

AO ENERGY LIMITED

ACN 010 126 708

PROSPECTUS

For the offer of 12,000,000 ordinary Shares at an
offer
price of 20 cents each to raise \$2,400,000

Oversubscriptions of up to a further 3,000,000
ordinary Shares at an offer price of 20 each to raise
up to a further \$600,000 may be accepted

This Prospectus is a re-compliance prospectus for the
purposes of satisfying Chapters 1 and 2 of the
ASX Listing Rules and to satisfy ASX requirements
for re-listing following a change to the nature
and scale of the Company's activities.

Important Information

This document provides important information to assist prospective investors in deciding whether or not to invest in the Company. It should be read in its entirety. If you do not understand it, you should consult your professional advisers.

THE SHARES OFFERED UNDER THIS PROSPECTUS ARE OF A SPECULATIVE NATURE.

IMPORTANT NOTICES

Change In Nature and Scale - Re-Compliance with Chapters 1 and 2 of the ASX Listing Rules

The Company has historically operated as a minerals exploration company with tenement interests in New South Wales and Queensland. As announced to ASX on 26 November 2013 the Company has entered into a Share Purchase Agreement to acquire all of the issued shares in Reproductive Health Science Pty Ltd (ACN 067 210 922) (**Reproductive Health Science**).

Reproductive Health Science is the holder of an exclusive licence to a patent family both in Australia and overseas, in connection with its business of providing biotechnology products and services, having developed sophisticated novel molecular tools for amplifying DNA and determining the genetic contents of a single cell, initially targeting the IVF market.

A number of clinical studies have shown that approximately half of all In-vitro fertilisation (**IVF**) Embryos have the wrong number of chromosomes, a statistic that increases dramatically in women over 35 years of age. Selecting Embryos that have the correct number of chromosomes significantly improves the success of IVF cycles.

Reproductive Health Science is an Adelaide based biotechnology company that has developed a unique test to count the number of chromosomes inside a single cell from an Embryo. The Reproductive Health Science test has been specifically tailored and developed to offer an integrated, easy to use and interpret, price competitive product to its target market. Final in-house validation of the test is nearing completion

and the performance characteristics are expected to be published in the lead up to clinical marketing of the completed product. During 2014, Reproductive Health Science will launch its product globally.

The acquisition of Reproductive Health Science will result in a significant change to the nature and scale of the Company's activities which requires approval of its Shareholders under Chapter 11 of the ASX Listing Rules.

The Company has convened a general meeting of its Shareholders to be held on or about 13 March 2014 to seek Shareholder approval for, amongst other approvals, the issue of shares to effect the acquisition of Reproductive Health Science, the change in nature and scale of the Company's activities, the Consolidation of the Company's Shares and Options, and the change of Company name to Reproductive Health Science Limited. A copy of the notice of meeting is available on ASX's website.

The Offer made under this Prospectus and the issue of Shares pursuant to this Prospectus are subject to and conditional upon Shareholders passing all resolutions at the meeting to be held on or about 13 March 2014, the satisfaction of the conditions referred to in those resolutions and the satisfaction or waiver of the conditions precedent in the Share Purchase Agreement. If all resolutions are not passed, the conditions referred to in those resolutions are not satisfied or the conditions precedent in the Share Purchase Agreement are not satisfied or waived, this Offer will not proceed, no Shares will be allotted pursuant to this Prospectus and the Company will

repay all money received from Applicants without interest.

The Company must comply with ASX requirements to re-list on ASX, which include re-complying with Chapters 1 and 2 of the ASX Listing Rules. This Prospectus is issued to assist the Company to re-comply with these requirements.

This Prospectus is dated 7 March 2014 and was lodged with the Australian Securities and Investments Commission (**ASIC**) on that date. Neither ASIC nor ASX Ltd (**ASX**) takes any responsibility for the contents of this Prospectus. No Shares will be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus. The Directors of and advisers to the Company do not guarantee the success of the Company, repayment of capital, payment of dividends or the price at which Shares will trade on ASX.

Electronic Prospectus

This Prospectus will be issued in paper form and as an electronic Prospectus which may be accessed on the internet at www.aoenergy.com.au. The Offer of Shares pursuant to the paper form or electronic Prospectus is only available to persons receiving this Prospectus in Australia. The Corporations Act prohibits any person passing onto another person the Application Form unless it is attached to, or accompanied by, the complete and unaltered version of this Prospectus. During the Offer Period, any person may obtain a hard copy of this Prospectus by contacting the Company by email at info@aoenergy.com.au.

Financial Forecasts

The Directors have considered the matters set out in ASIC Regulatory Guide 170 and believe that they do not have a reasonable basis to forecast future earnings on the

basis that the operations of the Company are inherently uncertain. Accordingly, any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection.

Consolidation of Capital

Unless otherwise stated, all references to securities of the Company as set out in this Prospectus are on the basis that the proposed Consolidation (on a one-for-ten basis) of the Company's capital (proposed for Shareholder approval at the general meeting of Shareholders to be held on or about 13 March 2014) has been implemented.

Foreign Jurisdictions

This Prospectus does not constitute an offer or invitation in any place in which, or to persons to whom, it would not be lawful to make an offer. Distribution of this Prospectus in jurisdictions outside Australia may be restricted by law, and persons who come into possession of this Prospectus should seek advice and observe any such restrictions. Failure to comply with such restrictions may constitute a violation of applicable securities laws.

Risk Factors

Potential investors should be aware that subscribing for Shares in the Company involves a number of risks. The key risk factors of which investors should be aware are set out in the Investment Overview and Section 3 of this Prospectus. These risks together with other general risks applicable to all investments in listed securities not specifically referred to, may affect the value of the Shares in the future. Accordingly, an investment in the

Company should be considered highly speculative. Investors should consider consulting their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

Forward Looking Statements

This Prospectus may contain forward looking statements or information. Forward-looking statements can be identified by the use of words such as 'may', 'should', 'will', 'expect', 'anticipate', 'believe', 'estimate', 'intend', 'scheduled' or 'continue' or similar expressions. Such statements and information are subject to risks and uncertainties and a number of assumptions, which may cause the actual results or events to differ materially from the expectations described in such forward looking statements or information. Whilst the Company considers the expectations reflected in any perceived forward looking statements or information in this Prospectus are reasonable, no assurance can be given that such expectations will prove to be correct. The risk factors outlined in Section 3 of this Prospectus, as well as other matters as not yet known to the Company or not currently considered material by the Company, may cause actual events to be materially different from those expressed, implied or projected in any perceived forward looking statements or information. Any forward looking statements or information contained in this Prospectus is qualified by this cautionary statement.

Website Address

The Prospectus can be downloaded from www.aoenergy.com.au.

Photographs and Diagrams

Items and undertakings depicted

in photographs and diagrams in this Prospectus are not assets of the Company, unless otherwise stated. Diagrams appearing in this Prospectus are illustrative only and may not be drawn to scale.

Definitions

Throughout this Prospectus abbreviations and defined terms are used. Abbreviations and legal and technical terms are contained in the Definitions in Section 10 of this Prospectus. Defined terms are generally identified by the uppercase first letter.

Conditions Precedent

The Offer made under this Prospectus and the issue of Shares pursuant to this Prospectus are subject to and conditional upon Shareholders passing all resolutions at the meeting to be held on or about 13 March 2014, the satisfaction of the conditions referred to in those resolutions and the satisfaction or waiver of the conditions precedent in the Share Purchase Agreement. If all resolutions are not passed, the conditions referred to in those resolutions are not satisfied or the conditions precedent in the Share Purchase Agreement are not satisfied or waived, this Offer will not proceed, no Shares will be allotted pursuant to this Prospectus and the Company will repay all money received from Applicants without interest.

Disclaimer

No person is authorised to give any information or to make any representation in connection with the Offer described in this Prospectus that is not contained in this Prospectus. Any information not so contained may not be relied upon as having been authorised by the Company or any other person in connection with the Offer. You should rely only on information in this Prospectus.

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Corporate Directory

Current Directors

Simon O'Loughlin - Non-Executive Chairman
(Non-Executive Director post Acquisition)
David Brookes - Non-Executive Director
(Non-Executive Chairman post Acquisition)
Donald Stephens - Non-Executive Director
(Non-Executive Director post Acquisition)
Graham Ascough – Non-Executive Director
(To resign post Acquisition)

Incoming Directors (to be appointed post Acquisition)

Michelle Fraser
(Managing Director post Acquisition)
Johnathon Matthews
(Non-Executive Director post Acquisition)
Colin Matthews
(Alternate Director for J Matthews post Acquisition)

Company Secretary

Donald Stephens

Registered Office

c/- HLB Mann Judd (SA) Pty Ltd
169 Fullarton Road
Dulwich SA 5065
Email: info@aoenergy.com.au
Website: www.aoenergy.com.au

Share Registrar

Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000
www.linkmarketservices.com.au

Solicitors to the Company

O'Loughlins Lawyers
Level 2, 99 Frome Street
Adelaide SA 5000

Independent Patent Attorney

Shelston IP
Level 21, 60 Margaret Street
Sydney NSW 2000

Investigating Accountant and Auditor

Ernst & Young
121 King William Street
Adelaide SA 5000

Lead Manager

Taylor Collison Limited
Level 16, 211 Victoria Square
Adelaide SA 5000

LETTER FROM THE CHAIRMAN

7 March 2014

Dear Investor,

On behalf of the Directors of AO Energy Limited (**AO Energy** or **the Company**), it is my pleasure to introduce this Prospectus to you. This Prospectus has been issued by AO Energy to enable the Company to re-comply with Chapters 1 and 2 of the ASX Listing Rules and for the offer of 12,000,000 new Shares at \$0.20 per Share to raise \$2,400,000 (up to a further 3,000,000 Shares at \$0.20 per Share may be accepted as oversubscriptions to raise up to a further \$600,000) (**Offer**).

AO Energy was incorporated on 12 March 1980 and has historically operated as a minerals exploration company with tenement interests in New South Wales and Queensland. However, as announced to ASX on 26 November 2013, the Company has now moved into an exciting new phase of its development by entering into a Share Purchase Agreement (**Share Purchase Agreement**) to acquire all of the issued shares in Reproductive Health Science Pty Ltd (**Reproductive Health Science**).

Reproductive Health Science holds an exclusive licence to a biotechnology patent family registered (or applied for) in Australia and overseas and has developed considerable know-how from over 10 years of research and development. Upon completion of the Acquisition, the Company's initial focus will be the further development of the Reproductive Health Science technology in readiness for clinical marketing in the IVF market.

The Reproductive Health Science business will be well capitalised following the minimum \$2.4 million equity raising comprising this Offer. Existing and new funds will be directed to accelerate growth by funding sales and marketing activities as well as continuing product and service development to seek market leadership.

The acquisition of Reproductive Health Science will result in a significant change to the nature and scale of the Company's activities and as such requires approval of its Shareholders under Chapter 11 of the ASX Listing Rules. The Company has convened a general meeting of its Shareholders to be held on or about 13 March 2014 to seek Shareholder approval for, amongst other approvals, the issue of shares to effect the acquisition of Reproductive Health Science, the change in nature and scale of the Company's activities, the Consolidation of the Company's Shares and Options and the change of Company name to Reproductive Health Science Limited.

Subject to the satisfaction or waiver of the conditions precedent in the Share Purchase Agreement (and completion of the Acquisition), shareholder approval and re-compliance with the ASX Listing Rules, the Company will own 100% of the shares in Reproductive Health Science. Further details of the Share Purchase Agreement are contained in Section 7.1 of this Prospectus.

The restructured AO Energy Board that will be in place post Acquisition has the necessary background to ensure there is focus on sound development of the Company's business targets whilst building shareholder wealth in the process. Further details on each of the Company's current and proposed directors are contained in the Investment Overview of this Prospectus.

The Directors believe that the decision to acquire Reproductive Health Science will deliver a significant opportunity to create increased value for current and future shareholders. The Board believe the main drivers of value from the Acquisition and capital raising are:

- More certain return to shareholder value creation, given the current state of the Australian share market with regard to junior exploration companies and continued low investor sentiment. In the current share market environment there is greater likelihood of restoring shareholder value by progressing the proposed acquisition of Reproductive Health Science than if the Company was simply to remain a junior mineral explorer listed on ASX.
- Increased liquidity in the securities of the Company.
- The Reproductive Health Science Acquisition provides current and future shareholders of the Company with exposure to an existing well managed business involved in the biotechnology industry.
- Exposure to the growing global IVF industry and the market of single cell genetic analysis.

It is very likely that the Company, once it has changed its name to Reproductive Health Science Limited, will move out of the mineral exploration business and focus on the biotechnology industry in which Reproductive Health Science has established a position as an innovator in single cell genetic analysis. Following a change in name to Reproductive Health Science Limited a process will begin that sees the Company actively but prudently divest its exploration interests. The Company will seek to maximize its position from the exit process, possibly via joint venture or outright sale should market conditions allow. This Prospectus, having been prepared on the basis that the Company will shortly divest these interests, does not therefore contain detailed reporting of those assets.

It is envisaged that following completion of the Acquisition, the Company will be focussed on launching its Embryo screening test in Australia and then in key international target markets, embedding itself as a product of choice in the IVF market.

The AO Energy Board believes the proposed acquisition and change of business post Acquisition are both very positive and in the best interests of current and future shareholders.

This Prospectus contains detailed information about AO Energy and its business, subject to the Acquisition succeeding, and includes an Independent Patent Attorney's Report. Please read this Prospectus carefully before you make a decision to invest and, where necessary, consult with your professional advisers.

Yours sincerely



SIMON O'LOUGHLIN
Non-Executive Chairman

Investment overview

IMPORTANT

The Shares offered by this Prospectus are of a speculative nature. Prospective investors should carefully consider the risk factors outlined in Section 3 of this Prospectus.

The information in this Section is a key points summary only and is not intended to provide comprehensive details of the Offer. Prospective investors should read the full text of this Prospectus and, if in any doubt, consult with their professional advisers before deciding whether to apply for Shares. The Shares offered under this Prospectus carry no guarantee in respect of return of capital, return on investment, payment of dividends or the future value of the Shares.

THE COMPANY

AO Energy was incorporated in March 1980 and has been listed on the Australian Securities Exchange (ASX Code: AOM) since 5 March 1987.

THE ACQUISITION

The Company has entered into a Share Purchase Agreement (**Share Purchase Agreement**) with the registered holders of the Reproductive Health Science shares (**Vendors**) in order to acquire 100% of the shares in Reproductive Health Science. Details of the Share Purchase Agreement are contained in Section 7.1 of this Prospectus.

