human pharmaceuticals, especially in the therapeutic area of oncology. Dr Cusack's background includes the position of Drug Development Manager for the listed biotechnology company Bionomics, the position of Drug Development Manager for the privately held company Xenome, New Projects Analyst for the generic medicines company Alphapharm and Senior Research Officer with the University of Queensland. Along with his strong research background, Dr Cusack also has a sound understanding of the requirements of business gained through his management consultancy business Appetite Group Pty Ltd.

Dr Rodney Cusack holds a Bachelor of Science (Honours), a PhD in Chemistry and an MBA.

Dr Peter Schmidt – Director of Veterinary Drug Development

BAppSc (Hons) PhD

Dr Schmidt has considerable expertise in the development of drug candidates for submission to both the Therapeutic Goods Administration in Australia and the FDA in the USA up to Clinical Phase III including preparation of CMC and Preclinical data packages required for IND submissions, and the clinical practices required during Clinical Phase I and II trials.

Dr Schmidt's human development expertise compliments and strengthens QBiotics veterinary drug development team. Dr Schmidt came to QBiotics from the drug discovery and development company Xenome Limited where he was Director of CMC and Preclinical drug development for 6 years. Prior to Xenome, Dr Schmidt was Senior Scientist at Agen Biomedical for 7 years and Professional Officer at Radiopharmaceuticals Australian Nuclear Science and Technology Organisation for 8 years.

Dr Schmidt holds a Bachelor of Science (Honours) and a PhD in Nuclear Medicine.

Dr Stewart Lowden – Chief Veterinary Officer

BVSc(Hons) PhD GCSciTechComm DipMgt

Dr Lowden has gained extensive experience in veterinary drug development during his time as Veterinary Director with the Contract Research Organization Veterinary Health Research as R&D Program Manager with the animal health pharmaceutical company Jurox and as Senior Lecturer in preclinical veterinary sciences at the University of Edinburgh. Dr Lowden has also held positions as a research scientist with the CSIRO and as a veterinary practitioner in mixed veterinary practices resulting in a significant depth of knowledge and experience of the animal health industry

Dr Lowden holds a PhD in Veterinary Science, Bachelor of Veterinary Science (Honours), Graduate Certificate Science & Technology Commercialisation and a Diploma of Management.

Leadership Team disclosures

No officer listed above has been the subject of any disciplinary action, criminal conviction, personal bankruptcy or disqualification in Australia or elsewhere in the last ten years which is relevant or material to the performance of their duties as officers of the Company or which is relevant to an investor's decision as to whether to subscribe for Shares under the Offer.

No officer listed above has been an officer of a company that has entered into any form of external administration as a result of insolvency during the time that they were an officer or within a 12 month period after they ceased to be an officer.

5.3. Company secretary consulting agreement

Mr Mark Licciardo of Mertons has been engaged as the joint Company Secretary of the Company through a consultancy agreement with the Company, of which he is a principal. Details of the terms of this agreement are set out in Section 10.6.

5.4. Directors' remuneration, terms and interests

Directors' remuneration and terms

Table 5.1: Director's remuneration and contract terms

Name	Remuneration	Benefits	Term	Appointment date
Rick Holliday-Smith	$75,000 per annum plus CPI increases, payable in Options	Superannuation contributions at the applicable statutory percentage	For the period for which the Director is appointed under the Constitution	18 April 2016
Dr Victoria Gordon	$200,000	As above	As above	26 July 2004
Dr Paul Reddell	$90,000 (50% Full Time Equivalent)	As above	As above	26 July 2004
Professor Bruce Robinson	$55,000 per annum plus CPI increases, payable in Options	As above	As above	1 June 2016
Andrew Denver	$55,000 per annum plus CPI increases, payable in Options	As above	As above	1 June 2016
Ross Patane	$55,000 per annum plus CPI increases, partly payable in Options	As above	31 March 2015 to 30 March 2018	24 April 2009
Dr John Ayerbe	$55,000 per annum plus CPI increases	As above	31 March 2015 to 30 March 2018	31 March 2010
Graeme Levy	$55,000 per annum plus CPI increases	As above	10 June 2014 to 10 June 2017	10 June 2014

Some Directors may elect to receive remuneration in Options, shares (at applicable market rates), cash or a combination thereof. The terms of all Options on issue have been set out in Section 10.5.

Dr Gordon's and Dr Reddell's executive contracts are summarised in Section 10.7. In respect of the other Directors, under the Constitution, the Directors may decide the total amount paid to all Directors as remuneration for their services as a Director.

In addition to their annual remuneration, the Directors may also be reimbursed for expenses properly incurred by the Directors in connection with the affairs of the Company including travel and other expenses. Non-executive Directors may be paid such additional or special remuneration as the Directors decide is appropriate where a Director performs extra work or services which are not in the capacity as Director. Directors are not currently entitled to any additional remuneration for time spent in connection with acting as a member of any committee of the Board.

There are no retirement benefit schemes for Directors, other than statutory superannuation contributions.

Directors' shareholdings

Directors are not required under the Constitution to hold any Shares. Directors and officers currently hold (including through controlled entities) Shares and Options as described below.

Table 5.2: Director's relevant interests as at the date of the Prospectus

Name	Shares	Options vested	Options granted not vested
Rick Holliday-Smith	725,000	750,000	1,750,002
Dr Victoria Gordon	23,075,563	Nil	Nil
Dr Paul Reddell	20,998,601	Nil	Nil
Professor Bruce Robinson	250,000	Nil	904,417
Andrew Denver	250,000	Nil	904,417
Ross Patane	121,125	Nil	252,596
Dr John Ayerbe	539,013	Nil	Nil
Graeme Levy	135,000	Nil	Nil

Deeds of access, indemnity and insurance for Directors

The Company has entered into deeds of access, indemnity and insurance with each Director.

The deeds confirm each Director's right of access to certain books and records of the Company for a period of seven years after the Director ceases to hold office. The seven year period can be extended where certain proceedings or investigations commence before the seven years expires.

Pursuant to the Constitution, the Company is required to indemnify all Directors and employees, past and present, against all liabilities allowed under law. The Company has entered into a deed with each Director to indemnify the Director against all liabilities to another person that may arise from their position as Director or other officer of the Company to the extent permitted by law. The deed stipulates that the Company will meet the full amount of any such liabilities, including reasonable legal costs and expenses.

Pursuant to the Constitution, the Company may arrange and maintain directors' and officers' insurance for its Directors and its officers to the extent permitted by law. The Company has entered into a deed with each Director to obtain such insurance during the Director's period of office and for a period of seven years after the Director ceases to hold office. The seven year period can be extended where certain proceedings or investigations commence before the seven year period expires.

Directors' and officers' insurance

The Company has obtained an insurance policy for the benefit of its Directors and Officers.

It indemnifies them for liability incurred as a result of their office with the Company. The maximum amount insured is $10,000,000.

5.5. Executive Management compensation and terms

QBiotics' current executive compensation program consists of the following components:

Base salary – Base salary for QBiotics' executives is set by reference to the executive's background and position, the executive's achievement of business objectives and goals, relevant market data, the executive's contribution to the business and performance over the previous financial year and recommendations received from QBiotics' Chief Executive Officer. In setting the 2016 base salary for QBiotics' current executives, the Board considered research and benchmarking based on industry standards;

Equity-based incentives – Such incentives include discretionary share-based incentive awards. QBiotics provides its executives with share-based incentives in connection with performance evaluations; and

Severance benefits – These benefits are payable in the event that an executive's employment is terminated without cause.

5.6. Corporate Governance

Board of Directors

The Company's Constitution provides that the maximum number of Directors is ten and that this maximum may only be changed by unanimous resolution of the Board. The Company currently has eight Directors serving on the Board.

The Board is responsible for the overall corporate governance of the Company. Issues of substance affecting the Company are considered by the full Board, with advice from external advisers as required. Each Director must bring an independent view and judgement to the Board and must declare all actual or potential conflicts of interest. Any issue concerning a Director must be provided to the Board at a Board meeting as soon as practicable, and Directors may not participate in discussions or resolutions pertaining to any matter in which the Director has a material personal interest.

The Board's role in risk oversight includes receiving reports from the Chief Executive Officer and Chief Financial Officer on a regular basis regarding material risks faced by the Company and applicable mitigation strategies and activities. The reports cover the critical areas of operations, sales and marketing, development, regulatory and quality affairs, intellectual property, clinical development and legal and financial affairs. The Board considers these reports, discusses matters with management and identifies and evaluates any potential strategic or operational risks, and appropriate activity to address those risks.

All Non-Executive Directors have confirmed to the Company that they anticipate being available to perform their duties as Non-Executive Directors without constraint from other commitments.

The Board considers an independent Director to be a non-executive Director who is not a member of the Company's management and who is free of any business or other relationship that could materially interfere with or reasonably be perceived to interfere with the independent exercise of their judgement. The Board will consider the materiality of any given relationship on a case-by-case basis. The Board reviews the independence of each Director in light of interests disclosed to the Board from time to time. For this purpose, a Director will (among others) not be considered to be independent if the Director:

- is a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of Company;
- is employed, or has previously been employed in an executive capacity by the Company, and there has not been a period of at least three years between ceasing that employment and serving on the Board;
- is, or has within the last three years been a partner, director or senior employee of a provider of material professional services to the Company;
- is, or has been within the last three years, in a material business relationship (e.g. as a supplier or customer) with the Company, or an officer of, or otherwise associated directly or indirectly with, someone with such a relationship;
- has a material contractual relationship with the Company other than as a director of the Company;
- has close family ties with any person who falls within any of the categories described above; or
- has been a director of the Company for such period that his or her independence may have been compromised.

In each case, the Board will consider whether there are any factors or considerations which may mean that the Director's interest, business or relationship could, or could reasonably perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

The Board considers that Rick Holliday-Smith, Professor Bruce Robinson, Andrew Denver, Ross Patane, Dr John Ayerbe and Graeme Levy are free from any business or other relationship that could materially interfere with, or reasonably be perceived to interfere with the independent exercise of their judgement

The Board believes that each of the Non-Executive Directors brings objective and independent judgement to the Board's deliberations, and that each of the Non-Executive Directors makes valuable contributions to the Company.

5.7. Continuous disclosure

The Company has an obligation to keep Shareholders fully informed of information which may have a material effect on the share price or value of the Company and to correct any material mistake or misinformation. The Company discharges these obligations by regularly releasing information to the Shareholders in the form of periodic Shareholder newsletters and updates which are sent to Shareholders and made available on its website. The Company also releases a written Annual Report which is provided to Shareholders as well as provided verbally in a CEO presentation given at Annual General Meetings. This CEO report is also videotaped and uploaded to the Company's website.

The information to Shareholders is not selectively disclosed (i.e. to analysts or the media) before it is announced to Shareholders. Once the Company becomes aware of any information concerning it that a reasonable person would expect to have a material effect on the price or value of the Company, the entity informs the Shareholders.

The Company's disclosure obligation does not apply to particular information while all of the following are satisfied:

- A reasonable person would not expect the information to be disclosed;
- The information is confidential;
- It would be a breach of law to disclose the information;
- The information comprises matters of supposition or is insufficiently definite to warrant disclosure;
- The information concerns an incomplete proposal or negotiation;
- The information is generated for internal management purposes; and
- The information is confidential or a trade secret.

6. RISK FACTORS

The sector in which the Company operates is subject to numerous risk factors both of a general nature and risks which are specific to the Company's business activities. The potential effect of these risk factors, either individually or in combination, may have an adverse effect on the future financial (including potential profits and losses) and operating performance of the Company, its assets and liabilities, financial position and prospects and the value of the Shares.

This Section 6 describes what the Company considers to be the key risks associated with investing in the Company. You should carefully consider these risk factors in light of your personal circumstances and seek professional advice from your stockbroker, accountant, lawyer or other professional adviser before deciding whether to invest. Investment in the Company should be considered as being speculative.

This Section 6 should not be considered to be an exhaustive list of every possible risk associated with an investment in the Company. The types of risks the Company is exposed to can change over time and vary with changes in economic, technological and regulatory conditions both generally and within the pharmaceutical industry specifically.

Before making any decision to invest in the Company, potential investors should read this Prospectus in full. In particular, potential investors should be aware that there is no certainty that the Company will achieve its stated objectives or that any forward-looking statement will occur. Any investment in the Company should only be considered in light of these risks, as the occurrence of any of the risks set out in this Section 6 either individually or in combination could have a material adverse impact on the Company's operating performance and profits.

6.1. Risks specific to an investment in the Company

Regulatory Environment

The commercialisation of the Company's product is subject to a number of regulatory approvals, both in the USA and Australia, as well as other countries. Delays or failures in obtaining regulatory approval could significantly slow or halt product development. This would result in a serious adverse effect on the value of the Company and have a consequent impact on the financial performance of the Company.

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

Market Adoption & Ongoing Acceptance

The Company's commercialisation strategy relies on medical specialists, human and veterinary medical facilities, patients and pet owners accepting the Company's products for routine use. Medical specialists are historically slow to adopt new technologies, regardless of perceived merits, when older technologies continue to be supported by established providers. Overcoming such inertia often requires significant marketing expenditure or definitive product performance and/or pricing superiority. Market acceptance of a new technology such as QBiotics' can be difficult to obtain and may involve time consuming clinical studies to providefurther evidence of the medical benefits of the Company's products in order to overcome any inertia.

The regenerative medicine industry remains in its infancy. As the industry matures and market participants compete for market share, there may be negative news flow or controversies in relation to the use of such technologies that may impact on the market acceptance of the Company's products and services.

Product Liability

The testing, marketing and sale of the Company's products whether directly or through licencees, involves a risk of product liability claims being brought against the Company. The Company seeks to limit its liability for such claims in its agreements with licencees and customers and is also entitled to be indemnified by its licencees in various circumstances. However, limitations of liability are not necessarily effective at law and indemnification may not always be available. The Company intends to maintain product liability insurance in respect of its products, however, if the Company is unable to obtain sufficient product liability insurance at an acceptable cost, it could prevent or inhibit the commercialisation of products the Company develops.