Reproductive Health Science was incorporated on 17 November 1994 and holds the exclusive licence to a patent family for biotechnology technologies in Australia and overseas. Details of these patents and the Reproductive Health Science business are contained in Section 2 of this Prospectus.

Subject to the satisfaction or waiver of the conditions precedent in the Share Purchase Agreement and the passing of all of the resolutions at the general meeting of AO Energy's Shareholders on or about 13 March 2014, the Company will acquire all of the Reproductive Health Science Shares.

AO Energy intends to investigate options to divest its Australian exploration tenement interests post Acquisition. This Prospectus has been prepared on the basis that the Company will divest its exploration interests, and does not therefore contain a detailed discussion of those assets.

If the Acquisition proceeds:

- (a) AO Energy will acquire all of the Reproductive Health Science Shares and Reproductive Health Science will become a wholly owned subsidiary of AO Energy;
- (b) the Consideration Shares will be issued in consideration of the acquisition of the Reproductive Health Science Shares;
- (c) an existing board member of AO Energy (Graham Ascough) will be replaced with representatives of Reproductive Health Science (Michelle Fraser and Johnathon Matthews, with Colin Matthews as his alternate) whilst Simon O'Loughlin, David Brookes and Donald Stephens will remain as non-executive directors with David Brookes being appointed Chairman at Completion of the Acquisition; and
- (d) AO Energy will maintain its listing on ASX and change its name to Reproductive Health Science Ltd.

THE COMPANY'S OBJECTIVES

The Company's main objective, post Acquisition of Reproductive Health Science, is to commence commercial production of its Microarray product and sales and marketing of its combined Polymerase Chain Reaction (**PCR**) and Microarray kit with a particular focus on introducing these products into the global IVF market in order to create significant value for the Company's current and future shareholders. These products and their target market are further discussed in Section 2 of this Prospectus.

INVESTMENT HIGHLIGHTS

The main highlights of the proposed Acquisition and project development are as follows:

- Patented Microarray that will be launched during 2014.
- Licence with Boston and Cape Town based molecular biology company Kapa Biosystems Inc for multiple PCR kits that will be globally launched during 2014 with the aim of generating royalty payments for Reproductive Health Science.
- Over ten years of research and development and know-how on single cell analysis.
- Highly skilled scientific and commercial biotechnology team.

KEY RISKS

The business, assets and operations of the Company are subject to certain risk factors that have the potential to influence the operating and financial performance of the Company in the future. These risks can impact on the value of an investment in the securities of the Company.

The Board aims to manage these risks by carefully planning its activities and implementing risk control measures. Some of the risks are, however, highly unpredictable and the extent to which they can be effectively managed is limited.

Set out below are the key risks which the Directors consider are associated with an investment in the Company. Further risks associated with an investment in the Company are outlined in Section 3 of this Prospectus:

- **Technology/Research and Development Risk**

Biotechnology research and development is inherently associated with risk. Notwithstanding the experience, knowledge and careful evaluation a company brings to a biotechnology advance, there is no assurance that a commercially viable product will be developed. Even if identified, other factors such as technical difficulties, market conditions, adverse changes in government policy or legislation or lack of access to sufficient funding may mean that the product is not economically viable or may otherwise preclude the Company from successfully developing the market opportunity to its full potential.

- **Product Risk**

Reproductive Health Science has not commenced sales of its products. There is a risk that the sales of the product will be delayed or not meet forecast expectations, which would compromise the Company's anticipated revenues.

If the Company does not successfully manage the development, manufacturing, and launch of the Reproductive Health Science Microarray, its financial results could be adversely affected. If Reproductive Health Science is unable to increase its manufacturing capacity and develop and maintain operation of its manufacturing capability, it may not be able to launch or support its products in a timely manner, or at all. An inability to manage the growth or the expansion of Reproductive Health Science's operations could adversely affect its business, financial condition, or results of operations.

Clinical samples may not behave in exactly the same way as the Cell Lines used to validate the performance of the Reproductive Health Science test, which may impact the sensitivity and specificity of the test in a clinical setting.

- **Operating Experience and Reliance on Key Personnel Risk**

While its incoming Directors and management team have significant experience in the biotechnology industry, the Company has limited experience of launching a global product. If growth objectives are to be met, this will depend on the ability of the Directors and management to implement the current development strategies and to adapt, where necessary, to accommodate and manage any unforeseen difficulties. Initially, the Company will rely heavily on the experience of its existing management team and Directors and intends in the short term to secure the services of a team of experienced executives. There is no guarantee the Company will be successful in securing suitable additional executive management.

If the Company loses its key personnel or is unable to attract and retain additional personnel, it may be unable to achieve its goals. Loss of key personnel could also result in loss of some proprietary know-how.

- **Project Risk**

A limited amount of the content of the current Reproductive Health Science Microarray requires a licence for commercial use. This licence is currently under negotiation and will be finalised prior to commercial launch of the Microarray product. There is a risk that the terms of the licence will be commercially unviable. This will lead Reproductive Health Science to develop a small amount of replacement content for the Microarray product over a 6-12 month timeframe to allow the content requiring a licence to be replaced with content that does not require a licence.

- **Regulatory Risk**

Whilst regulatory approval is not needed currently, it is possible that changes in Government legislation will require the products to undergo regulatory approval in some or all territories, which may be an expensive and time-consuming process of uncertain outcome.

- **Competition Risk**

The industry in which Reproductive Health Science is involved is subject to domestic and global competition. Although the Company will undertake all reasonable due diligence in its business decisions and operations, the Company will have no influence or control over the activities or actions of its competitors, which activities or actions may, positively or negatively, affect the operating and financial performance of the Company's projects and business.

Price competitiveness brought about by increased competition may affect the selling margin of the Company's products and its profitability.

New market entrants or technology advances providing additional competitive single cell genetic analysis products and services may negatively impact on Reproductive Health Science's sales projections.

It is impossible to be certain that Reproductive Health Science's present approach is not being pursued elsewhere by parties unknown, either as their primary business focus or as a secondary approach.

THE OFFER

The Company is offering 12,000,000 Shares for subscription at an Offer Price of 20 cents per Share to raise \$2,400,000. Oversubscriptions of up to a further 3,000,000 Shares may be accepted to raise up to a further \$600,000. The Minimum Subscription is 12,000,000 Shares. The key information

relating to the Offer and references to further details are set out below.

INDICATIVE TIMETABLE FOR THE OFFER

Event	Date
Lodgement of this Prospectus with ASIC and ASX	7 March 2014
General Meeting of AO Energy Shareholders	13 March 2014
Suspension of trading in the Company's securities	13 March 2014
Opening Date of the Offer	17 March 2014
Expected Closing Date of the Offer	28 March 2014
Completion of Acquisition and issue of Shares under this Prospectus	4 April 2014
Expected Date for re-quotation of Shares on ASX	24 April 2014

The above dates are indicative only and may vary, subject to the requirements of the ASX Listing Rules and the Corporations Act.

KEY INFORMATION

Type of security being offered and its rights and liabilities

Fully paid ordinary shares in the capital of the Company ranking equally with existing Shares on issue.

Subscription of the Offer

\$2,400,000 (Minimum Subscription) with oversubscriptions up to a further \$600,000.

How to apply for Shares

Complete and return the Application Form together with payment in full for the quantity of Shares being applied for. Applications must also be for a minimum of 10,000 Shares and thereafter in multiples of 1,000 Shares.

Will the securities be listed?

Application for Official Quotation by ASX of the Shares issued pursuant to this Prospectus will be made within 7 days after the date of this Prospectus.

How will Shares be allocated?

The Directors will determine the allottees in their sole discretion.

Where will the Offer be made?

No action has been taken to register or qualify the Shares, or, otherwise permit a public offering of the Shares the subject of this Prospectus, in any jurisdiction outside Australia. Applicants who are resident in countries other than Australia should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed.

Broker commissions

The Company reserves the right to pay a commission on amounts subscribed through any licensed securities dealers or Australian financial services licensee and accepted by the Company.

CHES and Issuer Sponsorship

The Company participates in CHES, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHES will be issuer sponsored by the Company.

FURTHER DETAILS

Section 8.4

Section 1.2

Section 1 and
Application Form

Section 1.9

Section 1.7

Section 1.11

Section 1.8

Section 1.10

Who should I contact with queries?

Any questions concerning the Offer should be directed to the Company by telephone on (08) 8133 5000

PURPOSE OF THE OFFER

The purpose of the Offer is to facilitate an application by the Company for re-admission of the Company to the official list of the ASX and to raise at least \$2,400,000.

The Company is seeking to satisfy Chapters 1 and 2 of the ASX Listing Rules and to satisfy ASX requirements for re-listing following a change to the nature and scale of the Company's activities.

The Company aims to achieve the objectives set out above, the completion of the Acquisition of Reproductive Health Science and the development of the biotechnology business as described in this Prospectus.

CAPITAL STRUCTURE

Following completion of the Issue, the proposed issued capital structure of the Company on a post-Consolidation basis will be as set out in the table below (assuming that all resolutions are passed at the general meeting of Shareholders to be held on or about 13 March 2014 and the Acquisition is completed). References to 'Resolutions' in the table below are to the resolutions contained in the notice convening the above meeting, a copy of which notice is available on the Company's website.

	Shares	Options	Performance Rights
Current issued capital	142,176,609	30,841,046	3,600,000
Cancellation of Options and Performance Rights held by Former Directors in consideration for Shares (Resolution 3)	10,380,000	(29,050,000)	(3,600,000)
Issued to former Company secretary (Resolution 4)	475,833	Nil	Nil
Issued to Vendors (Resolution 6)	191,207,026	Nil	Nil
Issued to David Brookes (Resolution 7)	8,792,974	Nil	Nil
Total issued capital (pre Consolidation) on completion of the Acquisition assuming none of the current issued Options are exercised before completion of the Acquisition	353,032,442	1,791,046	Nil
Total issued capital (post Consolidation) assuming none of the current issued Options are exercised before the Consolidation (Resolution 8)	35,303,245	179,105	Nil
Issued pursuant to Capital Raising (Resolution 9)	15,000,000*	Nil	Nil
Issued to Taylor Collison Limited (Resolution 10)*	1,006,065*	Nil	Nil
Issued to current and proposed Directors (Resolutions 11 - 16)	Nil	5,700,000	Nil

	Shares	Options	Performance Rights
Total issued capital on reinstatement assuming none of the current issued Options are exercised before reinstatement*	51,309,310*	5,879,105	Nil

*Assumes that pursuant to Resolution 9, the maximum number of 15,000,000 Shares are issued. If the minimum number of 12,000,000 Shares are issued, the total issued capital on reinstatement (assuming none of the current issued Options are exercised before reinstatement) will be 48,249,310 Shares (instead of 51,309,310 Shares) and including 946,065 Shares issued to Taylor Collison Limited (instead of 1,006,065 Shares).

As at the date of this Prospectus, AO Energy has 2,841,046 vested Options on issue which have not been exercised at the date of this Prospectus, together with 28,000,000 Options which have not vested and therefore are not able to be exercised. The details of Options on issue are:

Expiry Date	Exercise Price	Balance pre-Consolidation
20.9.16	\$0.201	1,791,046 (vested)
11.2.16	\$0.225	1,050,000 (vested)*
Total vested		2,841,046
11.2.16	\$0.225	9,500,000 (not vested)*
11.2.17	\$0.30	18,500,000 (not vested)*
Total not vested		28,000,000

Note: The above table includes the Options (indicated with an asterisk) to be cancelled pursuant to the Settlement Deed referred to in Section 7.2, subject to obtaining any necessary Shareholder approval.

Following a Consolidation of capital of the Company, subject to approval of the Shareholders at the meeting to be held on or about 13 March 2014, the Options on issue will be consolidated, and the exercise price of the Options amended, as follows (subject to adjustment for fractional calculations):

Existing Options and expiry date	Existing number of Options on issue	Existing exercise price	Number of Options on issue after Consolidation	Exercise price of Options after Consolidation
Options (expiry 20/9/2016)	1,791,046	\$0.201	179,105	\$2.01

As at the date of this Prospectus, AO Energy has 3,600,000 Performance Rights on issue, all of which Performance Rights are to be cancelled pursuant to the Settlement Deed referred to in Section 7.2 of this Prospectus, subject to obtaining the approval of the Shareholders at the meeting to be held on or about 13 March 2014.

Rights attaching to the Shares are summarised in Section 8.4 of this Prospectus. Terms and conditions of the Options and Performance Rights are summarised in Section 8.5 of this Prospectus.

SUBSTANTIAL SHAREHOLDERS

Those Shareholders holding 5% or more of the Shares on issue at the date of this Prospectus on a pre-Consolidation basis are:

Shareholder	Shares	%
Hillboi Nominees Pty Ltd	11,500,000	8.09%
Perth Investment Corporation Ltd	8,900,000	6.26%

The Company will announce to the ASX details of its top-20 Shareholders (following completion of the Offer) prior to the Shares commencing trading on ASX.

USE OF FUNDS

The proposed application of funds over two calendar years from the date on which the Shares allotted under this Prospectus are quoted on the ASX is as follows:

1. MINIMUM SUBSCRIPTION

Use of Funds (A\$)	Notes	Funds Available Post Acquisition	Year 1 Spend	Year 2 Spend	Total Spend
Pre-offer Cash	1	762,185			
Total Funds Raised Under The Offer		2,400,000			
Total Funds Available		3,162,185			
Expenses of the Offer	3	(279,299)	-	-	(279,299)
Administration			(401,046)	(434,994)	(836,040)
Development					
Expenditure and Working Capital	2 & 4		(1,216,211)	(198,639)	(1,414,850)
Total Funds Applied		2,882,886	(1,617,257)	(633,633)	(2,530,189)

Notes:

1. Represents cash on hand at 31 December 2013 (actual cash levels at the date of Completion of the Acquisition will likely differ from the above).
2. The use of development expenditure and working capital is more fully described in Section 2 of this Prospectus.
3. Refer to a breakdown of the expenses of the Offer in the Investment Overview below.
4. Development expenditure and working capital is listed net of forecasted royalties and represents the net working capital drawdown in the first two years of operation. Unallocated working capital will be conserved to allow for further product improvements in addition to the internal development or securing of new and complementary technologies once the initial products are launched.

2. MAXIMUM SUBSCRIPTION

Use of Funds (A\$)	Notes	Funds Available Post Acquisition	Year 1 Spend	Year 2 Spend	Total Spend
Pre-offer Cash	1	762,185			
Total Funds Raised Under The Offer		3,000,000			
Total Funds Available		3,762,185			
Expenses of the Offer	3	(316,247)	-	-	(316,247)
Administration			(401,046)	(434,994)	(836,040)
Development					
Expenditure and Working Capital	2 & 4		(1,216,211)	(198,639)	(1,414,850)
Total Funds Applied		3,445,938	(1,617,257)	(633,633)	(2,567,137)

Notes:

1. Represents cash on hand at 31 December 2013 (actual cash levels at the date of Completion of the Acquisition will likely differ from the above).
2. The use of development expenditure and working capital is more fully described in Section 2 of this Prospectus.
3. Refer to a breakdown of the expenses of the Offer in the Investment Overview below.
4. Development expenditure and working capital is listed net of forecasted royalties and represents the net working capital drawdown in the first two years of operation. Unallocated working capital will be conserved to allow for further product improvements in addition to the internal development or securing of new and complementary technologies once the initial products are launched. Additional funds made available from the maximum subscription may be used to prepare the product for regulatory approval.

EXPENSES OF THE OFFER

The estimated expenses (exclusive of GST) connected with the Offer which are payable by the Company, based on the Minimum Subscription and Maximum Subscription amounts of \$2,400,000 and \$3,000,000 respectively, are as follows:

Expense Item	Minimum Subscription (A\$)	Maximum Subscription (A\$)
Independent Limited Assurance Report	11,227	11,227
Legal Expenses	50,000	50,000
Independent Patent Attorney's Report	3,500	3,500
ASX and ASIC fees	10,572	11,520
Lead Manager Fees	174,000	210,000
Printing, marketing and distribution	30,000	30,000
Total	279,299	316,247

The above tables together with the business development program outlined in Section 2 of this Prospectus are statements of current intentions at the date of the lodgement of this Prospectus with ASIC. As with any budget, intervening events (including market success or failure) and new circumstances have the potential to affect the ultimate way funds will be applied. The Board reserves the right to alter the way funds are applied in these circumstances.

The Directors are satisfied that, upon completion of the Issue, the Company will have sufficient funds to meet its stated objectives for a period of at least two years.

DIRECTORS AND KEY PERSONNEL

The Company is currently managed by an energetic Board and management team possessing a broad range of technical, commercial and financial skills with significant experience in the mineral exploration industry. Profiles of the current directors are as follows:

CURRENT DIRECTORS

Simon O'Loughlin (BA (Acc))

Non-Executive Chairman

(Non-Executive Director post Acquisition)

Mr O'Loughlin is the founding member of O'Loughlins Lawyers, an Adelaide based medium sized specialist commercial law firm. He has obtained extensive experience in the corporate and commercial law fields while practising in Sydney and Adelaide. Mr O'Loughlin also holds accounting

qualifications. More recently, he has been focusing on the resources sector. He is currently chairman of Kibaran Resources Ltd and Lawson Gold Ltd, and a non-executive director of Goldminex Ltd, Petratherm Ltd, Chesser Resources Ltd and WCP Resources Ltd. In the last three years he has also been a director of World Titanium Resources Ltd, Bioxyne Ltd, Avenue Resources Ltd, Oncosil Ltd, Aura Energy Ltd and Wolf Petroleum Ltd.

Mr O'Loughlin has extensive experience and involvement with companies in the small industrial and resources sectors. He has also been involved in the listing and back-door listing of numerous companies on the ASX and National Stock Exchanges. He is a former Chairman of the Taxation Institute of Australia (SA Division) and Save the Children Fund (SA Division).

Dr David Brookes (MBBS:FACRRM; FAICD)

Non-Executive Director

(Non-Executive Chairman post Acquisition)

Dr Brookes works as a medical practitioner and biotechnology consultant. His involvement in the biotechnology sector began in the late 1990's as an analyst. He is currently an independent director of ASX listed Atcor Medical Holdings Ltd and is a Fellow of the Australian Institute of Company Directors.

Dr Brookes was formerly an independent director of Living Cell Technologies Ltd (ASX listed) from August 2007 until November 2010 and Chairperson during 2009 and 2010. He was Chairman-Director of Innovance Ltd (NSX listed) from 2006 until 2010.

Dr Brookes graduated from Adelaide University in 1983 and is a Fellow of the Australian College of Rural and Remote Medicine; he also has a Diploma from the Royal Australian College of Obstetricians and Gynaecologists.

Donald Stephens (BA (Acc), FCA)

Non-Executive Director/Company Secretary

(Non-Executive Director/Company Secretary post Acquisition)

Mr Stephens is a chartered accountant and corporate adviser with over 25 years' experience in the accounting industry, including 14 years as a partner of HLB Mann Judd, a firm of chartered accountants. He is non-executive director of Mithril Resources Ltd, Papyrus Australia Ltd and Lawson Gold Ltd and currently holds a number of company secretarial positions with listed public companies including Mithril Resources Ltd, Petratherm Ltd and Minotaur Exploration Ltd. In the last three years he has also been a director of TWH Holdings Ltd.

Graham Ascough (BSc, PGeo)

Non-Executive Director

(Will resign post Acquisition)

Mr Ascough is a senior resources executive with more than 24 years of industry experience evaluating mineral projects and resources in Australia and overseas. He has had broad industry involvement ranging from playing a leading role in setting the strategic direction for significant country-wide exploration programmes to working directly with mining and exploration companies.

Mr Ascough is a geophysicist by training and was the Managing Director of Mithril Resources Limited from October 2006 until June 2012. Prior to joining Mithril in 2006, Mr Ascough was the Australian Manager of Nickel and PGM Exploration at the major Canadian resources house, Falconbridge Ltd (acquired by Xstrata Plc in 2006).

Mr Ascough is chairman of ASX listed Musgrave Minerals Ltd, Mithril Resources Ltd, Phoenix Copper Ltd and Avalon Resources Ltd. He is a member of the Australian Institute of Mining and Metallurgy and is a Professional Geoscientist of Ontario, Canada. In the last three years he has also been a director of Agua Resources Ltd.

PROPOSED DIRECTORS TO BE ELECTED POST ACQUISITION

Profiles of the proposed new directors to be appointed post Acquisition are as follows:

Dr Michelle Fraser PhD, Grad Dip Sci Tech Comm – Current Chief Executive Officer of Reproductive Health Science

(Proposed as Managing Director of the Company post Acquisition)

Dr Fraser joined Reproductive Health Science as the inaugural chief executive officer in September 2007 and became a member of the Reproductive Health Science Board in May 2012. In this role, she has been responsible for key achievements including securing venture capital investment and leveraging State and Commonwealth Government Grants, in-licensing and out-licensing activities, intellectual property management and building the Reproductive Health Science commercial and clinical network.

Dr Fraser was previously a Business Development Manager at Bio Innovation SA where she provided commercialisation advice and assistance to bioscience companies, universities, research institutes and teaching and research hospitals. Dr Fraser was also part of the Bio Innovation SA team involved in the establishment of venture capital fund Terra Rossa Capital. Dr Fraser has previously been the chief executive officer for two biotechnology start-up companies; Viswa Biotechnology Pty Ltd and BenEphex Biotechnologies Pty Ltd.

Dr Fraser has a PhD in molecular biology and a Graduate Diploma of Science and Technology Commercialisation, both from the University of Adelaide. Dr Fraser has graduated from the Australian Institute of Company Directors.

Mr Johnathon Matthews BEc, B Comm, LLB

(Proposed as Non-executive Director of the Company post Acquisition)

Mr Matthews has six years' experience in the IVF industry as executive director of The Pipette Company Pty Ltd (TPC), an Adelaide based specialist manufacturer and supplier of high quality micropipettes used in IVF procedures. He has actively contributed to developing and managing TPC's growth with its products being supplied to hospitals and IVF clinics in over 40 countries worldwide.

Prior to joining TPC, Mr Matthews has worked at the Australian Treasury on microeconomic policy reform, the ASX where he was responsible for the ASX's relationship with over 100 listed companies, and at the Commonwealth Bank as a corporate analyst in the institutional banking division.

Mr Matthews holds a Bachelor of Economics, a Bachelor of Commerce and a Bachelor of Laws from The University of Adelaide and has completed postgraduate diplomas in Applied Finance & Investment and Legal Practice.

Emeritus Professor Colin Matthews AO – Current Non-Executive Director of Reproductive Health Science

(Proposed as Non-executive Director (alternate for Johnathon Matthews) of the Company post Acquisition)

Dr Matthews has been a director of Reproductive Health Science since 2004. He is a founding director of The Pipette Company Pty Ltd, currently a director of Flinders Reproductive Medicine Pty Ltd and chair of the Channel 7 Children's Research Committee South Australia and Board Member of Channel 7 Children's Research Foundation South Australia.

Dr Matthews was previously a founding director of Repromed Pty Ltd, a University owned Adelaide-based IVF clinic.

Dr Matthews is a Distinguished Alumni of The University of Adelaide, a Life Member of The Fertility Society of Australia and of The European Society of Human Reproduction and Embryology and was

appointed an Officer of the Order of Australia in 2013 for services to reproductive medicine.

DISCLOSURE OF INTERESTS

Each Director is entitled to such remuneration from the Company as the Directors decide, but the total amount provided to all non-executive directors must not exceed in aggregate the amount fixed by the Company in a general meeting. The aggregate remuneration for all non-executive Directors is currently \$500,000 per annum.

For the financial year ending 31 December 2014, it is expected that AO Energy Directors' remuneration (including superannuation) will be as follows:

Director	Remuneration
Simon O'Loughlin	\$35,000
David Brookes	\$60,000
Donald Stephens	\$30,000
Graham Ascough*	\$30,000
Johnathon Matthews**	\$35,000
Michelle Fraser**	\$191,188***
Colin Matthews (alt)**	N/A

*Mr Ascough intends to resign as a Director of the Company post Acquisition.

** Proposed Directors to be appointed post Acquisition.

***Refer summary of Executive Services Agreement in the Investment Overview Section of this Prospectus.

The Company has agreed to pay the proposed Director, Dr Michelle Fraser \$191,187.50 per annum (inclusive of superannuation) when she commences in the position as Managing Director of Reproductive Health Science in 2014 (in addition to the Options set out in the table below). The key terms of Dr Fraser's employment agreement are summarised overleaf in this Investment Overview.

The remuneration of the directors of AO Energy as outlined above is current as at the date of this Prospectus, but is subject to adjustment in the ordinary course of business. All Directors are entitled to be paid all travelling and other expenses properly incurred by them in attending, participating in and returning from meetings of the Directors or any committee of the Directors or general meetings of the Company or otherwise in connection with the Company's business.

Mr Simon O'Loughlin is a Partner of O'Loughlins Lawyers which has acted as the solicitors to the Company in relation to the Offer. Details of the amounts paid to O'Loughlins Lawyers are set out in Section 8.8 of this Prospectus.

The Company maintains Directors' and Officers' Liability Insurance on behalf of the Directors and officers of the Company.

The direct and indirect interests of the current AO Energy Directors in the securities of the Company as at the date of this Prospectus are as follows:

Current AO Energy Director	Shares		Options	
	Direct	Indirect	Direct	Indirect
Simon O'Loughlin	1,865,294	1,254,963	Nil	Nil
David Brookes	Nil	1,650,000	Nil	Nil
Donald Stephens	Nil	501,987	Nil	Nil
Graham Ascough	Nil	752,978	Nil	Nil
Total	1,865,294	4,159,928	-	-

The Proposed Directors of the Company do not hold any direct or indirect interests in the securities of the Company as at the date of this Prospectus.

Assuming all resolutions are passed at the general meeting of Shareholders to be held on or about 13 March 2014 and that the Acquisition is completed:

- (a) The direct and indirect interests (post-Consolidation) of the current AO Energy Directors in the securities of the Company will be as follows:

Current AO Energy Director	Shares		Options*	
	Direct	Indirect	Direct	Indirect
Simon O'Loughlin	186,530	125,497	Nil	750,000
David Brookes**	Nil	165,000	Nil	750,000
Donald Stephens	Nil	50,199	Nil	600,000
Graham Ascough	Nil	75,298	Nil	300,000
Total	186,530	415,994	-	2,400,000

* The terms and conditions of these Options are set out in Section 8.5(d) of this Prospectus.

** If the said resolutions are passed, the Company will also issue 8,792,974 Shares (pre-Consolidation) to Dr Brookes (or his nominee), which are not reflected in the table above.

- (b) The direct and indirect interests (post-Consolidation) of the Proposed Directors in the securities of the Company will be as follows:

Proposed AO Energy Director	Shares		Options*	
	Direct	Indirect	Direct	Indirect
Dr Michelle Fraser**	Nil	Nil	Nil	2,700,000
Johnathon Matthews***	Nil	Nil	600,000	Nil
Dr Colin Matthews (alt)***	Nil	Nil	Nil	Nil
Total	-	-	600,000	2,700,000

* The terms and conditions of these Options are set out in Sections 8.5(d) and 8.5(e) of this Prospectus.

**If the above resolutions are passed, the Company will issue 3,517,190 pre-Consolidation Consideration Shares to Dr Fraser (or her nominee), which are not reflected in the table above.

***If the above resolutions are passed, the Company will issue pre-Consolidation Consideration Shares to the Acorn Trust as one of the Vendors. Mr Matthews and Dr Matthews are trustees of this discretionary trust, and will therefore have an interest in all of the Consideration Shares issued to it. Mr Matthews' and Dr Matthews' indirect interest in these shares is not reflected in the table above.

AGREEMENTS WITH DIRECTORS OR RELATED PARTIES

The Company's policy in respect of related party arrangements is:

- a Director with a material personal interest in a matter is required to give notice to the other Directors before such a matter is considered by the Board; and
- for the Board to consider such a matter, the Director who has a material personal interest is not present while the matter is being considered at the meeting and does not vote on the matter.

Executive Service Agreement – Dr Michelle Fraser

The Company and Dr Michelle Fraser entered into an Executive Service Agreement (**Agreement**) on 19 December 2013.

By the Agreement, the Company agrees to employ Dr Fraser as Managing Director of the Company for a period of two years commencing on Completion of the Acquisition.

The Company will pay Dr Fraser an annual salary (inclusive of statutory superannuation payment) of \$191,187.50. Dr Fraser will receive an annual performance review around 30 June of each year.

Dr Fraser will be eligible to receive 2,700,000 Options each to acquire one Share in the Company with an exercise period expiry date of 31 December 2016 and at the following exercise prices:

- (a) as to 900,000 Options, \$0.25;
- (b) as to 900,000 Options, \$0.30; and
- (c) as to 900,000 Options, \$0.35.