Intellectual Property

One of the Company's assets is its IP rights that support its current technology and other future products. The commercial value of the IP is dependent on legal protections provided by a combination of patent, registered trade marks, copyright, confidentiality, trade secret laws, and other IP rights. These legal mechanisms, however, do not guarantee that the IP will be protected, is valid, that the commercial activities and technology of the Company will be adequately protected or that the Company's competitive position will be maintained.

The grant of IP rights does not inevitably follow after making an application for such rights. Examination of patents, for example, may be expensive and time consuming and with no guarantee that patent rights will be secured. The scope of patent claims may vary as amendments are filed during examination if required to overcome objections raised by an examiner. The grant of patent rights does not guarantee the non-infringement of another party's patent rights. Examination in one country is not binding in another country. Patent applications lodged in each country are generally subject to an independent search and examination by local patent officers.

The publication of an invention will take place approximately 18 months after filing the earliest patent application for the invention. By that publication, other parties will potentially be made aware of the invention, including the details of the processes necessary to implement the invention, and it patent rights are not successfully secured, other parties may be free to practice this invention, informed of the details for doing so by virtue of the patent application.

No assurance can be given that others will not challenge the Company's IP rights in the technology. The Company will make assessments on the patent protection strategies in different countries to determine whether patent protection is required and if it is available. Patent protection may not be sought in all countries either because such protection might not be commercially practical or may be unavailable or limited in certain countries. Countries may also change their laws relating the scope and enforceability of IP (including patent) protection which may impact on the effectiveness, validity and scope of the Company's IP portfolio.

Litigation may be necessary, where commercially feasible, from time to time to enforce the Company's rights in the technology. Such litigation can be costly and could have adverse effects on the Company's activities, business, operating results, reputation and financial position. Likewise, a failure to succeed in protecting any such rights may equally have a material adverse effect on the Company's activities, business, operating results, reputation and financial position.

Although the Company's patent attorney Griffith Hack has conducted patent searches on publicly available databases, there are limitations on searching. Searches are dependent on the accuracy and effectiveness of the searching method used and the accuracy and scope of the records held.

Even if the accuracy of the records is guaranteed, any search strategy involves a compromise between scope and costs. For this reason, the Company's searches were restricted to reveal the most relevant disclosures. Another limitation is that in most major jurisdictions, patent applications are not published until 18 months from the earliest priority date. This means that for any given search, it is generally not possible to detect patent applications filed within the previous 18 months. No search can ever be entirely inclusive or exhaustive because some forms of disclosure such as prior public use, oral disclosure, prior commercial exploitation or prior publication is non patent literature cannot be searched systematically.

It is possible that third parties might assert IP infringement, IP invalidity, unfair competition or like claims against the Company under patent, confidentiality, trade secret or other laws. Whilst the Company is not aware of any claims of this nature, in relation to its intellectual property rights, such claims if made may harm directly or indirectly the Company's business. If the Company is forced to defend claims of intellectual property infringement or invalidity whether they are with or without merit or are determined in the Company's favor, the cost of such litigation will potentially be significant and will divert management's attention from normal commercial operations. Such disputes may require the Company to develop non-infringing technology or enter into royalty or licencing agreements. Such agreements, if necessary, may be unavailable on terms acceptable to the Company, if at all.

The patent positions of biotechnology companies can be highly uncertain and involve complex legal and factual questions.

Commercialisation

The development of EBC-46 for veterinary application is at a late-stage and is currently unregistered for commercial use. EBC-46 is required to be registered by the FDA-CVM or by similar bodies in other countries in order for the Company to sell the drug as a veterinary product. There is no guarantee that EBC-46 will be successfully registered by the FDA-CVM. If registered for veterinary use, in order to be successful, EBC-46 must meet the requirements of the markets for which it is intended, and potential customers must be convinced to use EBC-46. This is also the case with other QBiotics veterinary products including WH-1 products.

EBC-46 for human application is at a very early stage and is unregistered for commercial use. If the product fails during human clinical development or the data from the clinical trials does not indicate efficacy according to the clinical trial protocol, the prospects and potential profitability of QBiotics will be reduced. Specifically, investors must be aware that, despite the promising results of research and development to date, it is possible that EBC-46 may ultimately not be capable of human application. In addition to the risk of EBC-46 showing little or no efficacy, there also exists the risk of the occurrence of serious adverse events which can, in the worst case, halt further development or severely limit commercial opportunity. This is also the case with other QBiotics human products including WH-1 products.

There is no assurance that QBiotics will be able to commercialise or obtain registration for products for the veterinary or human markets, generate any revenue, achieve profitability or attract appropriate strategic partners.

Future Product Development

There are many risks inherent in the development and use of new cell based products for the human and veterinary markets and they may fail during clinical trials or may fail to gain regulatory approval if required. The Company cannot guarantee that the development work being undertaken will result in the

development of any products, or even if they do, that the products will be marketed or commercially successful.

The time required to develop and obtain regulatory approval for marketable products can be uncertain and in some cases very long and is subject to inherent risks.

Clinical Validation

A core component of the Company's strategy is the commercialisation and registration of its products. For the registration process, a successful clinical trial will be necessary for the Company to obtain regulatory approval for its products. Such trials can be expensive, time consuming, may be delayed or may fail. This may delay the market adoption rate.

Reputational Damage

The reputation of the Company and its individual brands is important in attracting medical specialists, medical facilities and patients and key employees. Reputational damage could arise due to a number of circumstances, including:

- inadequate services or unsatisfactory clinical outcomes for patients;
- error, malpractice or negligence of the Company's employees; or
- error, malpractice or negligence of the licenced medical specialists performing the treatments.

Negative publicity could adversely impact the Company's reputation which may potentially result in a fail in the number of patients seeking the Company's products.

Technological Development and Competitors

The Company's future success will depend on the Company's ability to market or licence its intellectual property rights and products successfully and develop products and methods that are competitive in the markets where it operates. The Company's current and potential future competitors include companies that have significantly greater resources than the Company. Due to the time it may take for QBiotics to commercialise its products, there is a risk that other competing or superior products may enter the market. Further, there is no assurance that our competitors will not succeed in developing alternative products that are more effective, easier to use, or more economical than those which has been developed or will be developed by the Company.

Manufacturing and Product Quality

QBiotics' product has not yet been produced on a large scale. If the Company is unable to manufacture products in sufficient quantities or at an appropriate cost level, it may not be able to meet demand for its product which may adversely impact clinical trial and commercial sales of the product. The Company's products must be sold under pre-registration and must meet regulatory requirements in order for it to be registered. Failure by the Company to meet regulatory requirements could result in restrictions or halting of sales, delays in approval or registration and other enforcement action.

Dependencies on service providers

The Company is dependent on service providers to perform many activities such as toxicology studies, project management of clinical trials and manufacturing of products. While these service providers are replaceable, the sourcing of effective replacements in a timely manner may have an adverse effect on the future financial performance of the business.

Raw material

Adverse weather conditions and other unpredictable factors may adversely affect the availability of the Fontainea shrub and therefore QBiotics' operations. However, Fontainea is easy to grow and domestication and grow-out programs for the plant have been running for the past 5 years (refer to Figure 4.18) undertaken by EcoBiotics, a substantial shareholder in QBiotics (Grow-Out Program). The Company has estimated that raw material availability provides ample amounts to meet development and commercialisation needs for both anticancer and wound healing programs.

EcoBiotics currently has full control of the Grow-Out Program. The Company and EcoBiotics are parties to services agreement (details of which are set out in section 10.7) pursuant to which EcoBiotics has agreed, among other things, to provide the Company with Fontainea for research and development of QBiotics' products. The Company intends acquiring all of the rights that EcoBiotics has in the Grow-Out Program and has commenced negotiations with EcoBiotics in this respect. However, until these rights are acquired the Company relies on EcoBiotics to supply raw material for the development and commercialisation needs for both EBC-46 and WH-1. Accordingly, there is a risk that EcoBiotics may fail to supply the Company with Fontainea.

Pre-emptive Rights

The Company has identified that on 203 instances, shares were sold by shareholders to third parties in circumstances in which those shares ought first have been offered for sale to existing shareholders under the provisions of the Company's former constitution. On 26 July 2016 the Federal Court of Australia made orders that the 203 share transfer are valid on a retrospective basis and the current share register is an accurate record of the company's membership.

It is possible that shareholders who were not given the opportunity to purchase shares that were offered for sale may still have a claim against the Company for damages. The Company has informed its shareholders of these matters and no interest has been expressed by any shareholders in pursuing such claims. The Company regards the prospect of any future claims to be remote and in monetary terms, relatively insubstantial. This is because any shareholder who was not given the opportunity could only have acquired such proportion of shares offered for sale as was equal to their proportionate shareholding in the Company. Steps have been taken by the Company to obtain releases of these potential claims from shareholders, and as at the date of this prospectus, 262 of the 1,389 shareholders have granted such releases, who collectively hold 50.72% of the total shares in the Company.

Health Care Insurers and Reimbursement

In both domestic and foreign markets, treatment volumes are likely to be influenced by the availability of amounts of reimbursements of patient's' medical expenses by third party payer organisations including government agencies, private healthcare insurers and other health care payers. There is no assurance that reimbursements for any products or services developed and commercialised by QBiotics will be available to patients at all or without substantial delay. Even if such reimbursement is provided, the approved reimbursement amounts may not be sufficient to enable the Company to sell products developed on a profitable basis.

Reliance on Key Personnel

The key personnel in QBiotics are Dr Victoria Gordon (CEO) and Dr Paul Reddell (CSO). Dr Gordon and Dr Reddell have managed the Company from inception and are integral to the workings of the Company. Consequently, the loss of Dr Gordon's and Dr Reddell's services could materially and adversely affect the Company. The Company has not obtained key person insurances for Dr Victoria Gordon or Dr Reddell. Both Dr Gordon and Dr Reddell have a substantial shareholding in QBiotics (refer to Section 8.8) which

potentially mitigates the risk of loss to the Company of these personnel. However, there can be no assurance that the Company will be able to retain these key personnel.

The Company is dependent on its scientific team to continue to develop products, the loss of whose services could also materially and adversely affect the Company. Because of the specialised nature of the Company's business, its ability to commercialise products will depend in part upon its ability to attract and retain suitably qualified people. The Company is committed to providing an attractive employment environment and prospects to assist in retaining its principal personnel. However, there can be no assurance that the Company will be able to retain these principal personnel.

Capability

As the Company and its operations expand, it will be required to continue to improve, and where appropriate, upscale it's operational, financial and manufacturing systems, procedures and controls and expand, retain, manage and train its employees.

There is a risk of material adverse impact on the Company's financial performance if it is not able to manage its expansion and growth efficiently and effectively.

Sufficiency of funding

The Company has limited financial resources and may need to raise additional funds from time to time. In certain circumstances, the Company's ability to successfully operate will be subject to its ability to raise funds which will be subject to factors beyond the control of the Company and its Directors including cyclical factors affecting the economy and financial and share markets generally.

If the Company raises funds by issuing shares (as is its present intention), the issue of shares will dilute the ownership of Shareholders.

R&D Tax Incentive Scheme

QBiotics intends to apply for the tax concessions on research and development expenditure under the Federal Government's R&D Tax Incentive Scheme. The R&D Tax Incentive Scheme is government dependent and may change or be removed should governments be replaced or their policiesalter.

While refunds from the R&D Tax Incentive Scheme would enhance the Company's funding position, they are not necessary for the implementation of the plan outlined in this Prospectus.

Speculative nature of investment

Any potential investor should be aware that subscribing for Shares involves various risks. The Shares to be issued carry no guarantee with respect to the payment of dividends, returns of capital or future share price of the Company. The success of the Company is dependent on Australian, European and US market adoptions and obtaining registration for its products. An investment in the Company should therefore be considered speculative in nature.

No independent valuation

No independent valuation has been carried out on the Company or its products for the purpose of this Prospectus. The Directors do not believe that an independent valuation would be meaningful given the likely qualifications and limitations of such valuations and difficulties in determining the likely commercial success of the Company and its products.

6.2. General risks related to the Shares

Liquidity

QBiotics shares are not listed on any stock exchange. Therefore, there is no liquid market for the trading of shares. Furthermore, the Company has no plans to list on any stock exchange now or in the near future. Therefore, an investment in QBiotics Shares should be considered a long term, high risk, illiquid investment.

General economic conditions

Factors such as inflation, interest rates, levels of tax, taxation law and accounting practices, government legislation or intervention, natural disasters, social upheaval, and war may have an impact on prices, operating costs and market conditions generally. Accordingly, the Company's future revenue and operations can be affected by these factors which are beyond the control of the Company.

Revenue and expenditure of the Company may be affected by changes in international, federal, state, or local government laws, regulations or policies, or in taxation legislation. Government legislation and policies are subject to review and change from time to time. Such changes are likely to be beyond the control of the Company and may affect industry profitability. Factors beyond the control of the Directors that could affect the revenues and value of the Company include, but are not limited to, inflation, currency fluctuation, interest rates, supply and demand of relevant inputs and outputs and industrial disruption.

Accounting Standards

Changes in accounting standards or the interpretation of those accounting standards that occur after the date of this Prospectus may adversely impact the Company's reported financial statements.

Absence of Dividends

The ability of the Company to pay any dividend in the future is dependent on many factors including the outcome of the Company's commercialisation activities and clinical trials. Many of the factors that will affect the Company's ability to pay dividends and the timing of those dividends will be outside the control of the Company and its Directors. The Directors cannot give any assurance regarding the payment of dividends in the future.

Currency fluctuations

The Company is party to a number of contracts pursuant to which it must make payments in different currencies which means that the Company will operate and be affected by multiple currencies and their future currency fluctuations. This may affect future profitability of QBiotics.

Geo-political factors

The Company may be affected by the impact that geo-political factors have on the world or Australian economy or on financial markets and investments generally or specifically. This may include international wars, terrorist type activities and governmental responses to such activities.

Government policies & legislation

The Company may be affected by changes to government policies and legislation, including those relating to domestic and international taxation regimes, grants for research and development, policies regarding technology companies, international incentive programs, regulatory regimes which govern the registration and commercialisation of the products and intellectual property.