(See Section 8.5(e) of this Prospectus for a summary of the terms and conditions of these Options).

The Company will reimburse travel and other expenses properly incurred by Dr Fraser in or about its business.

The Company may terminate Dr Fraser's employment summarily because of, among other things, serious or wilful misconduct, serious or persistent breach of the Agreement or failure to carry out the duties described in the Agreement in a competent and satisfactory manner.

Either party may terminate the Agreement on three months' notice to the other, and the Company may, subject to obtaining shareholder approval if required, pay to Dr Fraser three months' remuneration in lieu of notice. If the Agreement is terminated within the first 12 months by Dr Fraser without cause, or by the Company for breach by Dr Fraser, the Board may in its discretion cancel the Options granted pursuant to the Agreement which have not then been exercised.

Indemnity, Insurance and Access Deeds

The Company has entered into an Indemnity, Insurance and Access Deed with each current Director (and expects to enter into an Indemnity, Insurance and Access Deed on the same or substantially similar terms with each Proposed Director at the time of their appointment). Pursuant to the Deed the Director is indemnified by the Company against any liability incurred in their capacity as an officer of the Company to the maximum extent permitted by law subject to certain exclusions.

The Company must keep a complete set of company documents until the later of the date which is seven years after the Director ceases to be an officer of the Company and the date after a final judgment or order has been made in relation to any hearing, conference, dispute, enquiry or investigation in which the Director is involved as a party, witness or otherwise because the Director is or was an officer of the Company (**Relevant Proceedings**).

The Director has the right to inspect and/or copy a company document in connection with Relevant Proceedings during the period referred to above.

The Company must maintain an insurance policy insuring the Director against liability as a director and officer of the Company while the Director is an officer of the Company and until the later of the date which is seven years after the Director ceases to be an officer of the Company and the date any Relevant Proceedings commenced before the date referred to above have been finally resolved.

The Company may cease to maintain the insurance policy if the Company reasonably determines that the type of coverage is no longer available.

CORPORATE GOVERNANCE

To the extent applicable, in light of the Company's size and nature, the Company has adopted The Corporate Governance Principles and Recommendations (2nd Edition) as published by ASX Corporate Governance Council (**Recommendations**).

The Company's main corporate governance policies and practices as at the date of this Prospectus and the Company's compliance and departures from the Recommendations are set out in Section 8.2 of this Prospectus.

In addition, the Company's full Corporate Governance Plan is available from the Company's website www.aoenergy.com.au).

TAXATION

The Australian taxation consequences of any investment in Shares will depend upon an investor's particular circumstances. It is an obligation of investors to make their own enquiries concerning the taxation consequences of an investment in the Company. If you are in doubt as to the course of action you should take, you should consult your professional advisers.

DIVIDEND POLICY

The Company does not yet have a dividend policy. The Company has no immediate intention to declare or distribute dividends. Payment of future dividends will depend upon the future profitability and financial position of the Company.

RESTRICTED SECURITIES

Under the Share Purchase Agreement, the Vendors agreed to execute, or will cause their nominees to execute, an escrow deed for the Shares to be issued to them for:

- a period of 12 calendar months after the completion date under the Share Purchase Agreement; or
- such longer period imposed by ASX under the ASX Listing Rules.

The Company will announce to the ASX full details (quantity and duration) for the Shares required to be held in escrow prior to the Shares commencing trading on ASX.

“ Quintessentially, a screening test is rapid, and sufficiently low cost for application to all patients to prioritise embryos for transfer. ”

Handyside A H, Fertility and Sterility 2013



Section 1: Details of the Offer

1.1 Introduction

The information set out in this Section is not comprehensive and should be read together with the other information in this Prospectus.

1.2 The Offer and Subscription

The Company is offering 12,000,000 Shares for subscription at an Offer Price of 20 cents per Share to raise \$2,400,000. Oversubscriptions of up to a further 3,000,000 Shares may be accepted to raise up to a further \$600,000. The Minimum Subscription is 12,000,000 Shares.

All Shares issued pursuant to this Prospectus will be issued as fully paid ordinary shares and will rank equally in all respects with the Shares already on issue. The rights attaching to the Shares are summarised in Section 8.4 of this Prospectus.

If the Minimum Subscription for the Offer is not achieved within four months after the date of this Prospectus, the Company will repay all money received from Applicants, without interest.

1.3 Offer Period

The Offer will open on the Opening Date and will remain open until 4.30 pm (CST) on the Closing Date. The Company reserves the right to either open or close the Offer at an earlier time or date or to extend the time or date without prior notice. Applicants are encouraged to submit their Applications as early as possible.

1.4 Conditions Precedent

The Company has convened a general meeting of its Shareholders to be held on or about 13 March 2014 to seek Shareholder approval for, amongst other approvals, the issue of shares to effect the acquisition of Reproductive Health Science, the change in nature and scale of the Company's activities, the Consolidation of the Company's Shares and Options, and the change of Company name to Reproductive Health Science Limited. A copy of the notice of meeting is available on the Company's website.

The Offer made under this Prospectus and the issue of Shares pursuant to this Prospectus are subject to and conditional upon Shareholders passing all resolutions at the meeting to be held on or about 13 March 2014, the satisfaction of the conditions referred to in those resolutions and the satisfaction or waiver of the conditions precedent in the Share Purchase Agreement. If all resolutions are not passed, the conditions referred to in those resolutions are not satisfied or the conditions precedent in the Share Purchase Agreement are not satisfied or waived, this Offer will not proceed, no Shares will be allotted pursuant to this Prospectus and the Company will repay all money received from Applicants without interest.

1.5 Exposure Period

In accordance with Chapter 6D of the Corporations Act this Prospectus is subject to an Exposure Period of seven days from the date of lodgement with ASIC. 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. If this Prospectus is found to be deficient, Applications received during the Exposure Period will be dealt with in accordance with section 724 of the Corporations Act. Applications received prior to the expiration of the Exposure Period will not be processed until after the Exposure Period.

1.6 How to Apply

Applications must be for a minimum of 10,000 Shares (\$2,000) and thereafter in multiples of 1,000 Shares (\$200) and can only be made by completing the Application Form attached to this Prospectus. The Company reserves the right to reject any Application or to allocate any investor fewer Shares than the number for which the Applicant has applied.

Applications under the Offer may be made, and will only be accepted, in one of the following forms:

- on the relevant Application Form accompanying this Prospectus; or
- on a paper copy of the relevant electronic Application Form which accompanies the electronic version of this Prospectus, both of which can be found at and can be downloaded from www.aoenergy.com.au.

Application Forms must be accompanied by a personal cheque or a bank draft, payable in Australian dollars, for an amount equal to the number of Shares for which you wish to apply multiplied by the Application Price of 20 cents per Share. Cheques or bank drafts should be made payable to 'AO Energy Limited Application Account' and crossed 'Not Negotiable'. No brokerage or stamp duty is payable by Applicants. The amount payable on Application will not vary during the period of the Offer.

Applicants should ensure that cleared funds are available at the time the Application is lodged, as dishonoured cheques will result in the Application being rejected. Application monies will be held in trust in a subscription account established and controlled by the Company until allotment has taken place.

Completed Application Forms should be mailed or delivered to:

Mailing Address

AO Energy Limited Share Issue
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235

Hand Delivery

AO Energy Limited Share Issue
C/- Link Market Services Limited
1A Homebush Bay Drive
Rhodes NSW 2138

(do not use this address for mailing purposes)

Application Forms must be received by the Share Registrar no later than 4.30 pm (CST) on the Closing Date.

Detailed instructions on how to complete paper Application Forms are set out on the reverse of those forms. You are not required to sign the Application Form. The Company reserves the right to reject any Application (including where an Application Form has not been correctly completed) or allocate any person fewer Shares than that person applied for, or vary the dates and times of the Offer without prior notice and independently of other parts of the Offer. Where Applications are rejected or fewer Shares are allotted than applied for, surplus Application Money will be refunded. No interest will be paid on any Application Money refunded.

An Application may not be withdrawn after lodgement unless the Applicant is permitted to withdraw the Application in accordance with the Corporations Act.

1.7 Allocation and Allotment of Shares

Subject to ASX granting approval for quotation of the Shares, the allotment of Shares will occur as soon as practicable after the Offer closes. All Shares issued pursuant to the Offer will rank *pari passu* in all respects with the existing Shares of the Company. Holding statements will be dispatched as required by ASX. It is the responsibility of Applicants to determine their allocation prior to trading in

Shares.

The Directors reserve the right to reject any Application or to allot a lesser number of Shares than subscribed for in an Application Form. If the number of Shares allocated is less than that applied for, or no allotment is made, the surplus Application Monies will be promptly refunded without interest.

1.8 Brokerage and Handling Fees

Brokerage and/or handling fees on Applications may be payable by the Company to member firms of ASX or licensed investment advisers on such Application Forms bearing their stamp and accepted by the Company.

1.9 Stock Exchange Listing

Application will be made to ASX within seven days after the date of this Prospectus for Quotation of the Shares issued pursuant to this Prospectus. If approval for Quotation of the Shares is not granted within three months after the date of this Prospectus, the Company will not allot or issue any Shares pursuant to the Offer and will repay all Application Money without interest as soon as practicable.

1.10 Clearing House Sub-Register Systems CHESS and Issuer Sponsorship

The Company participates in the Clearing House Electronic Subregister System (**CHESS**), operated by ASX Settlement Pty Limited, a wholly owned subsidiary of ASX, in accordance with the Listing Rules and ASX Settlement Operating Rules.

Under this system, the Company will not issue certificates to investors in relation to their Shares. Instead, Shareholders will receive a statement of their shareholdings in the Company.

If an investor is broker sponsored, ASX Settlement Pty Limited will send them CHESS statements. The CHESS statements will set out the number of Shares allotted to each investor under this Prospectus, give details of the Shareholder's holder identification number (**HIN**) and give the participant identification number of the sponsor.

Alternatively, if an investor is registered on the issuer sponsored sub register, the statements will be dispatched by the Share Registrar and will contain the number of Shares allotted under this Prospectus and the Shareholder's security holder reference number (**SRN**).

A CHESS statement or issuer sponsored statement will routinely be sent to Shareholders at the end of any calendar month during which the balance of their holding changes. A Shareholder may request a statement at any other time, however a charge may be made for additional statements.

1.11 Overseas Investors

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. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. Lodgement of a duly completed Application Form will be taken by the Company as to constitute a representation that there has been no breach of such laws.

No action has been taken to register or qualify the Shares, or the Offer, or otherwise to permit a public offering of the Shares, in any jurisdiction outside Australia.

The Offer pursuant to the paper form or electronic Prospectus is only available to persons receiving this Prospectus within Australia.

1.12 Privacy Act

The Company collects information about each Applicant from the Application Form for the purposes of processing the Application and, if the Application is successful, to administer the Applicant's

shareholding in the Company.

By submitting an Application Form, each Applicant agrees that the Company may use the information in the Application Form for the purposes set out in this Prospectus and may disclose it for those purposes to the Share Registrar, the Company's related bodies corporate, agents, contractors and third party service providers (including mailing houses), ASX, ASIC and other regulatory authorities.

If an Applicant becomes a Shareholder of the Company, the Corporations Act requires the Company to include information about the Shareholder (name, address and details of the Shares held) in its public registers. This information must remain in the registers even if that person ceases to be a Shareholder of the Company. Information contained in the Company's registers is also used to facilitate distribution payments and corporate communications (including the Company's financial results, annual reports and other information that the Company may wish to communicate to its Shareholders) and compliance by the Company with legal and regulatory requirements. Successful Applicants may request access to their personal information held by (or on behalf of) the Company by telephoning or writing to the Company Secretary.

If you do not provide the information required on the Application Form, the Company may not be able to accept or process your Application.

1.13 No Underwriting

The Offer is not underwritten.

1.14 Investor Enquiries

This document is important and should be read in its entirety. Persons in doubt as to the course of action to be followed should consult their stockbroker, solicitor, accountant or other professional adviser without delay.

Additional copies of this Prospectus can be obtained from the Share Registrar by telephone on 1300 554 474.

Questions relating to the Offer or further advice on how to complete the Application Form can be directed to the Company by telephone on (08) 8133 5000.



“For PGS and 24-chromosome copy number analysis, if the aim is simply to improve IVF rates and reduce miscarriage rates, (a non-invasive) test with moderate accuracy may be effective.”

Comments Handyside A H, Fertility and Sterility

2013

Section 2: Overview of the Company, the Acquisition and the Reproductive Health Science Business

2.1 Introduction

AO Energy was incorporated in March 1980 and has been listed on the ASX since 5 March 1987.

The Company has historically operated as a minerals exploration company with mineral exploration tenement interests in New South Wales and Queensland. As announced to ASX on 26 November 2013, the Company has entered into a binding agreement to acquire all of the shares in Reproductive Health Science Pty Ltd (ACN 067 210 922) (Reproductive Health Science), subject to waiver or satisfaction of certain conditions precedent, details of which are set out in Section 7.1 of this Prospectus.

Refer to the Investment Overview and Section 7.1 of this Prospectus for details of the Acquisition.

2.2 Company Overview

(a) Reproductive Health Science Business

Company Overview

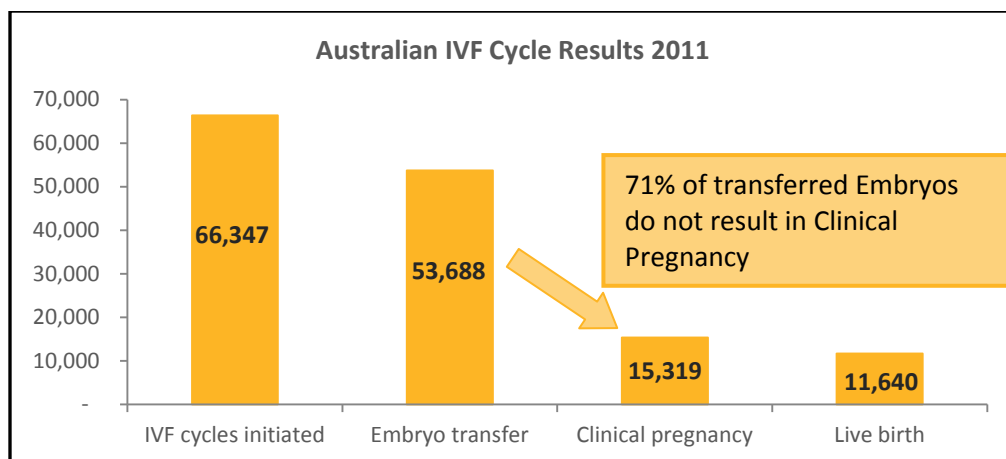
Reproductive Health Science is a developer of sophisticated novel molecular tools for amplifying DNA (deoxyribonucleic acid) and determining the genetic contents of a single cell. Reproductive Health Science was founded to develop patented technology for single cell chromosome analysis that originated from the Department of Obstetrics and Gynaecology at The University of Adelaide.

Reproductive Health Science was originally incorporated as NCPGG Pty Ltd in 1994. In 2003 the company changed its name to Reproductive Health Science Pty Ltd and in early 2004 it commenced its current operations. To date, the company has been funded through a combination of angel and venture capital investment and State and Federal Government grants, totalling \$5.7M.

Market Overview – Pre-implantation Genetic Screening (PGS)

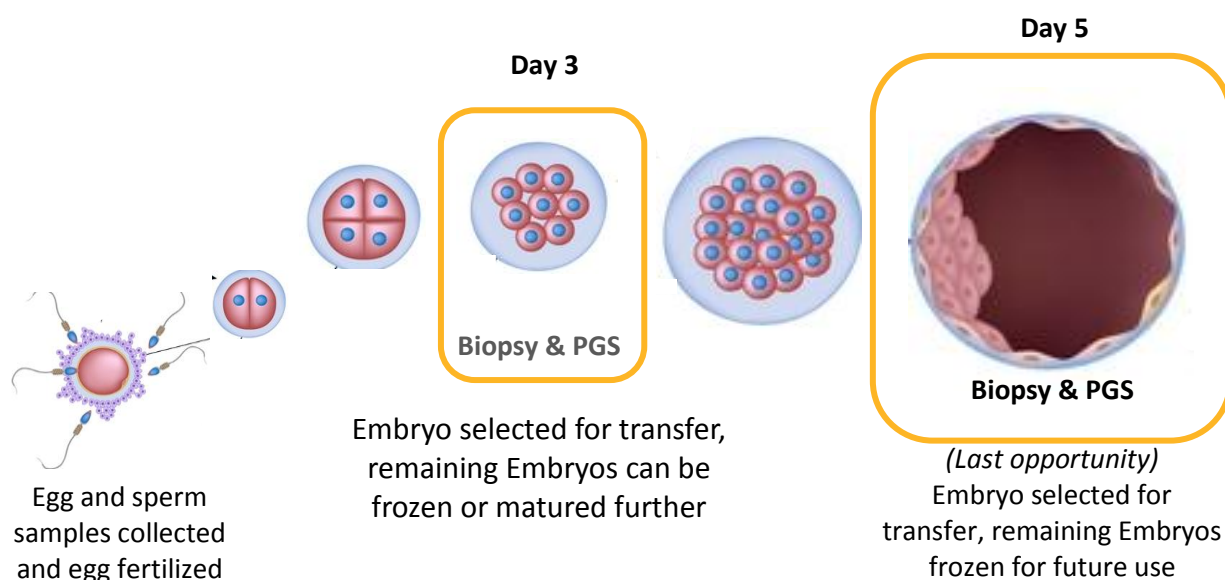
The initial target of the Reproductive Health Science technology is the IVF market. Currently there are approximately 1.7 million IVF cycles globally per annum and the IVF market is forecast to grow globally by roughly 10% per annum, driven primarily by increased global accessibility and increasing average maternal age.

According to the 2011 Australian and New Zealand data on Assisted Reproductive Technologies, less than 20% of all IVF cycles in Australia and New Zealand result in a baby being born. The primary reason for IVF failure is considered to be Aneuploidy. A recent study showed that 96% of Aneuploid Embryos failed to implant. IVF failure causes emotional trauma to patients and has a significant adverse financial impact on patients, insurers and Governments.



Source: Macaldowie A, Wang YA, Chambers GM & Sullivan EA 2013. Assisted reproductive technology in Australia and New Zealand 2011.

One of the most recent significant advances to improve IVF success rates has been the introduction of advanced Pre-implantation Genetic Screening (**PGS**) in which Embryos are screened to ensure that no Aneuploidy is present before Embryo Transfer. Reproductive Health Science's initial product is a kit anticipated to offer improvements over currently available PGS products.



Process for obtaining cells for analysis

Currently PGS is at an early stage of market adoption, used in only about 3% of global IVF cycles. This proportion is expected to grow rapidly, driven by the increased success rates enabled by PGS. By 2019, Reproductive Health Science estimates that 20% of IVF cycles will use PGS. The initial clinical indication for the use of PGS is women aged 35 years or more, an IVF patient population that already represents over 50% of the Australian IVF market. In combination with the expected growth of the overall IVF market, this means that PGS use should exhibit a comparable annual growth rate (**CAGR**) of better than 50% through 2019. We believe that Reproductive Health Science's products will also be contributing factors in this rapid expansion.

	2013	Forecast 2019
Global IVF cycles per annum	1.7m*	3m (annual growth 10%)
Global PGS cycles per annum	51,000 (3% of IVF market)**	600,000 (20% of IVF market)***
Number of tests per IVF cycle (average, estimate)	4	4
Number of PGS tests per annum	204,000	2.4m

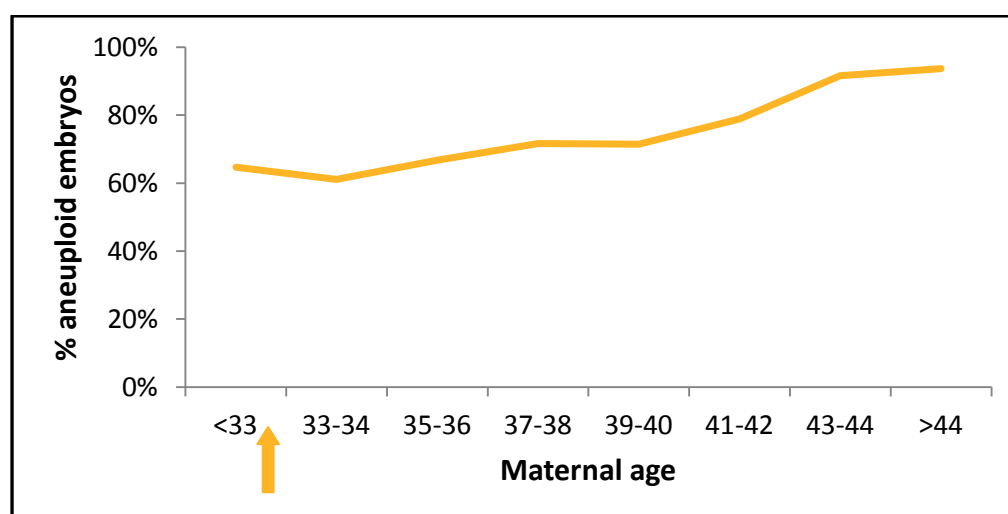
* ESHRE ART Fact Sheet: <http://www.eshre.eu/Guidelines-and-Legal/ART-fact-sheet.aspx>

** Genomeweb January 21, 2014 'Illumina Plans New Preimplantation Genetic Diagnosis Array as Part of Reproductive Health Push'

*** Based on Reproductive Health Science's internal estimates

It is common knowledge that chances of successful IVF reduce with increasing maternal age, but it is also the case that Embryos from younger women are also at high risk of Aneuploidy.

Aneuploidy in Embryos increases with maternal age



Even younger IVF patients have significant numbers of Aneuploid Embryos

Source: Presented at 2013 Preimplantation Genetic Diagnosis International Society meeting "PGD for aneuploidy and translocation chromosome imbalance by cleavage stage biopsy"

Analysis of Embryos at day three of in-vitro culture has shown that over half of the Embryos generated from patients aged less than 35 years are Aneuploid. This incidence increases with age. There are less Aneuploid Embryos after five days in culture, reported as predominantly attributable to the demise of Aneuploid Embryos during the two additional days in culture.

Maternal age (years)	Aneuploid Embryos day 3	Aneuploid Embryos day 5
<35	53.1% (530/999)	31.7% (306/966)
35-37	68.2% (420/616)	44.2% (237/536)
38-40	73.7% (659/894)	43.1% (324/751)
41-42	85.8% (460/536)	76.3% (200/262)
>42	92.6% (340/367)	84.8% (112/132)

Source: Harton et al, 2013 Fertility and Sterility Vol 100, No 6, December 2013

Without PGS, Embryos are typically chosen for implantation based on the embryologist's assessment of their "Morphology", ie their appearance, with no genetic analysis. A recently published randomised controlled trial compared the IVF results in patients less than 35 years of age (ie good prognosis patients) when Embryos were chosen based on their Morphology alone versus when the good Morphology Embryos were also screened for Aneuploidy; in other words, with and without PGS. The study found that 44.6% of these patient's good Morphology Embryos were in fact Aneuploid. A single Embryo was selected and transferred to each patient. The Clinical Pregnancy rate was 45.8% in patients where the Embryos were chosen based on Morphology alone and 70.9% when Morphology and PGS were both used. This represents a greater than 50% improvement in Clinical Pregnancy rate in younger women.

In detail, the use of PGS to increase IVF success rates delivers the following major benefits:

- Reduction in "time to pregnancy".
- Reduction of miscarriage risk.
- Allows transfer of single Embryos and so avoids multiple pregnancies (ie, twins, triplets, etc).
- Allows the selection of healthy Embryos for freezing for future use.
- Reduces the impact of maternal age on IVF success. Embryos from "older mothers" commonly fail to implant. PGS can allow success rates comparable to those for younger women.

Although comprehensive health economic studies have yet to be performed, Reproductive Health Science believes that these benefits will prove PGS to be cost effective.

Technology and Product

Reproductive Health Science's initial product is a kit to screen for Aneuploidy by determining the number of chromosomes in a single human cell. This kit contains two parts; a Reproductive Health Science proprietary DNA Amplification and Fluorescent Labelling system and a patented Microarray for counting the number of chromosomes in a single cell manufactured in-house by Reproductive Health Science.

Reproductive Health Science has exclusively out-licensed its DNA Amplification and Labelling expertise to Kapa Biosystems Inc (**Kapa Biosystems**) (as outlined in Section 7.4 of this Prospectus). Kapa Biosystems is headquartered in Boston, USA and has manufacturing and research and development facilities in Cape Town, South Africa (<http://www.kapabiosystems.com/company>). Kapa Biosystems has its own sales and marketing capabilities and also uses a global network of over 55 life sciences distributors to provide its product to the global market. In mid 2014, Kapa Biosystems intends to launch a suite of Reproductive Health Science products for amplifying DNA from as little as a single cell.

The Reproductive Health Science Microarray contains millions of proprietary DNA targets that are specific to entire human chromosomes. Each Microarray kit will contain Reproductive Health Science DNA Amplification and Labelling kits along with the Microarray and will provide sufficient Reagents to analyse up to 20 single cells or Embryos. The Reproductive Health Science Microarray is fundamentally different in design to competitor Microarrays and is protected by patent. This proprietary approach allows for precision, lower cost, ease of analysis and ease of interpretation.

Reproductive Health Science has managed the patent family underlying its Microarray since the Patent Cooperation Treaty (**PCT**) filing stage in 2004, where the patent was filed internationally. This patent has now been granted in Australia, USA, China and New Zealand and is in late stage examination in Europe, Canada and Hong Kong.

Reproductive Health Science has been regularly manufacturing its Microarray on-site since January 2010. These Microarrays have been used in-house for optimisation of the technology for single cell analysis and sales have not yet commenced. It is anticipated that Reproductive Health Science has the expertise and protocols to be able to scale up manufacture of the array as required to meet

market demand with minimal additional headcount, floor space and equipment.

Competition

The leading technologies in use for PGS today include Microarrays (such as Reproductive Health Science's product) and genetic Sequencing.

Technology	Company
DNA Amplification	Rubicon Genomics Inc, Sigma-Aldrich Co. LLC, Qiagen N.V.
Microarrays	BlueGnome Ltd, Agilent Technologies Inc, Natera Inc
Sequencing	Life Technologies Corp, Illumina Inc, Fluidigm Corp

Non-invasive techniques such as time-lapse imaging and metabolomics (ie, the measurement of Embryo metabolism) are being researched. To date neither of these techniques have proven decisive for use in PGS.

The current market leader for PGS products is Illumina Inc (**Illumina**), via its subsidiary BlueGnome Ltd (**BlueGnome**) (<http://www.cambridgebluegnome.com/>) and its "24Sure" Microarray product. As noted above, Illumina estimates that around 3% of IVF cycles employ PGS currently. BlueGnome launched its product in 2009 and by 2012 had grown annualised revenue to USD 27M. Illumina acquired BlueGnome for a total value of USD 95.5M in September 2012.

Reproductive Health Science believes that its Microarray will display accuracy at least equal to BlueGnome's 24Sure product, with certain material cost and ease-of-use advantages to clinical customers positioning Reproductive Health Science to gain significant share in a rapidly expanding PGS market.

Genetic Sequencing represents a different approach to Reproductive Health Science's and BlueGnome's Microarrays, in which the genetic code of the DNA is determined. This approach has been used to decode the DNA of a range of different organisms, including humans. When there is a lot of DNA available to start with, it is able to provide information on individual genes, such as those associated with disease. Single cells do not contain enough DNA to sequence so they must first be amplified using PCR, in the same way as they are amplified for use with Microarrays. Commercial products include Ion Torrent from Life Technologies Inc and MiSeq/HiSeq from Illumina. Compared to Microarrays, Sequencing generally offers more information but involves higher capital equipment costs, more complex analysis and currently less market validation particularly for use with single cells and in the PGS market.

Fundamental to Reproductive Health Science's approach is a product focused just on Aneuploidy detection, which Reproductive Health Science believes is the key factor which will drive adoption of PGS. Sequencing approaches generally offer higher "resolution" (more data than required for Aneuploidy detection). However, this higher resolution is largely redundant for Aneuploidy detection. At the same time, higher resolution comes with generally higher costs to the clinic, including requirements for greater expertise on the part of technical and clinical staff. Indeed, instead of improving the test result, the greater resolution may impose greater challenges on the clinic and genetic counsellors, requiring that the additional data be analysed and clinically interpreted alongside the Aneuploidy result.