7. FINANCIAL INFORMATION

7.1. Historical and pro-forma financial information

The summary historical financial information of QBiotics (collectively the "Historical Financial Information") comprises the following:

- Historical statement of financial position as at 31 December 2015;
- Historical statements of profit or loss and other comprehensive income for the years ended 30 June 2014 and 30 June 2015 and the six months ended 31 December 2015; and
- Historical statements of cash flows for the years ended 30 June 2014 and 30 June 2015 and the six months ended 31 December 2015.

The Historical Financial Information has been extracted from the audited financial statements of QBiotics for the years ended 30 June 2014 and 30 June 2015 and the audited interim financial statements of QBiotics for the six months ended 31 December 2015 respectively.

The financial statements of QBiotics for the years ended 30 June 2014 and 30 June 2015 and the interim financial statements of QBiotics for the six months ended 31 December 2015 were audited by Grant Thornton in accordance with Australian Auditing Standards. The respective audit opinions issued to the members of QBiotics relating to those financial statements were unqualified.

This section also presents the pro-forma historical statements of financial position as at 31 December 2015 assuming gross proceeds from the Offer of:

- $7.5 million;
- $10 million; and
- $12.5 million;

(collectively, the 'Pro Forma Historical Statements of Financial Position', together with the Historical Financial Information, the 'Financial Information'). The Pro Forma Historical Statements of Financial Position have been reviewed by Bentleys NSW Audit Pty Limited, whose Investigating Accountant's Report is contained in Section 7.3.

The Financial Information is presented in an abbreviated form insofar as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial reports prepared in accordance with the *Corporations Act 2001*. The Financial Information has been prepared in accordance with the recognition and measurement principles prescribed in the Australian Accounting Standards (including the Australian Accounting Interpretations).

The accounting policies applied by QBiotics in the preparation of the Financial Information are the same as those applied by the Company in its financial statements for the year ended 30 June 2015 and the six months ended 31 December 2015. Copies of the annual financial report for the year ended 30 June 2015 and the interim financial report for the six months ended 31 December 2015 can be made available on request from QBiotics. Significant accounting policies in respect of accounting for tax incentives and intangible assets including research and development costs are set out in Section 7.2. Section 7.2 also provides further commentary in respect of grant income and related party transactions.

The Directors have concluded that the Company cannot include prospective financial information in this document.

The information in this section should also be read in conjunction with the risk factors set out in Section 6 and the other information contained in this Prospectus.

All amounts disclosed in the tables in this section are presented in Australian dollars unless otherwise noted.

Pro-forma Historical Statements of Financial Position

The Pro-forma Historical Statements of Financial Position shown below are based on the audited historical statement of financial position as at 31 December 2015, adjusted for the impact of the Offer as if it had taken place as at 31 December 2015. The pro-forma adjustments in respect of each of the Pro-forma Historical Statements of Financial Position are detailed below.

	Note	Audited	Pro-forma assuming gross proceeds of $7.5 million	Pro-forma assuming gross proceeds of $10 million	Pro-forma assuming gross proceeds of $12.5 million
		31 Dec 2015 $	31 Dec 2015 $	31 Dec 2015 $	31 Dec 2015 $
Assets					
Cash and cash equivalents	1	4,352,256	16,268,276	18,693,276	21,118,276
Term deposits		6,000,000	6,000,000	6,000,000	6,000,000
Trade and other receivables		4,398,037	4,398,037	4,398,037	4,398,037
Prepayments		78,221	78,221	78,221	78,221
Property, plant and equipment		217,017	217,017	217,017	217,017
Intangible assets		10,831,669	10,831,669	10,831,669	10,831,669
Total assets		25,877,200	37,793,220	40,218,220	42,643,220
Liabilities					
Trade and other payables		1,266,696	1,266,696	1,266,696	1,266,696
Employee benefits		141,882	141,882	141,882	141,882
Total liabilities		1,408,578	1,408,578	1,408,578	1,408,578
Net assets		24,468,622	36,384,642	38,809,642	41,234,642
Equity					
Share capital	2	33,988,937	45,904,957	48,329,957	50,754,957
Other contributed equity	3	298,478	107,452	107,452	107,452
Accumulated losses	4	(9,818,793)	(9,627,767)	(9,627,767)	(9,627,767)
Total equity		24,468,622	36,384,642	38,809,642	41,234,642

Pro-forma adjustments

Note 1 – Cash and cash equivalents

	Note	Pro-forma assuming gross proceeds of $7.5 million	Pro-forma assuming gross proceeds of $10 million	Pro-forma assuming gross proceeds of $12.5 million
		31 Dec 2015 $	31 Dec 2015 $	31 Dec 2015 $
Balance as at 31 December 2015		4,352,256	4,352,256	4,352,256
Add: New shares issued for cash through a private placement in June 2016		5,000,000	5,000,000	5,000,000
Add: New shares issued for cash through the Offer		7,500,000	10,000,000	12,500,000
Less: Transaction costs	2	(583,980)	(658,980)	(733,980)
		16,268,276	18,693,276	21,118,276

Note 2 – Share capital

Balance as at 31 December 2015	33,988,937	33,988,937	33,988,937
Add: New shares issued for cash through a private placement in June 2016	5,000,000	5,000,000	5,000,000
Add: New shares issued for cash through the Offer	7,500,000	10,000,000	12,500,000
	46,488,937	48,988,937	51,488,937
Less: Transaction costs			
Commission payable	225,000	300,000	375,000
Legal fees	173,163	173,163	173,163
Investigating Accountant's fees	66,000	66,000	66,000
Advisory fees	21,497	21,497	21,497
ASIC fees	2,320	2,320	2,320
Road show costs	35,000	35,000	35,000
Printing and other incremental costs directly related to the Offer	61,000	61,000	61,000
Total transaction costs	583,980	658,980	733,980
Pro-forma balance as at 31 December 2015	45,904,957	48,329,957	50,754,957

Note 3 – Other contributed equity

Balance as at 31 December 2015	298,478	298,478	298,478
Less: Options expired unexercised on 10 January 2016	(298,478)	(298,478)	(298,478)
Add: New Options issued in April 2016	107,452	107,452	107,452
Pro-forma balance as at 31 December 2015	107,452	107,452	107,452

Note 4 – Accumulated losses

Balance as at 31 December 2015	(9,818,793)	(9,818,793)	(9,818,793)
Add: Options expired unexercised on 10 January 2016	298,478	298,478	298,478
Less: New Options issued in April 2016	(107,452)	(107,452)	(107,452)
Pro-forma balance as at 31 December 2015	(9,627,767)	(9,627,767)	(9,627,767)

Historical statements of profit or loss and other comprehensive income

The historical statements of profit or loss and other comprehensive income shown below have been extracted from the audited financial statements of QBiotics for the year ended 30 June 2015 and the audited interim financial statements of QBiotics for the six months ended 31 December 2015 respectively.

	Audited 6 months ended 31 Dec 2015 $	Audited 12 months ended 30 June 2015 $	Audited 12 months ended 30 June 2014 $
Revenue			
Grant income	352,925	646,616	215,790
Expenses			
Business compliance and advisory expenses	262,508	262,829	134,675
Depreciation and amortisation expenses	23,805	52,409	20,291
Facilities expenses	53,017	101,702	33,480
Insurance expenses	12,618	7,337	2,500
Personnel expenses	348,132	793,979	373,045
Research and development contractors expenses	371,318	890,220	243,084
Service fee	18,521	64,531	32,364
Travel and accommodation expenses	63,101	152,562	42,709
Other expenses	40,932	77,708	16,288
Total expenses	1,193,952	2,403,277	898,436
Results from operating activities	(841,027)	(1,756,661)	(682,646)
Finance income	144,290	164,152	251,487
Finance costs	(6,476)	(10,376)	(362)
Net finance income	137,814	153,776	251,125
Loss before tax	(703,213)	(1,602,885)	(431,521)
Tax expense	-	-	-
Loss for the period	(703,213)	(1,602,885)	(431,521)
Other comprehensive income	-	-	-
Total comprehensive income for the period	(703,213)	(1,602,885)	(431,521)
Add back:			
Net finance income	(137,814)	(153,776)	(251,125)
Earnings before interest and tax (EBIT)	(841,027)	(1,756,661)	(682,646)
Add back:			
Depreciation and amortisation expenses	23,805	52,409	20,291
Earnings before interest, tax, depreciation and amortisation (EBITDA)	(817,222)	(1,704,252)	(662,355)
	Cents	Cents	Cents
Earnings per share:			
Basic earnings per share	(0.28)	(0.70)	(0.19)
Diluted earnings per share	(0.28)	(0.70)	(0.19)

Management discussion and analysis on the historical statements of profit or loss and other comprehensive income

- Grant income relates to Research and Development ('R&D') tax incentives received from the Australian Government for research and development activities undertaken by the Company. Amounts fluctuate depending on the amount of research and development activities undertaken and recognised as an expense as well as the amount of the incentive available from the Australian Government. Refer to Section 7.2 for more information.
- Finance income for the year ended 30 June 2015 decreased compared with the prior year as a result of reduced cash balances and lower interest rates at the time. Finance income for the period ended 31 December 2015 increased compared with the prior period as a result of increased cash balances from capital raised.

Historical statements of cash flows

	Audited 6 months ended 31 Dec 2015 $	Audited 12 months ended 30 June 2015 $	Audited 12 months ended 30 June 2014 $
Cash flows from operating activities			
GST refunds received	293,688	214,961	325,666
R&D tax incentive received	-	2,148,608	3,095,133
Cash paid to suppliers and employees	(1,165,475)	(2,683,146)	(1,071,024)
Net cash used in operating activities	(871,787)	(319,577)	2,349,775
Cash flows from investing activities			
Interest received	90,423	240,713	182,119
Proceeds from/(investment in) term deposits	(6,000,000)	3,529,445	(3,529,445)
Acquisition of property, plant and equipment	(105,736)	(51,442)	(2,065)
Acquisition of intangible assets	(2,724,258)	(3,557,565)	(4,223,482)
Net cash from/(used in) investing activities	(8,739,571)	161,151	(7,572,873)
Cash flows from financing activities			
Proceeds from issue of share capital	3,440,000	9,266,300	5,080,115
Proceeds received on behalf of EcoBiotics	12,500	4,425	23,878
Payment of transaction costs relating to share issues	(420,175)	(160,749)	(502,465)
Repayment of amount due to EcoBiotics	(3,930)	(29,163)	(2,475)
Net cash from financing activities	3,028,395	9,080,813	4,599,053
Net increase/(decrease) in cash and cash equivalents	(6,582,963)	8,922,387	(624,045)
Cash and cash equivalents at 1 July	10,935,219	2,012,832	2,636,877
Cash and cash equivalents at period end	4,352,256	10,935,219	2,012,832

Management discussion and analysis on the historical statements of cash flows

- An R&D tax incentive of $2,412,878 related to the year ended 30 June 2015 was received in cash on 9 May 2016.
- Interest received is impacted by the timing of interest payments from term deposits.
- Proceeds from/(investment in) term deposits represents net cash movements between cash and cash equivalents (i.e. bank accounts) and term deposits.
- Acquisition of intangible assets represents cash expenditure (exclusive of GST and research and development tax incentives) on capitalised development costs and other intangible asset acquisitions.

7.2. Notes to the Financial Information

Significant accounting policies

The accounting policies applied by QBiotics in the preparation of the Financial Information are the same as those applied by the company in its financial statements as at and for the year ended 30 June 2015.

Critical accounting policies in respect of accounting for tax incentives and research and development costs have been set out below.

Accounting for tax incentives

The Company recognises R&D tax incentives as follows:

- Refundable tax offsets are recognised as a government grant when there is reasonable assurance that the grant will be received and all conditions have been complied with. The grant is recognised as grant income on a systematic basis over the periods in which the Company recognised as expenses the related eligible research and development activities which the grant is intended to compensate. Where the grant relates to eligible development activities which have been capitalised by the Company the grant is recognised as a reduction to the cost base of the intangible asset and released to profit or loss as a reduction in amortisation expense over the expected useful life of the related intangible asset.
- Non-refundable tax offsets will be recognised as part of tax expense during the period in which the Company recognised the related eligible research and development activities as either expenses or capitalised development costs.

Intangible assets

Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss when incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use.

Any tax incentives received by the Company which are accounted for as government grants and which compensate the Company for development expenditure incurred and capitalised are deducted from the carrying amount of the intangible asset. Other development expenditure is recognised in profit or loss when incurred.

The Company capitalises development expenditure when all of the above requirements have been met. For the development of veterinary drugs, the point where costs are capitalised generally coincides with the drug entering significant, later-stage clinical development.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

Other intangible assets

Other intangible assets include the costs of patents and trademarks that are acquired by the Company, which have finite useful lives. They are measured at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss when incurred.

Amortisation

Intangible assets are amortised on a straight-line basis in profit or loss over their estimated useful lives, from the date that they are available for use, that is, when they are in the location and condition necessary for them to be capable of operating in the manner intended by management.

Grant income

The Company undertakes research and development activities which are eligible for tax incentives under Australian tax law. Some of the development activities undertaken by the Company also meet the recognition criteria set out in AASB 138 *Intangible Assets* for capitalisation as an asset.

Eligible research and development costs incurred include expenses from all expenditure categories disclosed by nature in the statement of profit or loss and other comprehensive income.

Set out below is a summary of all eligible research and development costs incurred, the development costs capitalised and the amount recognised in profit or loss during the period.

	Audited 6 months ended 31 Dec 2015 $	Audited 12 months ended 30 June 2015 $	Audited 12 months ended 30 June 2014 $
Eligible research and development costs incurred during the period	3,759,740	5,016,231	4,817,788
Development costs capitalised during the period	(2,966,214)	(3,579,307)	(4,338,255)
Eligible research and development costs recognised in profit or loss during the period	793,526	1,436,924	479,533
Eligible research and development costs incurred during the period	3,759,740	5,016,231	4,817,788
45% refundable tax offset	1,691,884	2,257,304	2,168,005
Amount recognised as a reduction to the carrying amount of development costs capitalised during the period	(1,338,959)	(1,610,688)	(1,952,215)
Amount recognised as government grants in profit or loss during the period	352,925	646,616	215,790

R&D Tax Incentive Advance and Overseas Findings

In October 2015, the Company was granted Certificates for Advance Finding under Section 28A and a Certificates of Overseas Finding under section 28C of the *Industry Research and Development Act 1986* in respect of its planned research and development activities of EBC-46 and WH-1 for the financial years ending 30 June 2015, 30 June 2016 and 30 June 2017. As a consequence, the Commissioner of Taxation is bound by the findings and the Company has confirmation that the planned research and development activates of EBC-46 and WH-1 during these financial years will be eligible for the Australian Government's *R&D Tax Incentive*.