For example, Sequencing and high resolution Microarrays have the potential to recognise genes of clinical significance that are important to screen for at the Embryo stage, such as Huntington's disease and Cystic Fibrosis where there is a familial history of the disease, an important screen for less than 5% of IVF patients. However, they also have the potential to identify additional genes associated with increased risk of intellectual disability or mature age onset conditions such as dementia, presenting a potential legal minefield for the clinic and their ethical and legal obligations. This has been raised as a concern by the American College of Medical Genetics and Genomics in 2013. Reproductive Health Science believes that IVF couples generally just wish to achieve a successful pregnancy, for which Aneuploidy screening is the key factor, and leave more detailed information to the time of usual prenatal diagnosis (a field that is being revolutionised by the recent introduction of non-invasive techniques), post-natal diagnosis or testing when there is a clinical risk factor for a condition, as would be the case if a pregnancy was conceived without IVF.

Summarising Reproductive Health Science's key advantages over competing products:

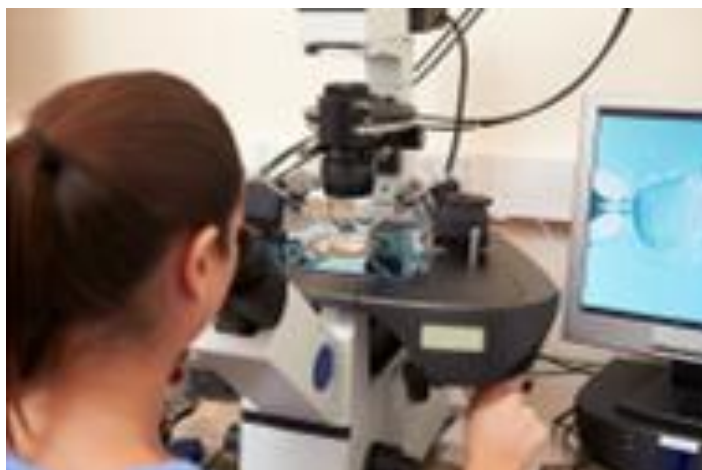
- Intention to produce robust single cell validation prior to clinical use. Currently there is little published Cell Line validation on the accuracy rates of other PGS approaches.
- Ease of use. RHS believes that the future of PGS for Aneuploidy lies in the ability for small to large IVF clinics to apply the techniques in-house. More complex screens for specific genes or translocations would be outsourced to centralised facilities with significant depth of expertise needed to develop patient specific tests. This is already a model used by some Australian IVF clinics.
- Simplicity of interpretation, not reliant on complex algorithms.
- No complex genetic counselling required, limiting legal and ethical risks to the IVF clinic.
- Cost competitiveness through lower reliance on third party component suppliers and in-house array manufacturer.

PGS Microarray and Sequencing product offerings vary across a range of commercially relevant attributes, including:

- Cost: The PGS market is considered to be highly price sensitive given that the technology is emerging and patients in Australia for example currently pay the entire cost for testing their multiple Embryos on top of their standard IVF costs. The Reproductive Health Science Microarray kit will be priced to be cost comparable to Sequencing and competitive to other Microarray products.
- Turnaround Time: The time for generating a result using Microarrays ranges from 12-24 hours. Sequencing can take days to weeks depending on the Sequencing platform (ie equipment) being used. The Reproductive Health Science Microarray can generate results in 18-24 hours, comparable to other Microarray products. A quick turnaround time is particularly critical for those segments of the PGS market that prefer to undertake fresh Embryo Transfers, as is the current clinical preference in the US.
- Technical Ease of Use: Microarrays and Sequencing approaches with single cells all require an initial PCR step. Microarray hybridisations and scanning are relatively simple protocols compared to what is required for Sequencing. The degree to which IVF clinics (in particular smaller clinics) offer PGS is going to be dependent on the relative ease of performing the test given human resource capacity constraints and additional employee training costs. Ease of use is also critical in helping to ensure that test results are robust.
- Ease of Analysis: Similarly, the ease of analysing the results is important both from the perspective of reducing an IVF clinic's employee costs but also potential liability issues stemming from incorrect analysis of the results. The Reproductive Health Science

Microarray has been specifically designed to generate simple to analyse and interpret results.

The Reproductive Health Science Board believes the IVF market will increasingly use PGS, driven by positive randomised controlled trials, the economic benefits of decreasing the number of IVF cycles required to achieve pregnancy, health benefits of transferring only one Embryo at a time and improved Embryo culture, biopsy and storage techniques. Reproductive Health Science aims to offer a product that is technically advantageous with validated accuracy, cost competitive and is well positioned to not only participate in this growing market opportunity but to contribute to its growth.



(b) AO Energy Current Operations

AO Energy currently holds interests in two key projects being:

- a 100% interest in Kiawarra EL 6269, an exploration licence in New South Wales which has been subject to exploration efforts targeting high grade silver and associated lead, zinc, tin and gold mineralisation; and
- a 40% interest in the Connors Arch Joint Venture with SmartTrans Holdings Limited (60% interest and operator), which covers three tenements in Mt Mackenzie, Queensland, an area considered to be prospective for porphyry-style copper-gold deposits and epithermal gold deposits.

The Company has been seeking a partner to advance exploration activities on the Kiawarra project through a farm-in arrangement, and the Connors Arch Joint Venture parties are currently seeking interested parties to advance exploration activities on the Connors Arch project through a farm-in arrangement or sale of the project.

Post Acquisition of Reproductive Health Science the Company will seek to divest its exploration interests as noted above, with the intent of maximising benefits to current and future shareholders whether by farm-in arrangement or outright sale of the Company's mineral tenement interests.

PROJECT AND DEVELOPMENT PROGRAMMES

The main initial focus for the Company post Acquisition will be to rapidly advance the development plans for the Microarray technology. The majority of the Company's planned expenditure over the next two years will be applied to the development activities as detailed below.

Funds (net of costs) raised from this Offer will be used as follows:

- to underpin the Company's product launches and anticipated revenue growth rates over the next one to two years; and
- to accelerate the Company's growth beyond the existing projected growth rates by funding additional sales and marketing activities.

The Company will also spend further money on the following objectives. This expenditure is currently planned to occur during the next two to three years:

- to generate international multi-centre Embryo data that will be used for market expansion;
- to hire specialist expertise and to expand facilities for manufacturing, marketing and distribution of the Reproductive Health Science test;
- to commence kit sales in key territories then roll out a global launch of kits over the next three years; and
- to become a significant product offering in the Embryo screening market and, through product sales, achieve profitability within three years.



Reproductive Health Science's Premises

Photograph by Drew Lenman

Section 3: Risks

3.1 Introduction

The risks contained both in the Investment Overview and this Section 3 should be considered carefully by potential investors

The Shares offered under this Prospectus should be considered speculative because of the nature of the commercial activities of the Company. Whilst the Directors commend the Offer, potential investors should be aware that an investment in the Company involves risks, which may be higher than the risks associated with an investment in other companies.

There are numerous widespread risks associated with investing in any form of business and with investing in the share market generally. There is also a range of specific risks associated with the Company's activities and its proposed involvement in the biotechnology industry. These risk factors are largely beyond the control of the Company and its Directors because of the nature of the proposed activities of the Company.

Persons considering whether or not to invest in the Company should read the whole of this Prospectus in order to fully appreciate such matters and the manner in which the Company intends to operate, before any decision is made to apply for Shares. Prospective investors should consider whether the Shares offered are a suitable investment for them having regard to their own personal investment objectives and financial circumstances and the risk factors set out below. If in any doubt, they should consult with their professional advisers before deciding whether to apply for Shares.

The following, which is not exhaustive, identifies some of the major risks associated with an investment in the Company, of which potential investors need to be aware before making a decision on whether or not to invest in the Company's Shares.

3.2 Key Risks

The Key Risks identified in the Investment Overview Section of the Prospectus are as follows:

- Technology/Research and Development Risk;
- Product Risk;
- Operating Experience and Reliance on Key Personnel Risk;
- Project Risk;
- Regulatory Risk; and
- Competition Risk

INVESTORS SHOULD NOTE THAT DETAILS RELATING TO THESE RISK FACTORS APPEAR IN THE INVESTMENT OVERVIEW AND HAVE NOT BEEN REPEATED IN THIS SECTION

3.3 Risks

The future performance of the Company and the future investment performance of the Shares may be influenced by a range of factors. Some of these factors can be mitigated. However, many are outside the control of the Board and the Company. Prior to making any decision to accept the Offer, investors should carefully consider the following general and specific risk factors applicable to the Company:

(a) Specific Risk Factors

There are a range of specific risks associated with the Company's business and its proposed involvement in the biotechnology research and development industry. The following list of specific risk factors ought not to be taken as exhaustive. The risk factors referred to in this Section 3, and others not specifically referred to, may in the future materially affect the financial performance of

the Company and the value of the Shares to be offered under this Prospectus.

- *IP risks*

Any inability to effectively protect Reproductive Health Science's proprietary technologies could harm its competitive position. There is a risk that the Company will need to undertake expensive litigation to protect its intellectual property from infringement. There is also a risk that patents currently being prosecuted in Europe, Canada and Hong Kong may not be granted or may be reduced in their scope during the examination process.

Reproductive Health Science's existing and future licensing arrangements may be affected by the failure or default of any of the contracting parties.

Litigation, or other proceedings, or third party claims of intellectual property infringement could require the Company to spend significant time and money and could prevent it from selling its products or services.

No formal valuation has been completed of the intellectual property of Reproductive Health Science. The Company makes no representation as to the value of the Reproductive Health Science intellectual property. It is recommended that impending investors and their advisors should make their own assessment as to the value of the Reproductive Health Science intellectual property. Reference should also be made to the risks identified in the Independent Patent Attorney's Report in Section 4 of this Prospectus.

- *Alliance risks*

Partners can be difficult to find or can fail to follow through or withdraw from commitments. The cost of pursuing broken contracts may be prohibitive or unwise.

The anticipated launch of Polymerase Chain Reaction (**PCR**) and Sequencing kits by Kapa Biosystems Inc may be delayed or not materialise, which would impact the Company's revenues.

Global sale of the Reproductive Health Science products may rely on distribution partnerships. If these partnerships are not successful, Reproductive Health Science may not achieve the forecast sales targets and the profitability of the business may be compromised.

- *Reliance on third party manufacturers and suppliers*

Reproductive Health Science depends on third-party manufacturers and suppliers for components and materials used in its products. If shipments from these manufacturers or suppliers are delayed or interrupted, or if the quality of the components or materials supplied does not meet its requirements, the Company may not be able to manufacture, or ship its products in a timely manner, or at all.

- *Shortage of funding*

The Company's operating results may vary significantly from period to period, and it may not be able to sustain operating profitability.

If the Company incurs unexpected costs or is unable to generate sufficient operating income, further funding may be required. The Company may require additional funding to carry out further biotechnological product development or product improvement. Any additional financing through share issues may dilute shareholdings acquired under this Prospectus. Debt financing may not be available to support the scope and extent of proposed developments. If available, it may impose restrictions on operating activities or anticipated expansion of the Company's operations.

- *Security breach*

Security breaches and other disruptions could compromise the Company's information and expose it to liability, which would cause its business and reputation to suffer.

- *Reliance on specialised leased premises*

Reproductive Health Science relies on access to laboratory space for the manufacture of the Microarray and the Reproductive Health Science operations. There is a risk that continued access to specialised premises is not available, which would cause business interruption and loss of revenues while suitable alternate premises are secured.

- *Market risk*

Below forecast growth in the IVF market, changes to Government financial support for patients and lower than anticipated uptake of Pre-implantation Genetic Screening (PGS) may negatively impact the Company's forecast revenues. In addition, ethical, legal, and social concerns related to the use of genetic information could reduce demand for the Reproductive Health Science products or services.

- *Damage to reputation and key brands*

If the quality of Reproductive Health Science's products does not meet its customers' expectations, then its reputation could suffer and ultimately its sales and operating earnings could be negatively impacted.

- *Release of escrow*

A significant sale of Consideration Shares by the Vendors (or either of them) after the end of the escrow period referred to in the Investment Overview Section of this Prospectus, or the perception that such a sale has occurred or might occur, could adversely affect the price of the Shares.

(b) General Risk Factors

- *Share market conditions*

Share market conditions may affect listed securities regardless of operating performance. Share market conditions are affected by many factors such as general economic outlook, movements in, or outlook on interest rates and inflation rates, currency fluctuations, commodity prices, changes in investor sentiment towards particular market sectors, press newspaper and other media reports and the demand for, and supply of, capital. Investors should recognise that once the Shares are listed on ASX, the price of the Shares may fall as well as rise. Many factors will affect the price of the Shares including those listed above.

- *Foreign exchange risk*

Doing business internationally creates operational and financial risks for the Company and exposes it to risks related to taxation in multiple jurisdictions.

- *Accounting standards*

Changes in accounting standards and subjective assumptions, estimates, and judgements by management related to complex accounting matters could significantly affect the Company's financial results or financial conditions.

- *Operational Risks*

The Company is exposed to a number of risks beyond its control, such as industrial actions and disputes or unusual or unexpected events such as fires or other accidents.

There may be difficulties with obtaining government and/or third party approvals, unexpected shortages or increase in the price of consumables, plant and equipment.

The Company's operations may be adversely affected by higher than anticipated costs or worse than anticipated fluctuations in prices and currencies.

No assurance can be given that the Company will achieve commercial viability through development of any of its products.

- *Government Policy*

The Company may be affected by changes to government policies and legislation, and taxation. Changes in Government policies, taxation and other laws can have a significant influence on the outlook for companies and the return to investors. The Company's products could be subject to government regulation, and the regulatory approval and maintenance process for such products may be expensive, time-consuming, and uncertain both in timing and in outcome.

The Company has no current revenues and its plans may depend on funding over time from Government and counterparties. Such sources may alter their policies and practices with minimal notice and with little or no possibility of recourse, so causing severe financial difficulties.

- *Insurance Risks*

The Company does, wherever practicable and economically advisable, utilise insurance to mitigate business risks. Such insurance may not always be available or may fall outside the scope of insurances cover. In addition, there remains the risk that an insurer defaults in the payment of a legitimate claim by the Company.

- *Litigation*

Litigation brought by third parties including but not limited to customers, partners, suppliers, business partners or employees could negatively impact the business in the case where the impact of such litigation is greater than or outside the scope of the Company's insurance.

- *Economic Risks*

The performance of the Company is likely to be affected by changes in economic conditions. Profitability of the business may be affected by some of the matters listed below:

- future demand for IVF services;
- the level of spending on IVF by patients, Governments and insurers;
- general financial issues which may affect policies, exchange rates, inflation and interest rates;
- deterioration in economic conditions, possibly leading to reductions in spending and other potential revenues which could be expected to have a corresponding adverse impact on the Company's operating and financial performance;
- the strength of the equity and share markets in Australia and throughout the world;
- financial failure or default by any entity with which the Company may become involved in a contractual relationship;
- industrial disputes in Australia and overseas;
- changes in investor sentiment towards particular market sectors;
- the demand for, and supply of, capital; and
- terrorism or other hostilities.

- *Other General Risks*

Other general risks associated with investment in the Company may include:

- fluctuation of the price at which the Company's shares trade due to market factors; and
- price volatility of the Company's shares in response to factors such as:
 - additions or departures of key personnel;
 - litigation and legislative change;
 - press newspaper or other media reports; and
 - actual or anticipated variations in the Company's operating results.

Summary

This investment is regarded as highly speculative. Neither the Company nor its Directors nor any other party to be associated with the preparation of the Prospectus warrants that any specific objective of the Company will be achieved or that any particular targets of the Company will be achieved.

Section 4: Independent Patent Attorney's Report



PATENT ATTORNEY REPORT IN RESPECT OF
REPRODUCTIVE HEALTH SCIENCE, PTY. LTD.

1. INTRODUCTION

This Patent Attorney Report has been prepared by Shelston IP, Patent and Trade Mark Attorneys, for inclusion in a prospectus to be dated on or about 6 March 2014, relating to the issue of ordinary shares in AO Energy Limited ACN 010 126 708.

Shelston IP does not manage the intellectual property portfolio on behalf of Reproductive Health Science, Pty. Ltd. Neither Shelston IP nor any of its partners has any entitlement to any securities in Reproductive Health Science, Pty. Ltd., or has any other interest in the promotion of Reproductive Health Science, Pty. Ltd.

2. ABOUT SHELSTON IP

Shelston IP is a well established, Sydney based, firm of patent and trade mark attorneys. With over 100 professional and support staff, and in excess of 150 years of experience in the development of efficient and responsive case management systems and practices, Shelston IP is a leading Australasian intellectual property firm providing high quality, commercially relevant, intellectual property advice and services.

Shelston IP can and does offer a full range of professional advice in all areas of Intellectual Property law including Patents, Designs, Trade Marks, Copyright and Fair Trading. The firm offers a wealth of technical and intellectual property expertise and experience across all disciplines, and has specialist teams practicing in the fields of chemistry, chemical engineering, pharmaceuticals and biotechnology.

3. INTELLECTUAL PROPERTY PROTECTION - BACKGROUND

Intellectual property is a valuable and tangible asset which needs to be carefully and diligently protected. It encompasses statutory and common law rights which provide protection in relation to products, processes, trade names, designs, drawings, plant breeders rights and circuit layouts in industry, science or commerce. Patents for inventions are one important type of Intellectual property which protects inventors of a product or process for a period sufficient for them to enjoy the returns of their investment.

A patent is a statutory monopoly which confers on the owner of the patent the exclusive right to make, use, or sell the invention as defined in the patent claims throughout the territory of the country granting the patent.

The grant of a patent in one country does not confer any rights in any other country. A patent has a fixed term, which in most countries is 20 years from the date of filing of the patent application, and in many countries, including Australia, the United States, Japan, and the countries of the European Patent Convention, extension of term is available for patents for pharmaceutical substances.

A patent right is obtained by filing a patent application together with a patent specification, which describes the invention and includes a set of claims which define the monopoly which is sought. In certain jurisdictions, such as New Zealand, Australia and the United States, it is possible to file a provisional application in order to establish a priority date in respect of the invention. The priority date so established will be recognised in most industrialised countries, and New Zealand's and Australia's major trading partners, as long as a corresponding complete application is filed within 12 months from the date of filing of the provisional application. The complete application is examined by the relevant patent office before it can proceed to grant.

Each country has its own national patent laws and there is unfortunately no such thing as a "world" patent. Generally, in order to obtain patent protection overseas, it is ultimately necessary to file separate patent applications in each country of interest. There are, however, a number of international conventions and treaties which can be used to facilitate or defer this procedure.

International conventions enable a provisional patent application to be used as the first step in obtaining patent rights in other countries, which claim priority from the initial provisional patent application. Most commonly a single international patent application is lodged under the provisions of the Patent Cooperation Treaty (PCT), which designates the countries in which the applicant may subsequently wish to proceed. A PCT application is subject to an international search, and if desired, to International Preliminary Examination. If the application is to proceed, it must be entered into the "National Phase" in each of the desired countries. Alternatively, under another international convention (Paris Convention), patent applications may be filed in individual desired countries within 12 months of the priority date. All of the major industrialised countries belong to these conventions.

Further, a single patent application may be lodged in respect of the countries of the European Patent Convention (currently 38 countries). All or only some of the countries may be selected. This is called a European patent application and it may also be extended to certain other countries that are not yet full signatories to the European Patent Convention. A European patent application is examined by the European Patent Office, and once granted, must be registered and maintained in each individual country in which it is desired to have a patent.

Examination of a patent application can be quite rigorous, and may require amendment or limitation of the claims.

In some countries, once the application has been allowed by the Examiner the grant of a patent may be opposed by a competing party. For example in Australia there is a pre-grant opposition in Europe there is post-grant opposition. Opposition may result in refusal or revocation of the patent, or may result in further limitation of the claims.

Patents and patent applications are property rights which can be sold, licensed, mortgaged etc. Patents and patent applications may be lodged in the name of one or more applicants. In the absence of a specific agreement to the contrary, it is generally assumed that joint applicants hold equal shares in the rights to the invention.

4. REPRODUCTIVE HEALTH SCIENCE, PTY. LTD. – OUTLINE OF THE PATENT PORTFOLIO

The current patent portfolio of Reproductive Health Science, Pty. Ltd. consists of a single family of patents and patent applications.

The details of the patent portfolio are summarised in the Schedule, and each of the patents and patent applications is discussed in more detail in Section 7 of the Report.

5. SCOPE OF THIS REPORT

In compiling this Report, in respect of each patent and patent application the filing particulars have been confirmed, the current status ascertained, the patent specifications reviewed, and any prior art cited during searches and/or examination considered where applicable. We have formulated an opinion as to the patentability or otherwise of each invention in light of all relevant prior art known to us.

As far as possible, the information in this Report is current as at 28 February 2014.

6. OVERVIEW OF PATENTABILITY ANALYSIS

Analyses performed for the purposes of this Report focus on the assessment of novelty and inventive step criteria for patentability, as set out in the Patents Act 1990. On the whole, our opinion on the patentability of the invention in the patent portfolio is favourable. There are no aspects of the prior art reviewed thus far that give cause for serious concern in terms of the pending applications having patentable subject matter of commercially relevant scope. This opinion should, however, be read in the light of Section 9 of the Report, entitled "Limitations, Disclaimers and Caveats".

7. DETAILED REPORT

7.1 Comparative Genomic Hybridisation

7.1.1 Outline of the Technology

The invention relates to a method for comparing chromosomes from two different cells of different karyotypes and methods for detecting chromosomal abnormalities using comparative genomic hybridisation and microarrays. The method is useful in reproductive medicine and has particular application in the pre-implantation genetic diagnosis (PGD) of an embryo or egg prior to implantation.

7.1.2 Validity Opinion

The patent family was initiated by way of Australian provisional application AU2003901671 filed 2 April 2003, followed by a PCT application, PCT/AU2004/000429 on 2 April 2004. The PCT Application was subsequently published as WO2004088310.

As far as we can ascertain, the invention is entitled to the 2 April 2003 priority date.

PCT/AU2004/000429 was subject to an International Search and Examination. The claims were amended in response to a number of documents revealed in the International Search. This amendment to the claims resolved some, but not all, of the novelty and inventive step objections. This is usual during the International stage.

The PCT application subsequently entered the national/regional phase in Australia, Canada, China, Europe, Hong Kong, New Zealand, and the United States.

The national/regional applications have undergone substantive examination and patents have now been granted in Australia, China, New Zealand and the United States. US patents particularly have a high presumption of validity.

The European application has progressed through examination to the point where there are no remaining objections in relation to novelty or inventive step. However, the European Patent Office has specific restrictions in relation to patentable subject matter, and an objection remains on that basis. A hearing to resolve this matter has been set down for April 2014 in the European Patent Office. Based on communication on the file from the European Patent Office, it seems very likely that a European patent will be granted in some form, although the exact scope is difficult to predict.

The Hong Kong patent will automatically issue upon registration of the granted European patent.

The Canadian application is pending. Such a delay is not uncommon for Canadian applications. Given the success in other jurisdictions, we would expect the Canadian case to proceed to grant in due course.

We have reviewed the claims of all the granted patents, and the pending European application. The scope of

protection is consistent across all relevant jurisdictions. We have reviewed in detail the prosecution history of the key US and European cases, which are the cases subject to most rigorous examination. On the basis of examination reports issued by the Patent Offices in the various jurisdictions and our review of the patent specifications we are of the opinion that it would be difficult to successfully challenge the validity of the claims as granted in the various jurisdictions.

7.2 Ownership and Title

Inventorship and chain of title (ownership), vis-à-vis relevant assignment and other documentation, have been reviewed and confirmed to be accurate and up to date.

The actual inventors, Nicole Dominique Hussey and Dong Gui Hu, assigned their rights in the invention to the patentee, Adelaide Research and Innovation Pty Ltd in 2004. We have sighted copies of some of the original assignments and for the avoidance of any doubt the actual inventors have reconfirmed the entitlement of Adelaide Research and Innovation Pty Ltd to be named as the patentee by way of a statutory declaration executed 20 December 2013.

We have also sighted the agreement between Adelaide Research and Innovation Pty Ltd and Reproductive Health Science, Pty. Ltd. which grants Reproductive Health Science, Pty. Ltd. an exclusive licence to the technology, including all the patents and applications in the Comparative Genomic Hybridisation family. An exclusive licence gives Reproductive Health Science, Pty. Ltd. the sole rights to control use of the patented technology, even to the exclusion of Adelaide Research and Innovation Pty Ltd.

7.3 Freedom to Operate

We have not conducted a specific freedom to operate search, however, we are not aware of any party who's rights may be infringed by exploitation of inventions described in the patent family. As far as we are aware, Reproductive Health Science, Pty. Ltd. and authorised licensees and collaborators will be able to freely exploit the patented inventions in all relevant jurisdictions.

8. OTHER INTELLECTUAL PROPERTY

Reproductive Health Science, Pty. Ltd. is also in possession of valuable intellectual property in the form of know-how and confidential information in the relevant field. Reproductive Health Science, Pty. Ltd. recognises the value of such information and where necessary has provided that to outside parties only on the basis that it is subject to Confidential Disclosure Agreements.

9. LIMITATIONS, DISCLAIMERS AND CAVEATS

9.1 SEARCH LIMITATIONS

9.1.1 Limitations Due To Time Period and Geographical Coverage

The searches conducted by the various Patent Offices and the results of which are in part relied upon in this Report, would have been substantially computer based and as such, would have been limited in terms of the time periods and the geographical areas covered. Thus, databases used may not include older published documents and may not cover certain jurisdictions. All searches are subject to the accuracy and scope of the records searched as well as to the indexing and classification of those records. Moreover, any search strategy will inevitably involve some compromise between scope and cost.

9.1.2 Limitations Due to Unpublished Documents

Additionally, searches cannot reveal potentially relevant patent documents which have not been officially published at the time of conducting the search. In most countries, publication of patent applications does not occur until 18 months from the earliest priority date and consequently, patent searches would not normally reveal applications filed in the preceding 18 months. The United States is an exception where certain older patent applications are not published until grant, which typically occurs between two to four years from the U.S. filing date. There may also be delays between official publication and the implementation of information onto the relevant databases.

9.1.3 Limitations Due To Forms of Prior Art Other Than Patent Documents

It should also be appreciated that no novelty search can ever be entirely conclusive because some forms of prior art such as prior public use, prior commercial exploitation and prior publication in non-patent literature, cannot be systematically searched.

9.1.4 Search Results Indicative But Not Conclusive

The searches conducted by different patent offices provide a reasonable indication of the patentability or otherwise of the inventions in the patent portfolio. However, the above and other factors make it impossible to guarantee that every conceivably relevant prior art record has been revealed. Any conclusions on validity based on these or any other searches should therefore be regarded as indicative, and not conclusive.

9.1.5 Novelty Searches Provide No Guarantee of Non-Infringement

The present searches do not provide any guarantee that the subject inventions may be commercially exploited without risk of infringement of earlier patents.

9.2 OTHER IMPORTANT NOTES AND CAVEATS

9.2.1 Examination Reports In One Country Not Binding In Other Countries

In most countries, patent applications undergo an independent search and examination by the local Patent Office, the results of which are not binding in other jurisdictions. Similarly, international PCT search and examination reports are not binding on national patent applications during subsequent examination in the national phase. Such reports should therefore be regarded as indicative only and not determinative of patentability. It should also be appreciated that the grant of a patent in one country provides no guarantee that patents will grant in other jurisdictions.

9.2.2 Scope of Claims May Vary during Examination

It is often necessary during the examination of a patent application to define the invention more specifically by amendment of the claims, so as to distinguish relevant prior art. As a result of this process, there may be variations in the claims between countries, reflecting in part the different examination procedures and threshold requirements for patentability, according to national laws. Whilst this is relatively standard procedure, in certain circumstances, such amendments may affect the scope and hence the commercial significance of the resultant patent protection.

9.2.3 Grant of Patent Provides No Guarantee of Validity

A granted patent provides no guarantee of validity. In most jurisdictions, a patent application undergoes a substantive examination process before proceeding to grant which confers an initial presumption of validity. However, the validity of a patent may be challenged at any time after grant, by way of revocation proceedings filed in a Court of competent jurisdiction.

9.2.4 Grant of Patent Provides No Guarantee of Non-Infringement

The grant of a patent provides no guarantee that the patentee is entitled to commercially exploit the patented invention, since the working of an invention, even if validly patented, may infringe an earlier patent or other intellectual property rights.