As a result of having obtained the above findings, the Company expects to receive a cash refund from the Australian Taxation Office of $0.45 for every $1.00 spent on eligible research and developments.

As discussed in Section 6.1, the R&D Tax Incentive Scheme is government dependent and may change or be removed should governments be replaced or their policies alter.

Related party transactions

Key Management Personnel compensation

Refer to Section 5.5 for details of Key Management Personnel compensation.

Shares

Refer to Section 5.5 for details of Shares held by Directors.

Options and rights over equity instruments

Refer to Section 5.5 for details of Options held by Directors.

Other related party transactions

The Company has contracted EcoBiotics to provide services including human resources, research and development and administrative and general support services. Refer to Section 10.7 for key terms of the service agreement between the companies.

Transactions and reimbursements are made between the Company and EcoBiotics for operating purposes. EcoBiotics invoices QBiotics for the Services (in arrears) on a monthly basis to be paid within 30 days.

During the six months ended 31 December 2015 EcoBiotics invoiced the Company $587,615 for service fees and research and development reimbursements. $383,466 of these service fees and research and development reimbursements has been capitalised by the Company at 31 December 2015.

At 31 December 2015, $150,738 remained outstanding to EcoBiotics in relation to invoices issued under the service agreement.

Subsequent events

At the date of this Prospectus there have been no material events subsequent to balance date that we are aware of, other than those disclosed in this Prospectus.

Other Information

On 20 July 2016 the Board discussed the Company changing its current accounting policy for capitalising development expenditure. The Board is considering changing to an accounting policy more in line with industry practice which would delay the recognition of development expenditure as an intangible asset until a later point in the drug development process. At the date of this Prospectus the Board has not decided to change the accounting policy. Accordingly, the impact of the proposed change in accounting policy has not been reflected in the Financial Information disclosed in this Prospectus. If the accounting policy had been implemented this would have had no effect on net tangible assets and resulted in a reduction in intangible assets of $10,344,479 as at 31 December 2015 and a corresponding increase in accumulated losses.

7.3. Investigating Accountant's Report

Bentleys
THINKING AHEAD

Bentleys NSW Audit Pty Ltd
Level 10, 10 Spring Street
Sydney NSW 2000
Australia
ABN 49 141 611 896
T +61 2 9220 0700
F +61 2 9220 0777
directors@bentleysnsw.com.au
bentleys.com.au

27 July 2016

The Directors
QBiotics Limited
Taringa Central
Suite 3A, Level 1
165 Moggill Road
TARINGA QLD 4068

Dear Directors

Investigating Accountant's Report – QBiotics Limited

Introduction

This report has been prepared at the request of the Directors of QBiotics Limited ("QBiotics" or "the Company"), for inclusion in a prospectus to be lodged with the Australian Securities and Investment Commission ("ASIC") on or around 27 July 2016 ("Prospectus"), relating to the proposed issue of between 18,750,000 ordinary shares at an issue price of 40 cents each to raise $7,500,000 and 31,250,000 ordinary shares at an issue price of 40 cents each to raise up to $12,500,000.

Basis of Preparation

The report has been prepared to provide investors with information on historical results and the financial position of QBiotics, and to provide investors with a Pro-Forma Historical Statement of Financial Position of QBiotics as at 31 December 2015 adjusted to include funds raised by the Prospectus and the completion of other transactions as referred to in Section 7.1 and Section 7.2 of the Prospectus.

This report does not address the rights attaching to the Shares to be issued in accordance with the Prospectus, the risks associated with the investment, nor form the basis of an Expert's opinion with respect to a valuation of the Company or a valuation of the share issue price of 40 cents per share to the public.

Bentleys NSW Audit Pty Limited ('Bentleys') has not been requested to consider the prospectus for QBiotics nor the merits and risks associated with becoming a shareholder and accordingly, has not done so, nor purports to do so. Bentleys accordingly takes no responsibility for those matters or for any matter or omission in the Prospectus, other than responsibility for this report. Risk factors are set out in Section 6 of the Prospectus.

Background

QBiotics was formed as an unlisted public company limited by shares on 26 July 2004. The Company was principally formed for the purposes of the development of the anticancer product EBC-46 and the wound healing product WH-1.

Scope of Report

Bentleys has been requested to:

(a) report whether anything has come to our attention which would cause us to believe that the historical financial information disclosed in Section 7.1 and Section 7.2 of the Prospectus is not fairly presented in accordance with the recognition and measurement requirements (but not the disclosure requirements) of Australian Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by QBiotics, and

(b) report whether anything has come to our attention which would cause us to believe that the Pro-Forma financial information disclosed in Section 7.1 and Section 7.2 of the Prospectus is not presented fairly in accordance with the basis of preparation and assumptions set out therein and with the recognition and measurement requirements (but not the disclosure requirements) of Australian Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by QBiotics.

QBiotics has prepared, and is responsible for, the Historical and Pro-Forma financial information included in Section 7.1 and Section 7.2 of the Prospectus.

Scope of Review

We have conducted our review of the historical financial information in accordance with Australian Auditing Standard ASRE 2405 "Review of Historical Financial Information Other Than a Financial Report". We made such enquiries and performed such procedures as we, in our professional judgement, considered reasonable in the circumstances, including:

(i) enquiry of directors, management and others;
(ii) analytical procedures on the historical information;
(iii) a review of work papers, accounting records and other documents;
(iv) comparison of consistency in application of the recognition and measurement requirements (but not the disclosure requirements) of Australian Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by QBiotics; and
(v) Review of auditors workpapers of Grant Thornton for the years ended 30 June 2013, 2014, 2015 and for the six months ended 31 December 2015.

The review procedures were substantially less in scope than an audit examination conducted in accordance with Australian Auditing Standards.

Having regard to the nature of the review, which provides less assurance than an audit and to the nature of the historical and pro forma financial information, this report does not express an audit opinion on the historical and pro forma financial information included in Section 7.1 and Section 7.2 of the Prospectus.

Opinions

(a) Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that the historical financial information, as set out in Section 7.1 and Section 7.2 of the Prospectus is not presented fairly in accordance with the recognition and measurement requirements (but not the disclosure requirements) of Australian Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by QBiotics.

(b) Pro-Forma Financial Information

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that the Pro-Forma financial information, as set out in Section 7.1 of the Prospectus is not presented fairly in accordance with the basis of preparation in Section 7.1 of the Prospectus and assumptions set out therein and with the recognition and measurement requirements (but not the disclosure requirements) of Australian Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by QBiotics.

Subsequent Events

To the best of Bentleys' knowledge and belief, there have been no material items, transactions or events subsequent to 31 December 2015 not otherwise disclosed in this report or in Section 7.1 and Section 7.2 of the Prospectus that have come to our attention during the course of our review which would cause the information included in this report to be misleading or deceptive.

Independence

Bentleys does not have any interest in the outcome of the listing of the shares, other than in connection with the preparation of this report for which normal professional fees will be received. Bentleys were not involved in the preparation of any part of the Prospectus, and accordingly, make no representations or warranties as to the completeness and accuracy of any information contained in any other part of the Prospectus. Bentleys consents to the inclusion of this report in the Prospectus in the form and content in which it is included. At the date of this report, this consent has not been withdrawn.

Yours faithfully

BENTLEYS NSW AUDIT PTY LIMITED

ROBERT EVETT
Director

8. DETAILS OF THE OFFER

8.1. What is the Offer?

Expected Subscription

The Company is seeking to raise $10 million (before deduction of fees and costs of the Offer) through the placement of 25,000,000 Shares at a price of $0.40 per Share (Expected Subscription).

Minimum Subscription

The Minimum Subscription which is being sought under the Offer is $7.5 million representing 18,750,000 Shares at $0.40 per Share.

If the Minimum Subscription is not obtained within three months after the date of this Prospectus, the Company will repay all Application Monies in full without interest as soon as practicable or issue a supplementary or replacement prospectus and allow Applicants one month to withdraw their Applications and be repaid their Application Monies in full without interest.

Maximum Subscription (Oversubscriptions)

The Company may accept Oversubscriptions under the Offer for up to 6,250,000 Shares at an issue price of $0.40 per Share to raise up to a further $2.5 million. The maximum amount which may be raised under the Offers is therefore $12.5 million.

All Shares will be issued at the Offer Price and will rank equally with each other and Shares on issue before the Offer. The Shares are fully paid ordinary shares and will, once issued, rank equally with the Shares on issue as at the date of this Prospectus. A summary of the rights and liabilities attaching to the Shares is set out in Section 10.4.

The Company reserves the right not to proceed with the Offer at any time before the allotment of Shares under the Offer. Application Monies received by the Company will be refunded in full (without interest).

The Company reserves the right to decline any Applications in whole or in part without giving any reason. An Application may be accepted by the Company in respect of the full number of Shares specified in the Application or part only, without further notice to the Applicant. Acceptance of an Application will give rise to a binding contract.

The Company reserves the right to close the Offer early, to accept late Applications or to extend the Offer without notifying any recipient of this Prospectus or any Applicant.

8.2. Allocation policy

The allocation policy is:

- Applicants who are Existing Shareholders will be allotted Shares under the Offer in priority to any other Applicants.
- Applicants who pre-registered for a copy of the Prospectus via the Company's pre-registration website will receive their allocation of Shares under the Offer in priority to Applicants who did not pre-register, but behind Applicants who are Existing Shareholders.
- In the case of Oversubscriptions from either Existing shareholders or Applicants who have pre-registered, Existing Shareholders will be prioritised over those Applicants who pre-registered.

Within the above allocation policy, the Board has absolute discretion regarding the basis for allocation of Shares, and there is no assurance that any Applicant will be allocated any Shares, or the number of Shares for which they have applied.

8.3. Purpose of the Offer and use of proceeds

The purpose of the Offer is to:

- Fund the Company's commercialisation strategy and ongoing product development including (i) construction of marketing plans and product branding for EBC-46 veterinary pharmaceutical for Europe, the USA and Australia; (ii) Chemistry Manufacturing and Controls (CMC) activities for WH-1; (iii) Preclinical development for the wound healing product WH-1 and advancing it to clinical trials for both the human and veterinary markets; and
- Provide further working capital for the Company and pay the expenses of the Offer.

Table 8.1: Summary of the proposed use of the funds raised under the Offer

Product	Activity	Description	Based on Minimum Subscription of $7.5 million	Based on Expected Subscription of $10 million	Based on Maximum Subscription of $12.5 million
			$	$	$
EBC-46 Vet	Launch preparation	Prepare the product for launch	4,000,000	4,000,000	4,000,000
WH-1 Vet & Human	CMC process development	Manufacturing R&D activities for DS and DP	1,000,000	1,000,000	3,000,000
WH-1 Vet & Human	Formal preclinical toxicology	Safety profile used to set parameters for clinical studies	2,000,000	2,000,000	2,000,000
WH-1 Human	Clinical Phase I/II Trial AU	Testing in a small group of patients to evaluate the treatments safety parameters	-	2,000,000	2,000,000
WH-1 Vet	Clinical development	Dose determination study in horses	-	500,000	1,000,000
Other	General	Working capital and Offer expenses	500,000	500,000	500,000
TOTAL			7,500,000	10,000,000	12,500,000

The use of funds set out above represents the Company's current intentions based on the Company's current plans and current business conditions. The amounts and timing of actual expenditure may vary and will depend on various factors. In the opinion of the Directors, on completion of the Offer the Company will have sufficient working capital to carry out is objectives as stated in this Prospectus

8.4. Is the Offer underwritten?

No, the Offer is not underwritten.

8.5. How do I apply under the Offer?

If you wish to apply for Shares under the Offer, the preferred method is via the Company's online Offer Site. Please go to www.qbiotics.com/prospectus and follow the instructions for how to apply for Shares via the online Application Form.

If you wish to apply manually, you can do so by completing either the Existing Shareholder Application Form (if you are an Existing Shareholder) or the General Application Form (if you are not an Existing Shareholder), as applicable, in accordance with the instructions set out on that form. Applications Forms are attached to this Prospectus.

All Online Applications and Application Forms must be accompanied by payment in full of the Offer Price of $0.40 per Share applied for. Applications must be for a minimum of 12,500 Shares ($5,000) then in multiples of 2,500 shares ($1,000) thereafter.

If you apply for a total amount that is not a multiple of the Offer Price, your Application will be rounded down to the nearest multiple of the Offer Price and any difference will be retained by the Company.

There is no maximum amount that may be applied for under the Offer.

The Company reserves the right to aggregate any Applications which it believes may be multiple Applications from the same person.

The Company reserves the right to reject any Application or to allocate a lesser number of Shares than which the Applicant applied for.

Application Monies should be paid using the following methods unless otherwise determined by the Board:

By BPAY®: by following the instructions on the Online Application Forms. This is the preferred method.

By Cheque: Cheques should be crossed "Not Negotiable" and made out to "QBiotics Limited" and posted, together with the appropriate Application Form, to:

QBiotics Limited

C/- Link Market Services Limited

Locked Bag A14

Sydney South NSW 1235

Cheques must be drawn on an Australian branch of a financial institution.

By making an Application to purchase Shares under the Offer:

- you agree that your Application is an irrevocable offer which cannot be withdrawn;
- you authorise the Company and the Share Registry (and their officers, employees or agents) to correct any error or omission in your Application Form and to complete the Application Form by the insertion of any missing details;
- you accept the risk associated with any refund of your Application Payment that may be paid to you by cheque to your address shown on the Company's register of members or your Application (as the case may be); and
- you irrevocably and unconditionally agree to be bound by the terms and conditions set out in this Prospectus and the Company's Constitution.

Timing, fees and costs for Applications

When does the Offer open?	The Offer is expected to open for Application on Monday, 15 August 2016.
What is the deadline to submit an Application under the Offers?	It is your responsibility to ensure that your Application Form and Application Monies are submitted before 5.00pm (AEST) on the Closing Date for the Offer which is Friday, 9 September 2016 The Company and the Share Registry take no responsibility for any acts or omissions committed by your Broker in connection with your Application.
Is there any brokerage, commission or stamp duty payable by Applicants	No. Brokerage, commission or stamp duty is not payable by Applicants on the acquisition of Shares under the Offers.

If you have queries about investing under the Offers, you should contact your stockbroker, financial adviser, accountant or other professional adviser.

If you have queries about how to apply under the Offers or would like additional copies of this Prospectus, please call the Company on (07) 3870 8933.

8.6. Application monies

All Application Monies will be held by the Share Registry on trust in a separate cash management account until Shares are issued to successful Applicants.

Application Monies will be refunded in Australian dollars to the extent that an Application is rejected or scaled back, or the Offer is withdrawn. No interest will be paid on refunded amounts. The Company will retain any interest earned on Application Monies.

8.7. Professional advice

If you are in any doubt as to whether to accept the Offer, please consult your licensed financial adviser, accountant, stockbroker, lawyer or other professional adviser.

The Directors do not consider it appropriate to give Shareholders or investors advice regarding the taxation consequences of subscribing for Shares under this Prospectus.

The Company, its advisers and its officers do not accept any responsibility or liability for any such taxation consequences to Shareholders or investors. As a result, Shareholders and investors should consult their professional tax adviser in connection with any aspect of the Offer and/or applying for Shares under this Prospectus.

8.8. Shareholding structure

Ownership

As at the Prospectus Date, the Company had 1,389 Existing Shareholders. The Existing Shareholders are expected to hold approximately 93.37% of the total Shares on issue assuming that the Minimum Subscription is raised, 91.35% based on the Expected Subscription being raised and 89.42% based on the Maximum Subscription being raised (on the basis that the Existing Shareholders do not subscribe for Shares under the Prospectus). The following table illustrates the ownership structure of the Company before and after the Offer.

Table:8.2: Ownership changes under various subscription scenarios

	EcoBiotics Limited	Interests associated with the Directors	Other Shareholders	Shares to be issued under the Offer or at completion of the Offer	Total
Shareholdings on Prospectus Date					
Shares	32,917,191	46,094,302	185,027,533	-	264,039,026
Percentage	12.47%	17.46%	70.08%	-%	100%
Indicative shareholdings assuming Minimum Subscription					
Shares	32,917,191	46,094,302	185,027,533	18,750,000	282,789,026
Percentage	11.64%	16.30%	65.43%	6.63%	100%
Indicative shareholdings assuming Expected Subscription					
Shares	32,917,191	46,094,302	185,027,533	25,000,000	289,039,026
Percentage	11.39%	15.95%	64.01%	8.65%	100%
Indicative shareholdings assuming Maximum Subscription					
Shares	32,917,191	46,094,302	185,027,533	31,250,000	295,289,026
Percentage	11.15%	15.61%	62.66%	10.58%	100%

Notes:

Any discrepancies between totals and sums of components in this table are due to rounding.

The table above does not include any shares that may be issued on the exercise of any of the outstanding Options on issue.

9. INTELLECTUAL PROPERTY

The current patent portfolio of QBiotics consists of patent families / applications for its anticancer products EBC-46 (referred to as "Tiglien-3-one" in patents) and its wound healing products WH-1 (referred to as "Methods and Compositions for Wound Healing"). The Company believes that it is in a strong position with these patents as they cover both composition-of-matter and use (application against the target disease).

9.1. EBC-46 or Tiglien-3-one

Patents covering composition of matter and use for EBC-46 (and analogues) have been granted in the USA, Australia, Canada, Europe, Hong Kong, Japan, New Zealand and China. The patent is pending in India as is a petition for Review of Patent Term Adjustment in the USA, where QBiotics has applied for additional time on this patent.

9.2. WH-1 or Methods of Compositions for Wound Healing

An Australian provisional application covering composition of matter for use for QBWH-1 (and analogues) was submitted in April 2013. This application progressed to patent Cooperation Treaty status in April 2014 and is currently in National Phase Entry.

9.3. Patent report

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The Directors
QBiotics Limited
Level 1- Suite 3A
165 Moggill Road
Taringa
Queensland 4068

17 May 2016

Dear Sirs

Report of Patents and Applications in the name of QBiotics Limited

We provide the following Report on Australian and foreign patents and patent applications that are derived from International Patent Application No. PCT/AU2006/002001 entitled "Tiglien-3-one Derivatives" and Australian International Patent Application No. PCT/AU2014/050018 entitled "Methods and Compositions for Wound Healing".

The patents and patent applications in the Tiglien-3-one Derivatives patent family are listed in Schedule 1.

The patent applications in the Wound Healing patent family are listed in Schedule 2.

Information relating to these patent families is briefly discussed below.

Schedule 1: Tiglien-3-one Derivatives

This family of patents and patent applications generally relates to Tiglien-3-one compounds, pharmaceutical and agricultural compositions containing them and their use in methods of treating bacterial infections, parasitic infections, cell proliferative disorders, protozoan infections, methods of stimulating localised inflammatory response, as well as methods of controlling pests.

The International patent application, PCT/AU2006/002001, was filed on 23 December 2006 and was published on 28 June 2007 under publication No. WO 2007/070985. This patent family claims priority from Australian Provisional Patent Application No. 2005907278. The patent family includes patents or patent applications in Australia, Canada, Europe, Hong Kong, India, Japan, New Zealand, China and the United States of America.

The patents and patent applications in the patent family are in the name of QBiotics Ltd. There is an assignment from Victoria Anne Gordon and Paul Warren Reddell, named as inventors, to QBiotics Ltd.

Schedule 2: Methods and Compositions for Wound Healing

This family of patent applications generally relates to epoxy-tigliane compounds and their use in inducing or promoting wound healing, reducing scarring and improving cosmetic outcomes upon healing of wounds. Some epoxy-tigliane compounds and pharmaceutical compositions containing them are also described.

griffithhack.com

Melbourne
Level 10, 161 Collins Street
Melbourne VIC 3000 Australia
GPO Box 1285
Melbourne VIC 3001 Australia
T +61 3 9243 8300

Sydney
Level 29 Northpoint
100 Miller Street
North Sydney NSW 2060 Australia
GPO Box 4164
Sydney NSW 2001 Australia
T +61 2 9925 5900

Perth
Level 19
109 St Georges Terrace
Perth WA 6000 Australia
T +61 8 9213 8300

Brisbane
Level 15, 300 Queen Street
Brisbane QLD 4000 Australia
GPO Box 3125
Brisbane QLD 4001 Australia
T +61 7 3232 1700

The International patent application, PCT/AU2014/050018, was filed on 17 April 2014 and was published on 23 October 2014 under publication No. WO2014/169356. This patent family claims priority from Australian provisional patent application No. 2013901359. The patent family includes patent applications in Australia, Brazil, Canada, China, Colombia, Eurasia, Europe, Indonesia, Israel, India, Japan, Korea, Sri Lanka, Mexico, Malaysia, New Zealand, Philippines, Singapore, Thailand, Ukraine, United States of America, Vietnam and South Africa.

The patent applications in the Patent Family are in the name of QBiotics Ltd. There are assignments between the inventors and QBiotics Limited, in some cases via inventor employers and other entities to take into account agreements in place between the inventors or their employers and QBiotics Ltd.

Comments

Patent rights are essentially national rather than transnational, and patents must be obtained in every country in which protection is required. Because of differences in patent laws, examination and local practices, the claims granted in one country may be different to those granted in another. The claims granted in each country may be obtained from the Patent Offices which have granted them.

Information regarding the status of the patents and patent applications listed in the schedules was obtained directly from Patent Office databases or from our own data records system.

We make no representation as to the accuracy of information held on Patent Office databases except to say that what appears in the schedule reflects what is on the official database at the date the search on the database was done.

The information in our database in relation to patents and patent applications outside Australia and New Zealand, is obtained from overseas patent attorneys who have been appointed to us to handle their filing and prosecution. In view of the possibility of delays in communication between those overseas patent attorneys and us, it is possible that some status information listed in schedules 1 and 2 is not completely accurate at the date of this report.

No assurance can be given that the patents when granted are valid nor that they will adequately cover the commercial activities of QBiotics Limited or that the exploitation of the inventions described in the patents and patent applications will not infringe the rights of patents held by third parties.

Kind regards

Kathryn Morris
Principal
kathryn.morris@griffithhack.com

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Schedule 1

Patent No.	Country	Status	Expiry Date
2005907278	Australia	Expired	-
PCT/AU2006/002001	International	Expired	-
2006326872	Australia	Granted, in force	22 December 2026
2634469	Canada	Granted, in force	22 December 2026
06840409.4	Europe	Granted, in force	22 December 2026
09102814.1	Hong Kong	Granted, in force	22 December 2026
5864/DELNP/2008	India	Pending	-
2008-546041	Japan	Granted, in force	22 December 2026
597019	New Zealand	Granted, in force	22 December 2026
200680053214.9	China	Granted, in force	22 December 2026
8598229 (12/158461)	United States of America	Granted, in force	24 May 2030
14/084949	United States of America	Granted, in force	22 December 2026
15/041960	United States of America	Pending	-

Schedule 2

Application No.	Country	Status	Expiry date
2013901359	Australia	Expired	-
PCT/AU2014/050018	International	Expired	-
2014253608	Australia	Pending	-
BR1120150263887	Brazil	Pending	-
2909653	Canada	Pending	-
201480030942.2	China	Pending	-
15-274.895	Colombia	Pending	-
201591996	Eurasia	Pending	-
14784998.8	Europe	Pending	-
P-00201507384	Indonesia	Pending	-
242137	Israel	Pending	-
10524/DELNP/2015	India	Pending	-
2016-507958	Japan	Pending	-
10-2015-7032991	Korea	Pending	-
18466	Sri Lanka	Pending	-
MX/a/2015/014607	Mexico	Pending	-
PI2015703714	Malaysia	Pending	-
713954	New Zealand	Pending	-
1-2015-502405	Philippines	Pending	-
11201508588X	Singapore	Pending	-
1501006371	Thailand	Pending	-
A2015 10792	Ukraine	Pending	-

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Melbourne
Level 10, 161 Collins Street
Melbourne VIC 3000 Australia
GPO Box 1285
Melbourne VIC 3001 Australia
T +61 3 9243 8300

Sydney
Level 29 Northpoint
100 Miller Street
North Sydney NSW 2060 Australia
GPO Box 4164
Sydney NSW 2001 Australia
T +61 2 9925 5900

Perth
Level 19
109 St Georges Terrace
Perth WA 6000 Australia
T +61 8 9213 8300

Brisbane
Level 15, 300 Queen Street
Brisbane QLD 4000 Australia
GPO Box 3125
Brisbane QLD 4001 Australia
T +61 7 3232 1700

14/785127	United States of America	Pending	-
1-2015-04418	Vietnam	Pending	-
2015/08186	South Africa	Pending	-

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10. ADDITIONAL INFORMATION

10.1. Incorporation

The Company was incorporated on 26 July 2004 in the State of Queensland, Australia, and was registered as a public company limited by shares in 2004.

10.2. Company tax status

The Company is taxed in Australia as a public company for the purposes of Australian income tax law. The tax payable by you in relation to any investment in the Shares issued under this Prospectus depends on your individual circumstances. You should consult a professional tax adviser about the consequences of you acquiring, holding or selling the Shares.

10.3. Current capital structure

The capital structure of the Company as at the date of this Prospectus and following completion of the Offer based on the Minimum Subscription, Expected Subscription and Maximum Subscription is set out in Section 8.8. As at Completion of the Offer, the Company will have on issue the following Options:

Table 10.1: Options on issue post Offer

Class of Securities	Number	Exercise Price
Options over Ordinary Shares	750,000	$0.801

10.4. Rights attaching to Shares

The rights attaching to fully paid ordinary Shares in the capital of the Company are set out in the Constitution. A summary of the rights attaching to Shares under the Constitution is set out below. This summary is qualified by the full terms of the Constitution (copies of the Constitution may be inspected at the registered office of the Company during normal business hours by appointment with the Company secretary) and does not purport to be exhaustive or to constitute a definitive statement of the rights and liabilities of Shareholders. These rights and liabilities can involve complex questions of law arising from an interaction of the Constitution with statutory and common law requirements. For an investor to obtain a definitive assessment of the rights and liabilities which attach to Shares in any specific circumstances, that investor should seek legal advice.

General

Subject to the Constitution and the terms of issue of a Share, attached to each Share is the right to receive notice of, attend and vote at all meetings of Shareholders, to receive dividends, and in a winding up to participate equally in the distribution of assets of the Company subject only to the amounts unpaid on any Share.

Voting

At a meeting of Shareholders, subject to the Constitution and the Corporations Act, on a show of hands each Shareholder present in person or by proxy has one vote. At the taking of a poll, each Shareholder present in person or by proxy has one vote for each fully paid Share, and for each partly paid Share a fraction of a vote equivalent to the proportion which the amount paid (not credited) bears to the total

amount paid and payable (excluding amounts credited). A Shareholder is entitled to be counted in a vote only in respect of Shares on which all calls due and payable have been paid. The chair at a meeting of the Company's members does not have a casting vote.

A resolution put to vote at a meeting must be decided on a show of hands unless a poll is demanded.

Proxy

An instrument appointing a proxy and the power of attorney or other authority must be deposited with the Company at a place permitted by the Company not less than 48 hours (or such lesser period as the Directors may permit) before the time for holding the meeting.

General meetings and notices

A Director of the Company may call a general meeting and the Directors must call an annual general meeting in accordance with the Corporations Act. Shareholders may request or call and arrange to hold a general meeting in accordance with the Corporations Act.

Each Shareholder is entitled to receive notice of, attend and vote at general meetings of the Company and to receive all notices, financial statements and other documents required to be sent to Shareholders under the Company's Constitution and the Corporations Act.

The quorum for a meeting of Shareholders is two Shareholders entitled to vote at the meeting.

Dividends and share plans

The Directors may pay to Shareholders any interim and final dividends as they see fit. The Directors may fix the amount, the time for payment and the method of payment.

The Directors may establish and make rules for a dividend reinvestment plan/or a dividend election plan in relation to any dividend payable by the Company.

The Directors may declare dividends on a class of Shares to the exclusion of and in different amounts than other classes. Dividends on partly paid shares must not exceed the proportion which the amount paid (not credited) bears to the total amount paid and payable (excluding amounts credited) on that Share.

Issue of Shares

Subject to the Constitution, the Corporations Act and any special rights conferred on holders of Existing Shares or a class of Shares, the Directors may issue or otherwise dispose of, or grant options in respect of, shares to such persons on such terms as they think fit. In particular, the Directors may issue shares with preferred, deferred or special rights or restrictions in relation to dividends, voting, return of capital and payment of calls.

The Company may issue preference shares which are or at the option of the Company are to be, liable to be redeemed. Holders of preference shares will only have the right to vote at a meeting convened for the purpose of reducing capital, in certain circumstances upon winding up, where the resolution effects the rights attached to the preference shares, when a dividend on the preference shares are in arrears or on a resolution to approve the terms of a buy-back.

Transfer of Shares

Generally, all Shares are freely transferable subject to the procedural requirements of the Constitution, and to the provisions of the Corporations Act. The Directors may decline to register an instrument of transfer received where refusal is permitted under the Constitution.

Proportional takeover provisions

The registration of a transfer of Shares which would give effect to a proportional takeover bid is prohibited unless and until an approving resolution approving the proportional takeover bid is passed. The proportional takeover provisions will cease to have effect on the third anniversary of the adoption of the Constitution, unless renewed.

Winding up

Subject to any special rights attaching to a class of shares, if the Company is wound up the liquidator in a winding up may, with the sanction of a special resolution of the Shareholders, divide the assets of the Company among the Shareholders.

Liability of Shareholders

As all Existing Shares on issue are fully paid, and the Shares to be issued pursuant to this Prospectus will be fully paid, Shareholders will not be subject to any further call for money by the Directors and therefore Shares will not become liable to forfeiture.

Variation of rights

The rights attaching to the Shares may only be varied, modified or cancelled with the prior written consent of at least 75% of the holders of votes in that class or by a special resolution of the holders of shares in that class at a meeting of those holders.

Directors – Appointment, retirement and removal

The minimum number of Directors is three (3) and the maximum is ten (10). The Directors are not required to hold any Shares.

Directors may be appointed by resolution of Shareholders at a general meeting. The Directors may appoint a Director either in addition to existing Directors or to fill a casual vacancy, and such Director will hold office until the next annual general meeting.

Directors may only be removed by resolution of Shareholders at a general meeting.

A Director must retire from office at the end of the third annual general meeting following that Directors last appointment or three (3) years, whichever is longer. The requirement to retire does not apply to the Managing Director. If there is more than one Managing Director then the requirement to retire will not apply to just one Managing Director. A retiring Director is eligible for re-election.

Founder Directors

Subject to the Corporations Act, while the Company is an unlisted public company, for so long as Dr Victoria Gordon, Dr Paul Reddell or any entity controlled by them holds shares in the Company, they are entitled to be a director or to nominate a person to be a director, and remove any director appointed by themselves and appoint another director in their place.

Decisions of Directors

The quorum for a meeting of Directors is two (2). Questions arising at a meeting of Directors are decided by a majority of votes cast by Directors entitled to vote on the resolution.

Alteration to the Constitution

The Constitution can only be amended by a special resolution passed by at least 75% of Shareholders present and voting at a general meeting. At least 21 days' notice (if the Company is not listed) or 28 days' notice (if the Company is listed) of the meeting at which the special resolution is proposed must be given.

10.5. Terms of existing Options

The terms of the Directors' existing Options on Completion of the Offer are outlined below.

Rick Holliday-Smith

Under the terms of Rick Holliday Smith's letter of appointment, the non-executive Chairman is awarded 2,500,002 options (Existing Chairman Options) to acquire ordinary shares as payment for three years of his remuneration of $75,000 per annum which is CPI indexed and excludes superannuation. The options will vest in the following manner:

- 750,000 options vested on signing of the appointment letter on 18 April 2016; and
- 583,334 options will vest on each anniversary of the appointment date over the next three years.

Each Existing Chairman Option has an exercise price of $0.801. The Existing Chairman Options will lapse 5 years from the vesting date of each Existing Chairman Option.

The Existing Chairman Options which have not yet been vested, will lapse if QBiotics terminates the Chairman's appointment for cause or if the Chairman terminates for convenience.

If however, QBiotics terminates the appointment for convenience or the Chairman terminates as a result of the Chairman reasonably considering that his directorship or actions required in association with the directorship will cause him risk or reputational damage, then the unvested Existing Chairman Options will vest immediately.

If there is any reconstruction of the issued share capital of QBiotics, the Directors must be put in the same position as if no reconstruction had occurred.

Professor Bruce Robinson and Andrew Denver

Under the terms of Professor Bruce Robinson's and Andrew Denver's agreements for appointment as Director, each non-executive Director is awarded 904,417 options (Robinson and Denver Options) to acquire ordinary shares as payment for three years of his remuneration of $55,000 per annum which is CPI indexed and excludes superannuation. The options will vest in the following manner:

- 301,472 options will vest on 20 July 2017;
- 301,472 options will vest on 20 July 2018; and
- 301,473 options will vest on 20 July 2019.

Each Robinson and Denver Option has an exercise price of $0.801 and will lapse 5 years from the vesting date of each Robinson and Denver Option.

If there is any reconstruction of the issued share capital of QBiotics, the Directors must be put in the same position as if no reconstruction had occurred.

Ross Patane

Under the terms of Ross Patane's agreement for appointment as Director, he as a the non-executive Director is awarded 252,596 options (Patane Options) to acquire ordinary shares as payment for 50% of his remuneration for a period of 20 months of his appointment of $55,000 per annum which is CPI indexed and excludes superannuation. The options will vest in the following manner:

- 101,038 options will vest on 31 March 2017; and
- 151,558 options will vest on 31 March 2018.

Each Patane Option has an exercise price of $0.67 and will expire on 27 July 2022.

If there is any reconstruction of the issued share capital of QBiotics, the Directors must be put in the same position as if no reconstruction had occurred.

10.6. Dividends

The policy of the Company will be to invest all cash flow into the business in order to maximise its growth. The ability of the Company to pay any dividend in the future is dependent on many factors including the outcome of the Company's commercialisation activities and clinical trials. Many of the factors that will affect the Company's ability to pay dividends and the timing of those dividends will be outside the control of the Company and its Directors. The Directors cannot give any assurance regarding the payment of dividends in the future.

10.7. Summary of Material Contracts

The Directors consider that the material contracts summarised below and elsewhere in thisProspectus are the contracts which an investor would reasonably regard as material and which investors and their professional advisers would reasonably expect to find described in this Prospectus for the purpose of making an informed assessment of the Offer.

Service agreement between QBiotics and EcoBiotics

The Company and EcoBiotics Limited (EcoBiotics) have entered into a services agreement (Services Agreement) whereby the Company will provide EcoBiotics with various resources and EcoBiotics will provide services to the Company.

Services

EcoBiotics will provide the following services to QBiotics:

- Finance and administration services;
- Information technology services;
- Office premises, research facilities and other infrastructure and related costs;
- Overhead costs; and
- Raw materials (Fontainea) for research and development of QBiotics products.

(together, the Services)

Fees

EcoBiotics will invoice the Company for the Services (in arrears) on a monthly basis to be paid within 30 days. Cost of services will be calculated according to the relevant percentage usage of the Services between the companies. The payment terms do not apply to the supply of raw material (Fontainea) from EcoBiotics to the Company. The parties acknowledge that EcoBiotics is seeking to build up a pipeline client in the Company through the sourcing of raw materials and supply to the Company, and unless agreed otherwise in writing, the raw material used for research and development purposes will be supplied to the Company free of charge (as a means of developing the Company as a client). Raw materials (Fontainea) supplied to QBiotics purely for marketing purposes are not subject to this agreement.

Intellectual Property

All intellectual property rights in a party's materials will remain with that party. The parties agree that the Company owns all intellectual property rights in any material created by EcoBiotics for the Company pursuant to the Services Agreement and EcoBiotics assigns all its rights accordingly. Each party authorises the other party to use its intellectual property for the purposes of the Services Agreement. Further, if EcoBiotics enters into a contract with a third party which does not permit assignment of the third party contract intellectual property, EcoBiotics must hold the third party contract intellectual property on trust for the Company, as well as perform any obligation or exercise any rights in relation to the intellectual property as directed by the Company from time to time (at the Company's expense). EcoBiotics must pay all benefits arising from the intellectual property to the Company and must not deal with the intellectual property in any way without the prior consent of the Company.

Termination

Either party may terminate the Services Agreement in whole or in part by giving the other party three months prior written notice. The Services Agreement can be terminated immediately if

- both parties agree to the termination in writing; or
- if one party gives notice to the other party if one party:
    - ceases to (or is unable to) pay its creditors (or any class of them) in the ordinary course of business, or announces its intention to do so;
    - a receiver, receiver and manager, administrator, liquidator or similar officer is appointed to the party or any of its assets;
    - enters into, or resolves to enter into, a Schedule or arrangement, compromise or composition with any class of creditors;
    - a resolution is passed or an application to a court is taken for the winding up, dissolution, official management or administration of the party; or
    - anything having a substantially similar effect to any of the events specified above happens under the law of any applicable jurisdiction.

If the Services Agreement is terminated, each party retains its rights and the Company is liable for the fees incurred up to the date of termination. EcoBiotics must deliver all materials back to the Company and produce all reports and data to the Company completed up to the date of termination.

Key Employment Contracts

Dr. Victoria Gordon and Dr. Paul Reddell entered into employment contracts with the Company on 25 July 2016. Dr. Gordon is the managing director and performs the role of chief executive officer and Dr. Reddell

is also an executive director and performs the role of chief scientific officer. Dr. Gordon's and Dr. Reddell's remuneration details are set out in section 5.4.

The employment contracts of Dr. Gordon and Dr. Reddell are for a period of 3 years. Neither party is entitled to terminate the employment contract in the fixed period of 3 years. However, after the fixed period the employment of Dr. Gordon and Dr. Reddell can be terminated by either party giving three months' notice in writing to the other party. The Company can terminate the employment contracts immediately for serious breaches of the terms of the agreements and for serious misconduct. On termination, the directors must resign from all official positions (e.g. director or officer) held in any group company.

Both agreements contain intellectual property clauses and confidentiality clauses that are robust and survive termination of the agreements. Bother agreements also contain restraint clauses prohibiting Dr. Gordon and Dr. Reddell from being employed by any company that is competitive to the business carried on by the Company for a maximum period of 6 months after termination of the agreement. The restraint applies worldwide including Australia.

Research and Development Contracts

Master Services Agreement with IDT for the manufacture of EBC-46 (IDT)

IDT are the GMP (Good Manufacturing Practice) drug substance manufacturers for the Company. The service performed by IDT is currently essential for the manufacturing of the drug substance for EBC-46. QBiotics provides IDT with raw material and IDT produces the drug substance under GMP – this drug substance is necessary to underpin the development of the product and to supply commercial product. IDT is contracted to manufacture the drug for regulatory validation and for ongoing commercial manufacture. This contract is activity by activity under an MSA and related work orders.

The agreement commenced on 28 February 2011 and continues until terminated. The agreement may be terminated by either party upon giving 30 days written notice for unremedied breach. QBiotics may immediately terminate for convenience for technical or commercial reasons. QBiotics must pay a termination payment of $40,000 if the project is terminated prior to completion of Phase B activities for any reason other than default.

QBiotics indemnifies IDT against all loss and claims arising out of product liability or patent claims associated with the agreement or obligations to be performed by IDT or QBiotics' breach of agreement.

IDT and QBiotics also have a confidentiality agreement in place under which each party agrees not to make commercial use of any part of the confidential information without the other party's prior written consent. The contract is for a ten year term, commencing on 30 November 2010 and ending on 29 November 2020. However, either party may terminate the other party's right to use the confidential information immediately by giving notice to the other party.

AAIPharma Services Corp (now called Alcami) general terms and conditions for pharmaceutical development services and pharmaceutical quality agreement

Alcami is the GMP (Good Manufacturing Practice) drug product manufacturer for QBiotics. The service performed by Alcami is currently essential for the manufacturing of the drug product for EBC-46. Alcami is contracted by way of individual work orders to manufacture the drug product for regulatory validation and for ongoing commercial manufacture.

Each work order is governed by Alcami 's general terms and conditions as follows:

- A work order may be terminated for convenience by QBiotics for:
    - for non-manufacturing activities, on 30 days written notice; and

- for manufacturing activities, only outstanding purchase orders on 45 days notice.

- QBiotics indemnifies and releases Alcami from any product liability or third party claims arising from the provision of services.
- Alcami owns all data and written reports arising out of the services and all chemical entities supplied by or prepared for QBiotics. Any intellectual property rights directly resulting from information supplied by QBiotics in the performance of the services will be assigned to QBiotics.
- Alcami will keep all information provided by QBiotics or developed by Alcami for QBiotics confidential for 5 years.
- The work orders are governed by the laws of Delaware.

The parties have also entered into a Manufacturing Drug Product Pharmaceutical Quality Agreement for a period of 3 years, commencing on 31 March 2015. The contract allocates the responsibilities of each party with respect to quality assurance and is reviewed by both parties every 3 years.

Alcami and QBiotics have also entered into a standard form confidentiality agreement.

Master Services Agreement with Ground Zero Pharmaceuticals, Inc. (Ground Zero)

Ground Zero are the US Food and Drug Administration (FDA) regulatory advisers to QBiotics. Ground Zero provides guidance to navigate through the FDA product registration process for the human program.

The Master Services Agreement commenced on 9 Mach 2010 and continues until terminated. The agreement may be terminated for convenience by either party on the giving of 30 days written notice.

The parties are subject to confidentiality obligations survive termination of the agreement for a period of 5 years.

Payments are made in US dollars under the contract and the agreement is governed by the laws of the state of California.

Master Services Agreement with Schafer Veterinary Consultants LLC (Schafer)

Schafer are the FDA-CVM (Center for Veterinary Medicine) regulatory advisers to QBiotics. Schafer provides guidance to navigate through the FDA-CVM product registration process for the veterinary program.

The contract commenced on 9 November 2012 and was extended for a further 5 years to 8 November 2020.

The contract may be terminated for convenience by either party on the giving of 30 days written notice. Either party may terminate the contract upon giving 14 days written notice for unremedied breach or immediately on notice in the event of insolvency of the other party.

Both parties indemnify each other against all loss and claims attributable to any negligent or willful act or omission or breach of the agreement by that party.

QBiotics owns all information arising out of the contract and created by Schafer for QBiotics. Any intellectual property rights in that information will be assigned to QBiotics.

The parties have also signed a confidentiality agreement.

Cardiff University

Cardiff University provides pre-clinical development services for the wound healing program. They provide important early stage development of the wound healing product (WH-1).

Services Agreement with Cardiff University and Rachel Moses

Cardiff University assesses would healing properties of molecules in plants and provides financial support of students, and screens plants.

QBiotics has a services agreement with Cardiff and Rachel Moses to provide financial support for a 3 year PhD studentship and consumables for a study in the effects of EBC-46.

The contract is for a three year term, commencing on 29 October 2012. The term expired on 28 October 2015. The parties however are continuing to operate on the basis that it is on foot.

There are royalties payable under the contract. The parties will share the commercialisation revenue arising from the information created by Cardiff or Rachel Moses for QBiotics under the agreement. The parties will receive fair and reasonable royalties up to 0.2% of net sales or licence fees or amounts paid for licensing/sale of the Created Material for each product. Any and all negotiations for sharing of revenue will be in good faith, and should represent a fair and equitable distribution of returns and should represent the relative contribution of each party to the development and ultimate commercialisation of the product. It should be noted that the activities under taken by Cardiff University and Rachel Moses are very early stage (pre-clinical) and thus minimal comparative input to product development. The royalties obligation survives termination of this agreement.

The parties can terminate immediately if a breach remains unremedied for 30 days after receipt of default notice from the other party.

Confidentiality obligations under the contract survive termination for a period of 10 years.

Studentship Agreement with Cardiff and Jordanna Dally

QBiotics has a Studentship Agreement with Cardiff and Jordanna Dally to provide financial support for a PhD studentship to build a partnership with Cardiff University in the area of wound healing.

The contract is for a three year term. It commenced on 1 October 2014 and expires on 30 September 2017.

A party may terminate immediately for breach that remains unremedied for 90 days or, upon giving 90 days written notice, terminate for breach that is incapable of remedy. The agreement terminates immediately if Jordanna Dally or any replacement student withdraws from the project and Cardiff fails to recruit a suitable alternative within 3 months.

Royalties are payable under the contract. Any and all negotiations for sharing of revenue will be in good faith, and should represent a fair and equitable distribution of returns and should represent the relative contribution of each party to the development and ultimate commercialisation of the product. It should be noted that the activities under taken by Cardiff University and Jordanna Dally are very early stage (pre-clinical) and thus minimal comparative input to product development. QBiotics must pay Cardiff a fair and reasonable proportion of the commercialisation revenue arising from the results developed by Jordanna Dally. The factors to include in such calculation are financial and intellectual contribution of Cardiff and Jordanna Dally and QBiotics to the generation, maintenance and exploitation of the Results.

Governing law: this agreement is governed by the laws of England.

Master Services Agreement with CiToxLab (North America) (CiToxLab)

CiToxLab provide invivo toxicology studies. They are a contract research organisation. The engagement is project specific and they provide studies that underpin the development of both the veterinary and human products.

The contract is for a 3 year term, commencing on 9 September 2013 and ending 8 September 2016. There is a 1 year option to renew, at CiToxLab's option. If the Contract with CiToxLab is not renewed there are other providers which can provide the service to QBiotics which is currently being provided by CiToxLab. The implications of non-renewal would be only minor delays due to the change in service providers which would not significantly impact on the product development programs.

QBiotics may terminate the agreement by written notice before the beginning of a related study. The parties may terminate the agreement on 30 days written notice for material unremedied breach. QBiotics also has additional termination rights on the occurrence of certain default events suffered by CiToxLab.

QBiotics will pay a penalty (between 10-35% of the study price) to CiToxLab if QBiotics cancels a study by giving a notice that is less than a certain period of time in respect of certain animals (for example 28 days for rabbits and 45 days for mini-pigs and dogs).

If CiToxLab terminates for material unremedied breach, QBiotics will pay a penalty of a maximum of 15% of the quotation value to which the breach was committed, reimburse costs and study-related non cancellable costs incurred to the date of termination.

QBiotics may delay a quotation (prior to or following animal arrival) by paying to CiToxLab USD$12,000 per week of delay plus expenses. If delay exceeds 4 weeks, the quotation will be subject to penalty provision.

Payments are made in US dollars.

QBiotics indemnifies and releases CiToxLab from any loss related to the test articles.

The agreement is governed by the laws of Quebec, Canada.

Master Services Agreement with IncResearch Australia Pty Limited (INC)

INC provide project support for the human clinical trial in Australia. They provide support for implementation of the clinical trial which are necessary to obtain regulatory approval for EBC-46 as an anti-cancer treatment eg assisting with liaising with ethics committees, hospital sites and investigators.

The agreement commenced on 2 February 2012 and continues until terminated.

INC may suspend services if QBiotics fails to pay and remedy default within 14 days of receiving a notice of default.

The parties may terminate the agreement immediately upon written notice for unremedied breach that continued for 1 month or for an insolvency event. Either party may terminate by convenience upon giving 60 days written notice.

QBiotics indemnifies INC in respect of or relating to a study and study subject.

EMR Associates Proprietary Limited (EMR)

EMR provides project support for the human clinical trial in Australia. They provide support for implementation of the clinical trial which are necessary to obtain regulatory approval for EBC-46 as an anti-cancer treatment e.g. assisting with liaising with ethics committees, hospital sites and investigators.

The agreement is for a three year term. It commenced on 23 December 2015 and ends on 22 December 2018.

Subject to completion of any uncompleted work orders, the agreement may be terminated by either party as follows:

- for convenience on the giving of 20 business days written notice; or

- in the event of insolvency of the other party, upon giving 10 business days written notice.

Both parties indemnify each other against all loss and claims attributable to any negligent or willful act or omission or breach of the agreement by that party.

QBiotics owns all information created by EMR or on its behalf in performing the services under the agreement. Any intellectual property rights in that information will be assigned to QBiotics.

The parties have also signed a confidentiality agreement.

Clinical trial research with Southern Adelaide Local Health Network Flinders Medical Centre (Flinders)

This is a human drug clinical site for EBC-46 Phase I clinical trials.

QBiotics has 2 clinical trial research agreements with Flinders to determine safety and tolerability of EBC-46 in patients with tumours.

Either party may terminate on 30 days written notice or such shorter period as is reasonably required in the circumstances for unremedied breach, insolvency or assignment of the agreement to a person considered unsuitable to perform the agreement.

Either party may terminate immediately by written notice if it believes on reasonable grounds that continuing the study poses an unacceptable risk to the rights, interest, safety or well-being of study participants and termination is the most appropriate way to respond to that risk.

QBiotics may terminate by convenience by giving 30 days prior written notice.

The parties also have 2 Medicines Australia Form of indemnity in place, which are on standard terms, including that QBiotics indemnifies and holds harmless the counterparty and the ethics committee of the counterparty against all claims made or brought on behalf of the study participants (including their children or dependents injured in the womb through participation of the child's mother or father in the study) for its personal injury (including death) arising out of or relating to the administration or use of QBiotics products or any clinical intervention or procedure provided for or required by the protocol to which participants would not have been exposed but for its participation in the study.

Clinical Trial Research Agreement and Medicines Australia Form of Indemnity with South Western Sydney Local Health District (Liverpool Hospital)

This is a human drug clinical site for EBC-46 Phase I clinical trials.

QBiotics has a Clinical Trial Research Agreement in place with Liverpool Hospital for a phase 1 dose escalation study to determine the safety and tolerability of EBC-46 injection in patients with tumours (Protocol no. QB46C-H01).

The parties also have a Medicines Australia Form of Indemnity in place on the same terms as that with Flinders (above).

Clinical Trial Research Agreement and Medicines Australia Form of Indemnity with Nucleus Network Limited (trading as Centre for Clinical Studies) (NNL)

This is a human drug clinical site for EBC-46 Phase I clinical trials. This is the research arm of The Alfred.

QBiotics has 2 clinical trial agreements in place for phase 1 dose escalation study to determine the safety and tolerability of EBC-46 injection in patients with tumours (Protocol no. QB46C-H01 and QB46C-H02).

The parties also have 2 Medicines Australia Form of Indemnities in place based on the standard form summarized for Flinders (above).

Strategy Development Agreement, Clinical Trial Research Agreement and Medicines Australia Form of Indemnity with Metro South Hospital and Health Service via the Princess Alexandra Hospital (PA Hospital)

This is a human drug clinical site for EBC-46 Phase I clinical trials.

PA Hospital provides consulting services for the clinical development of EBC-46. The arrangement is for a 1 year term commencing on 16 July 2015 and expired on 16 July 2016. Activities necessary to extend this contract are currently underway.

The clinical trials are to determine the safety and tolerability of EBC-46 injection in patients with tumour. The parties have also signed a standard form Medicines Australia Form of Indemnity (see summary in Flinders contract above).

Master Service Agreement with Triveritas (Co registration 4476368) (Triveritas)

Triveritas provides project management services for the veterinary clinical trials in USA and UK for EBC-46. They are important but not essential and they are also easily replaceable.

The contract is for a 3 year term, which commenced on 28 June 2015 and ends on 27 June 2018.

Either party may terminate by convenience upon giving 20 business days written notice.

Either party may terminate for unremedied breach on 10 business days notice or immediately on notice in the event of insolvency of the other party.

10.8. Related party transactions

There are no existing agreements or arrangements and there are no currently proposed transactions, in which the Company was, or is, to be a participant, and in which any related party had or will have a direct or indirect material interest, other than the Service Agreement between EcoBiotics and QBiotics a summary of which is set out above, and the compensation arrangements with Directors and executive officers, which are described Section 5 of this Prospectus.

10.9. Interests of directors

Other than as set out below or elsewhere in the Prospectus, no Director has had, within 2 years before lodgment of this Prospectus with ASIC, any interest in:

- the formation or promotion of the Company;
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion; or
- any property acquired or proposed to be acquired by the Company in connection with the Offer of the Shares under this Prospectus.

Other than as set out in this Prospectus, no benefits or amounts have been paid or agreed to be paid, nor has any benefit been given or agreed to be paid to any Director, to induce them to become or qualify as a Director or for services rendered by the Director in connection with the promotion or formation of the Company or the Offer of Shares under this Prospectus.

10.10. Litigation and claims

As far as the Directors are aware, there are no current or threatened civil litigation, arbitration proceedings or administrative appeals, or criminal or governmental prosecutions of a material naturein which the Company is directly or indirectly concerned which are likely to have a material adverse effect on the business or financial position of the Company.

10.11. Tax

Investors should seek and rely on their own professional taxation advice in relation to any investment in the Company.

The comments below provide a general summary of Australian tax issues for Australian tax resident individual Shareholders who acquire Shares under this Prospectus and hold their Shares on capital account for Australian income tax purposes.

These comments do not apply to Shareholders that hold their Shares on revenue account or as trading stock, or to Shareholders that are not tax resident in Australia. They also do not apply to Shareholders that are banks, insurance companies or taxpayers that carry on a business of trading in Shares. These comments may also not cover tax consequences for Shareholders who are subject to the Taxation of Financial Arrangements (TOFA) rules governed under tax legislation. These Shareholders should seek their own professional advice.

Tax laws are complex. The comments below are based on the Income Tax Assessment Act 1997 (Cth), Income Tax Assessment Act 1936 (Cth), the A New Tax System (Goods and Services Tax) Act 1999 (Cth), relevant stamp duty legislation, applicable case law and published Australian Taxation Office and State / Territory Revenue Authority rulings, determinations and statements of administrative practice at the date of this Prospectus. The tax consequences discussed below may alter if there is a change to the tax law after the date of this Prospectus. They do not take into account the tax law of countries other than Australia.

This summary is general in nature and is not intended to be an authoritative or complete statement of the applicable law. The Company and its advisers disclaim all liability to any Shareholder or other party for all costs, loss, damage and liability that the Shareholder or other party may suffer or incur arising from, relating to or in any way connected with the contents of this summary or the provision of this summary to the Shareholder or other party or the reliance on this summary by the Shareholder or other party.

Shareholders should seek professional advice on the taxation implications of holding the Shares, taking into account their specific circumstances.

Dividends from a Share for Australian tax residentShareholders

Dividends distributed by the Company on a Share will constitute assessable income of an Australian tax resident Shareholder. Australian tax resident Shareholders should include in their assessable income the dividend actually received, together with any franking credits attached to thatdividend.

Where a franking credit is included in the Shareholder's assessable income, the Shareholder will generally be entitled to a corresponding franking credit tax offset against tax payable by the Shareholder. To be eligible for the franking credit tax offset, a Shareholder must satisfy the "holding period" rule and "related payments" rule. This requires that a Shareholder holds the Shares "at risk" for a continuous period of not less than 45 days (excluding the days of acquisition and disposal) and that the benefit of the dividend is not passed on within 45 days. Shareholders should seek professional advice to determine if these requirements, as they apply to them, have been satisfied. The holding period rules will not apply to a Shareholder who is

an individual whose tax offset entitlement (for all franked distributions received in the income year) does not exceed $5,000.

Where a Shareholder is an individual or a complying superannuation entity, the Shareholder will generally be entitled to a refund of tax to the extent that the franking credit tax offset exceeds the Shareholder's income tax liability for the income year.

Where a Shareholder is a company, the Shareholder will generally be entitled to claim a carried forward loss calculated by reference to any excess of the franking credit attached to the Shareholder's dividends over the Shareholder's tax liability for the income year. Shareholders that are companies should seek specific advice regarding the tax consequences of dividends received in respect of the Shares they hold and the calculation of carry forward tax losses arising from excess franking credit tax offsets.

Franked dividends received by a corporate Shareholder will generally give rise to a franking credit in the Shareholder's franking account (subject to the Shareholder satisfying the rules outlined above for claiming a franking credit tax offset). Special rules apply to Shareholders that are trustees (other than trustees of complying superannuation entities) or partnerships. These Shareholders should seek specific advice regarding the tax consequences of dividends received in respect of Shares held.

Disposal of Shares by Australian tax resident Shareholders

The disposal of a Share by a Shareholder will be a capital gains tax (CGT) event where the Shareholder holds their Share on capital account. The Shareholder will make a capital gain where the capital proceeds received on the disposal of the Share exceeds the cost base of the Share, and will make a capital loss where the reduced cost base of the Share exceeds the capital proceeds from the disposal of that Share. Capital losses may only be offset against capital gains made by the Shareholder in the same year of income or future income years. Broadly, the cost base and reduced cost base of a Share will be equal to the amount paid to acquire the Share (including certain other costs, such as incidental costs of acquisition and disposal).

Generally, all capital gains and losses made by a Shareholder for an income year, plus any net capital losses carried forward from an earlier income year, will need to be aggregated to determine whether the Shareholder has made a net capital gain or net income loss for that year. A net capital gain is included in a Shareholder's assessable income whereas a net capital loss is carried forward and may be available to be offset against capital gains of later years (subject to the satisfaction of any applicable loss recoupment rules).

If a Shareholder is an individual or complying superannuation entity and has held the Share for at least 12 months or more before disposal of the Share, the Shareholder will generally be entitled to a "CGT discount" for any capital gain made on the disposal of the Share. Where the CGT discount applies, any capital gain arising (after applying any capital losses) may be reduced by 50% in the case of individuals and by one-third in the case of complying superannuation entities. Shareholders that are companies are not entitled to a CGT discount.

Where the Shareholder is a trustee of a trust that has held the Share for at least 12 months or more before disposal, the CGT discount may flow through to the beneficiaries of that trust if those beneficiaries are not companies. Shareholders that are trustees should seek specific advice regarding the tax consequences of distributions to beneficiaries who may qualify for discounted capital gains after offsetting current year or prior year capital losses.

Tax file numbers

A Shareholder is not required to quote their tax file number (TFN) to the Company. However, if TFN or exemption details are not provided, the Company may be required to deduct Australian tax from certain distributions (other than fully franked dividends) at the maximum marginal tax rate plus the Medicare levy. A Shareholder that holds Shares as part of an enterprise may quote their Australian Business Number instead of their TFN.

Goods and services tax

Investors should not be liable for GST in respect of their acquisition or disposal of Shares. No GST should be payable by Shareholders on receiving dividends distributed by the Company.

Stamp duty

No Australian stamp duty should be payable by Shareholders in respect of their acquisition or disposal of their Shares. Individual Shareholders should obtain their own independent advice on their individual circumstances.

10.12. Consents

Each of the parties named in the table below has consented to being named in this Prospectus in the form and context in which it is named and has not withdrawn such consent prior to the lodgment of this Prospectus with the ASIC:

Capacity in relation to the Company	Consenting party
Australian legal adviser	Thomson Geer
Investigating Accountant	Bentleys NSW Audit Pty Limited
Lead Advisor	Axstra Capital Pty Ltd
Patent Attorney	Griffith Hack
Share registry	Link Market Services Limited
Auditor	Grant Thornton

To the maximum extent permitted by law, each of the parties named above:

- states that it has not authorised or caused the issue of this Prospectus;
- is not taken to have made, or purported to have made, any representation or warranty in relation to the Company either express or implied or any statement in this Prospectus or on which a statement made in the Prospectus is based other than as specified in this Section; and
- expressly disclaims and takes no responsibility for any part of this Prospectus other than as referred to in this Prospectus as having been made by such party.

10.13. Interests of experts and advisers

Other than as set out below or elsewhere in this Prospectus, no person named in this Prospectus as providing professional or advisory services in connection with the preparation of this Prospectus or any firm in which any such person isa partner has or had at any time during the two years before lodgement of this Prospectus withy ASIC, any interest in:

- the formation or promotion of the Company;

- property acquired or proposed to be acquired by the Company in connection with its formation or promotion; or
- any property acquired or proposed to be acquired by the Company in connection with theOffer of the Shares under this Prospectus.

Other than as set out in this Prospectus, no amounts or benefits have been paid or agreed to be paid for services rendered by the person performing a function in a professional, advisory or other capacity with the preparation or distribution of this Prospectus.

It is estimated that the Company will pay the following costs in connection with the preparation and issue of this Prospectus and the making of the Offer (exclusive of GST):

Table 10.2: Cash Offer Costs

Service	Gross proceeds of $7.5 million	Gross proceeds of $10 million	Gross proceeds of $12.5 million
	$	$	$
Axstra Capital Pty Ltd - Commission payable	225,000	300,000	375,000
Thomson Geer - Legal fees	173,163	173,163	173,163
Bentleys NSW Audit Pty Limited - Investigating Accountant's fees	66,000	66,000	66,000
ASIC fees	2,320	2,320	2,320
Advisory fees	21,497	21,497	21,497
Road show costs	35,000	35,000	35,000
Printing and other incremental costs directly related to the Offer	61,000	61,000	61,000
Total cash Offer costs	583,980	658,980	733,980

These amounts, and the expenses of the Offer, will be paid by the Company out of funds raised under the Offer or available cash. Further information on the use of proceeds and payment of expenses of the Offer is set out in Section 8.3.

10.14. Inspection of documents

Copies of the following documents will be available for inspection free of charge at the registered office of the Company for at least 13 months after lodgement of this Prospectus:

- the written consents to the issue of this Prospectus; and
- the Constitution of the Company.

10.15. Working capital statement

The Directors believe that, on completion of the Offer, the Company will have sufficient working capital to carry out its objectives as stated in the Prospectus.

10.16. Supplementary information

A supplementary prospectus will be issued if the Company becomes aware of any of the following between the issue of this Prospectus and the date the Shares are quoted:

- a material statement in this Prospectus is misleading or deceptive;

- there is a material omission from this Prospectus;
- there has been a significant change affecting a matter included in this Prospectus; or
- a significant new circumstance has arisen and it would have been required to be included in this Prospectus.

10.17. Brokerage

No Brokerage, commission or stamp duty is payable by Applicants on the acquisition of Shares under the Offer.

10.18. Governing law

This Prospectus and the contracts that arise from the acceptance of Applications are governed by the law applicable in Queensland, Australia and each Applicant submits to the exclusive jurisdiction of the courts of Queensland, Australia.

10.19. Statement of Directors

The Directors report that after due enquiries by them, in their opinion since the date of the audited financial statements in Section 7, there have not been any circumstances that have arisen or that have materially affected or will materially affect the assets and liabilities, the financial position, profits or losses or prospects of the Company, other than as disclosed in this Prospectus.

This Prospectus is authorised by each Director of the Company who has consented to its lodgement with ASIC and its issue, and has not withdrawn that consent.

11. GLOSSARY AND TECHNICAL TERMS

In this Prospectus, the following terms and abbreviations have the following meanings, unless the context otherwise requires:

11.1. Glossary

Term	Description
$	Australian dollars.
AEST	Australian Eastern Standard Time.
Applicant	A person who submits a valid Application Form pursuant to this Prospectus.
Application	A valid application to subscribe for Shares under the Offer pursuant to this Prospectus.
Application Form	The Existing Shareholder Application Form or the General Application Form attached to or accompanying this Prospectus.
Application Monies	Money submitted by Applicants in respect of their Applications.
APVMA	Australian Pesticides and Veterinary Medicines Authority.
ASIC	Australian Securities and Investments Commission.
ASX	ASX Limited (ABN 98 008 624 691) or the securities market it operates, as the context requires.
Board	The board of directors of the Company.
Closing Date	The date that the Offer closes, being 9 September 2016.
Company or QBiotics	QBiotics Limited ACN 110 210 001.
Constitution	The constitution of the Company.
Corporations Act	The Corporations Act 2001 (Cth).
Corporations Regulations	The Corporations Regulations 2001 (Cth).
Directors	The directors of the Company.
EBIT	Earnings before interest and tax.
EBITDA	Earnings before interest, tax, depreciation and amortisation
EcoBiotics	EcoBiotics Limited ACN 092 010 743 is a life sciences company that discovers new bioactive chemicals from the tropical rainforests of Queensland; EcoBiotics was the former parent entity of QBiotics.
EMA	European Medicines Agency.
Existing Shareholder Application Form	The Existing Shareholder Application Form attached to or accompanying this Prospectus.
Existing Shareholders	Holders of Shares as at the Prospectus Date.
Existing Shares	The issued Shares immediately prior to the allotment of Shares under the Offer.
Expected Subscription	The subscription amount being sought by the Company under the Offer, being $10,000,000.
Exposure Period	The exposure period for this Prospectus commencing on the Prospectus Date and ending seven days after lodgement, subject to any extension of the period by ASIC.
FDA	Food and Drug Administration of the United States of America.
FDA-CVM	Food and Drug Administration of the United States of America Centre for Veterinary Medicine.
General Application Form	The General Application Form attached to or accompanying this Prospectus.
Grow-Out Program	Has the meaning given to it in Section 4.9.
GST	Goods and services tax.
Holding Statement	Document detailing the number of Shares held by the Applicant.
IND	Investigational New Drug.

Term	Description
INAD	Investigational New Animal Drug.
IP	Intellectual property, or intellectual property rights, as the context requires.
Investigating Accountant	Bentleys NSW Audit Pty Limited.
Investigating Accountant's Report	The report of the Investigating Accountant contained in Section 7.
Maximum Subscription	The maximum subscription amount being sought by the Company under the Offer, being $12,500,000.
Minimum Subscription	The minimum subscription amount being sought by the Company under the Offer, being $7,500,000.
Offer	The invitation to apply to subscribe for Shares pursuant to this Prospectus.
Offer Period	The period beginning on the Opening Date and ending on the Closing Date.
Offer Price	$0.40 per Share.
Opening Date	The date that the Offer opens.
Option	An option to subscribe for Shares.
Oversubscription	Oversubscriptions of up to $2.5 million over the Expected Subscription,
Privacy Act	Privacy Act 1988 (Cth).
Prospectus	This prospectus (including the electronic form of this prospectus) and any supplementary or replacement prospectus.
Prospectus Date	The date on which this Prospectus was lodged with ASIC, being 29 July 2016.
Retail Investor	An investor who is not an Institutional Investor.
Share	A fully paid ordinary share in the capital of the Company.
Share Registry	Link Market Services Limited (ACN 083 214 537).
Shareholder	A holder of Shares.
Shareholding	A shareholding in the Company.
SRN	Security holder reference number.
TFN	Tax file number.
TGA	Therapeutics Goods Administration.
USA	United States of America.
VMD	Veterinary Medicines Directorate

11.2. Technical terms

Term	Description
API	Active Pharmaceutical Ingredient
Animal Clinical Case Study	Treatment of animal patients with an experimental drug by qualified and practicing veterinarians.
BCC	Basal Cell Carcinoma – a type of skin cancer. Basal cell carcinoma begins in the basal cells — a type of cell within the skin that produces new skin cells as old ones die off.
CMC	Chemistry Manufacturing and Controls - manufacturing research and development of a drug with the intent of meeting regulatory approval for eventual marketing.
CTN	Clinical Trials Notification.
Companion Animal	A dog, cat or horse.
Dose Determination Study	A veterinary study treating animal patients with the target disease to examine an experimental drug's effectiveness and determine optimum dosing regimen.

Term	Description
Drug Product	A manufactured product that contains a drug (API); there are many forms of drug products including tablets, capsules, solutions and creams; the EBC-46 intralesional drug product is a solution.
Drug Substance	Active Pharmaceutical Ingredient - the active compound or drug for example EBC-46.
EBC-46	EBC-46 is a novel small molecule short-chain diterpene ester from the tigliane class of compounds being developed as a local treatment for a range of solid tumours in humans and animals.
GMP	Good Manufacturing Practice - manufacturing guidelines for a human and veterinary product.
Human Clinical Phase I Trial	Testing of an experimental drug in healthy humans to determine safety parameters of the drug.
Human Clinical Phase I/II Trial	Testing of an experimental drug in patients with the target disease to assess the drug's safety and effectiveness.
Human Clinical Phase II Trial	Treating patients with the target disease to examine an experimental drug's effectiveness and determine optimum dosing regime. Human Clinical Phase II Trial may include Human Phase IIA (dosing confirmation) and IIB (efficacy)
Human Clinical Phase III Trial	Treating patients with the target disease to confirm optimum dosing regime of a drug in development; this is the final efficacy study prior to application for registration.
In vitro	Studies conducted in an artificial environment outside of a living organism - for example in a petri dish.
MCT	Mast Cell Tumour – a tumour common in dogs accounting for 16% to 21% of cutaneous tumours.
Pivotal Field Efficacy Study	A veterinary study treating animal patients with the target disease to confirm optimum dosing regime of a drug in development; this study and a Target Animal Safety Study are the final studies undertaken prior to applying for registration of a veterinary pharmaceutical with the FDA-CVM in the USA.
Preclinical	Laboratory and animal studies to understand the safety and initial effectiveness of an experimental drug to treat the target disease, the drug's mechanism of action and exploration of methods to manufacture the drug.
R&D	Research and development - discovering new knowledge about products (for example molecules) and applying that knowledge to improve the products.
SCC	Squamous Cell Carcinoma - is a type of skin cancer that begins in the squamous cells. Squamous cells are the thin, flat cells that make up the epidermis, or the outermost layer of the skin.
STS	Soft Tissue Sarcomas - a type of cancer that begins in the soft tissues of your body.
Target Animal Safety Study	A veterinary study to examine the safety parameters of a drug in the target species; this study and a Field Efficacy Study are the final studies undertaken prior to applying for registration of a veterinary pharmaceutical with the FDA-CVM in the USA.
WH-1	A chronic wound healing treatment in early animal clinical development.