Charles W Tansey
Patent Attorney
Partner

SHELSTON IP

Title: COMPARATIVE GENOMIC HYBRIDISATION
Applicant: Adelaide Research & Innovation Pty Ltd
Inventors: Nicole Dominique Hussey, Dong Gui Hu
Earliest Priority Date: 2 April 2003

Country/Region	Official No.	Case Status
Australia	2004225908	Granted
Canada	2521068	Pending
China	200480015169.9	Granted
Europe	04725230.9	Pending
Hong Kong	06106160.5	Pending
New Zealand	542860	Granted
USA	8,211,642	Granted

Section 5: Independent Limited Assurance Report



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6 March 2014

The Directors
AO Energy Limited
Ground Floor
15 Bentham Street
Adelaide SA 5000

Dear Directors

Independent Limited Assurance Report on AO Energy Limited's Historical and Pro Forma Historical Financial Information

1. Introduction

We have been engaged by AO Energy Limited ("AO Energy") to report on the historical financial information and pro forma historical financial information of AO Energy for inclusion in the prospectus ("Prospectus") to be dated on or about 6 March 2014, and to be issued by AO Energy, in respect of the offer of 12,000,000 ordinary Shares at an offer price of 20 cents each to effect the acquisition of Reproductive Health Science Pty Ltd ("RHS") (the "Proposed Transaction").

Expressions and terms defined in the Prospectus have the same meaning in this report.

2. Scope

Historical Financial Information

You have requested Ernst & Young to review the following historical financial information of AO Energy (the responsible party) included in section 6 of the Prospectus:

- the historical balance sheet as at 31 December 2013.

(Hereafter the 'Historical Financial Information'.)

The Historical Financial Information has been prepared in accordance with the stated basis of preparation in a manner consistent with the recognition and measurement principles contained in Australian Accounting Standards issued by the Australian Accounting Standards Board. The Historical Financial Information has been extracted from the unaudited books and records of AO Energy for the year ended 31 December 2013.

The Historical Financial Information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.

Pro Forma Historical Financial Information

You have requested Ernst & Young to review the following pro forma historical financial information of AO Energy included in section 6 of the Prospectus:

- ▶ the pro forma historical consolidated balance sheet as at 31 December 2013 based on the raising of the minimum subscription of 12 million ordinary shares.
- ▶ the pro forma historical consolidated balance sheet as at 31 December 2013 based on the raising of the maximum subscription of 15 million ordinary shares

(Hereafter the 'Pro Forma Historical Financial Information')

(Collectively, the 'Financial Information').

The Pro Forma Historical Financial Information has been derived from the Historical Financial Information of AO Energy, after adjusting for the effects of pro forma adjustments described in Section 6 of the Prospectus. The stated basis of preparation is in a manner consistent with the recognition and measurement principles contained in Australian Accounting Standards issued by the Australian Accounting Standards Board applied to the events or transactions to which the pro forma adjustments relate, as described in Section 6 of the Prospectus, as if those events or transactions had occurred as at 31 December 2013. Due to its nature, the Pro Forma Historical Financial Information does not represent the company's actual or prospective financial position.

3. Directors' Responsibility

The directors of AO Energy are responsible for the preparation and presentation of the Historical Financial Information and Pro Forma Historical Financial Information, including the selection and determination of pro forma adjustments made to the Historical Financial Information and included in the Pro Forma Historical Financial Information. This includes responsibility for such internal controls as the directors determine are necessary to enable the preparation of Historical Financial Information and Pro Forma Historical Financial Information that are free from material misstatement, whether due to fraud or error.

4. Our Responsibility

Our responsibility is to express limited assurance conclusions on the Historical Financial Information and Pro Forma Historical Financial Information based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other limited assurance procedures. It is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or limited assurance report on any financial information used as a source of the Financial Information.

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Liability limited by a scheme approved under Professional Standards Legislation

5. Conclusions

Historical Financial Information

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Historical Financial Information, as described in section 6 of the Prospectus and comprising:

- the historical balance sheet of AO Energy as at 31 December 2013

is not presented fairly, in all material respects, in accordance with the stated basis of preparation as described in Section 6 of the Prospectus .

Pro Forma Historical Financial Information

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information, as described in section 6 of the Prospectus and comprising:

- the pro forma historical consolidated balance sheet of AO Energy as at 31 December 2013 based on the raising of the minimum subscription of 12 million ordinary shares.
- the pro forma historical consolidated balance sheet of AO Energy as at 31 December 2013 based on the raising of the maximum subscription of 15 million ordinary shares.

is not presented fairly, in all material respects, in accordance with the stated basis of preparation as described in Section 6 of the Prospectus.

6. Restriction on Use

Without modifying our conclusions, we draw attention to section 6 of the Prospectus, which describes the purpose of the Financial Information, being for inclusion in the Prospectus. As a result, the Financial Information may not be suitable for use for another purpose.

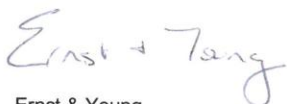
7. Consent

Ernst & Young has consented to the inclusion of this assurance report in the Prospectus in the form and context in which it is included.

8. Independence or Disclosure of Interest

Ernst & Young does not have any interests in the outcome of this proposed transaction other than in the preparation of this report for which normal professional fees will be received.

Yours faithfully



Ernst & Young

Section 6: Financial Information

Financial Information

Pro Forma Historical Consolidated Balance Sheets

The following table sets out the balance sheet for each of: the Company (AO Energy Limited, 'AO Energy') and Reproductive Health Science Pty Ltd ('RHS'), as well as pro forma historical consolidated balance sheet for the consolidated group, after giving effect to the acquisition of RHS and the issue of shares under this prospectus (being the maximum and minimum subscription contemplated).

		Unaudited Historical Balance Sheet AO Energy	Unaudited RHS Balance Sheet	Pro forma Adjustment s	Pro Forma Historical Consolidated Balance Sheet (Unaudited) Subscription	Pro forma Adjustments Minimum	Pro Forma Historical Consolidated Balance Sheet (Unaudited) Subscription
	Note	As at 31 December 2013 \$	As at 31 December 2013 \$	\$	\$	\$	\$
CURRENT ASSETS							
Cash and cash equivalents	3	545,406	216,779	2,585,000	3,347,185	2,021,000	2,783,185
Trade and other receivables		11,245	-	-	11,245	-	11,245
Other current assets		-	16,582	-	16,582	-	16,582
TOTAL CURRENT ASSETS		556,651	233,361	2,585,000	3,375,012	2,021,000	2,811,012
NON-CURRENT ASSETS							
Property, plant and equipment		23,349	162,302	-	185,651	-	185,651
Other receivables		35,000	-	-	35,000	-	35,000
Intangible assets		-	139,519	-	139,519	-	139,519
Exploration and evaluation assets		80,000	-	-	80,000	-	80,000
TOTAL NON-CURRENT ASSETS		138,349	301,821	-	440,170	-	440,170

	Unaudited Historical Balance Sheet AO Energy As at	Unaudited RHS Balance Sheet As at	Pro forma	Pro Forma Historical Consolidated Balance Sheet (Unaudited)	Pro forma	Pro Forma Historical Consolidated Balance Sheet (Unaudited)
	31 December	31 December	Adjustments	(Unaudited)	Adjustments	(Unaudited)
Note	2013 \$	2013 \$	Maximum Subscription \$	Subscription \$	Minimum Subscription \$	Subscription \$
TOTAL ASSETS	695,000	535,182	2,585,000	3,815,182	2,021,000	3,251,182
CURRENT LIABILITIES						
Trade and other payables	65,344	16,203	-	81,547	-	81,547
Short-term provisions	-	20,342	-	20,342	-	20,342
TOTAL CURRENT LIABILITIES	65,344	36,545	-	101,889	-	101,889
NON-CURRENT LIABILITIES						
Long-term provisions	172,782	26,539	-	199,321	-	199,321
TOTAL NON-CURRENT LIABILITIES	172,782	26,539	-	199,321	-	199,321
TOTAL LIABILITIES	238,126	63,084	-	301,210	-	301,210
NET ASSETS	456,874	472,098	2,585,000	3,513,972	2,021,000	2,949,972

		Unaudited Historical Balance Sheet AO Energy As at	Unaudited RHS Balance Sheet As at	Pro forma Adjustments Maximum Subscription	Pro Forma Historical Consolidated Balance Sheet (Unaudited) Subscription	Pro forma Adjustments Minimum Subscription	Pro Forma Historical Consolidated Balance Sheet (Unaudited) Subscription
	Note	31 December 2013 \$	31 December 2013 \$	\$	\$	\$	\$
EQUITY							
Issued capital	4	48,434,602 -	- 4,412,495	* (48,434,602) 4,766,944	- 9,179,439	*(48,434,602) 4,191,893	- 8,604,388
Reserves		558,451 -	- -	* (558,451) 622,879	- 622,879	* (558,451) 622,879	- 622,879
Accumulated losses	5	(48,536,179) -	- (3,940,397)	* 48,536,179 (2,347,949)	- (6,288,346)	* 48,536,179 (2,336,898)	- (6,277,295)
TOTAL EQUITY		456,874	472,098	2,585,000	3,513,972	2,021,000	2,949,972

* Represents the consolidation adjustments to remove the equity balances in AO Energy – refer note 2 (g).

Notes to the pro forma historical consolidated balance sheet

1. Basis of preparation

The historical financial information comprises the historical balance sheet of AO Energy Limited ("AO Energy") as at 31 December 2013.

(Hereafter the 'Historical Financial Information'.)

The Historical Financial Information has been prepared in accordance with the stated basis of preparation in a manner consistent with the recognition and measurement principles contained in Australian Accounting Standards issued by the Australian Accounting Standards Board. The Historical Financial Information has been extracted from the unaudited books and records of AO Energy for the year ended 31 December 2013.

The Historical Financial Information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001.

The accompanying unaudited pro forma historical consolidated balance sheets have been prepared by Management and approved by the directors to show the effect of the acquisition of Reproductive Health Sciences Pty Ltd ('RHS') by AO Energy Ltd ('AO Energy') on the basis of the assumptions and adjustments as described below in note 2 and comprise:

- the pro forma historical consolidated balance sheet as at 31 December 2013 based on the raising of the minimum subscription of 12 million ordinary shares.
- the pro forma historical consolidated balance sheet as at 31 December 2013 based on the raising of the maximum subscription of 15 million ordinary shares.

("Pro forma Historical Financial Information")

The Pro Forma Historical Financial Information have been prepared in a manner consistent with the recognition and measurement principles of Australian Accounting Standards applied to the events or transactions to which the pro forma adjustments relate, as described below in note 2, as if those events or transactions had occurred as at 31 December 2013.

The unaudited Pro Forma Historical Financial Information are not necessarily indicative of the financial position of the consolidated group on the date of the completion of the capital raising contemplated under this prospectus.

2. Pro forma assumptions and adjustments

The unaudited pro forma historical consolidated balance sheets give effect to the acquisition of RHS by AO Energy and the capital raising contemplated under this prospectus, as if the transactions described below had occurred on 31 December 2013.

- a) *The acquisition of Reproductive Health Science Pty Ltd* – The acquisition of RHS by the issue of 191,207,026 fully paid ordinary shares in AO Energy to RHS shareholders in accordance with the Share Sale Agreement. In accordance with Australian Accounting Standards, the business combination contemplated in the pro forma historical consolidated balance sheet is referred to as a reverse acquisition. Under these rules, for accounting purposes RHS is deemed to have acquired AO Energy and at the date of acquisition the assets and liabilities of RHS are recorded at book value and the assets and liabilities of AO Energy are recorded at fair value. The excess of the consideration deemed to have been paid by RHS to acquire AO Energy (approximately 1.7 Million) over the fair value of the assets of AO Energy has been treated as a transaction cost and expensed in the pro-forma historical consolidated balance sheet. It should be noted that for the purposes of this deemed acquisition, the pro forma historical consolidated balance sheet has assumed that the fair value of AO Energy shares was \$0.012 (being the last traded price immediately prior to the announcement of the RHS acquisition). In accordance with relevant accounting standards, the fair value of the shares will be determined in reference to the last traded price of the shares prior to the allotment of the consideration shares to the vendors of RHS. Accordingly, this may change the fair value of the deemed shares issued and similarly the amount deemed to be incurred as a transaction cost, it will not affect the net assets of the consolidated entity. The pro forma historical consolidated balance sheets assumes that there are no fairvalue adjustments but there will be a formal fair value exercise at completion date which may result in a different net asset value being recorded.

- b) Issue of shares under settlement deed to previous directors and issue of shares to the former Company Secretary – The issue of 10,380,000 fully paid ordinary shares to the previous directors of AO Energy in accordance with the settlement deed dated 31 July 2013 and 475,833 fully paid ordinary shares to the former Company Secretary. This issue of shares does not affect the pro-forma historical consolidated balance sheet as the cost will be expensed.
- c) *Indicative Share Consolidation* – The proposed restructure of AO Energy's share capital by way of a consolidation of issued capital on a 1 is for 10 basis. The share consolidation does not impact the above pro forma historical consolidated balance sheet.
- d) *Shares issued under this Prospectus* – As part of AO Energy's re-compliance with Chapters 1 and 2 of the ASX Listing rules, the Company is seeking shareholder approval to conduct a capital raising by offering under a Prospectus 12,000,000 Shares at a price of \$0.20 per share to raise \$2,400,000, with an option to issue a further 3,000,000 Shares (or \$600,000) by way of oversubscriptions.
- e) *Issue of options to directors* – To incentivize the ongoing board of the Company, a total of 5,700,000 unlisted options will be issued to the board of directors. The options are to have an exercise period of three years, vest immediately and will have an exercise price to be determined at a 25% premium to the fair value of the Company's shares post consolidation. For the purposes of these pro forma historical consolidated balance sheet, it has been assumed that 3,900,000 options will have an exercise price of \$0.25, 900,000 will have an exercise price of \$0.30 and 900,000 will have an exercise price of \$0.35. The fair value of options to be issued is \$622,879.
- f) Costs associated with the issue of shares under the prospectus and with the acquisition of RHS – In relation to the raising of \$3,000,000 (being the maximum subscription contemplated under the prospectus), it has been assumed that the cost involved in the preparation of the Prospectus will be \$316,247 (\$279,299 for the minimum subscription of \$2,400,000). These cost vary as the amount payable to the Taylor Collison Limited under their mandate letter (see section 7.5 of the prospectus) is set at 6% of the amount raised under the offer. This amount has been offset against the share capital figure. All remaining costs (being \$475,825 for the maximum subscription and \$464,773 for the minimum subscription) in relation to the acquisition of RHS have been included as an expense and have been recorded in the pro-forma historical consolidated balance sheet in accumulated losses. These costs are to be settled part in shares (being \$201,213 for the maximum subscription and \$189,213 for the minimum subscription) and the remainder in cash.
- g) A net consolidation adjustment of \$456,874 has been processed to eliminate the equity of AO Energy.

3. Cash and cash equivalents

	Pro Forma Historical Consolidated Balance Sheet	Pro Forma Historical Consolidated Balance Sheet
	(Unaudited) Max	(Unaudited) Min
	\$	\$
<i>Cash on hand and in bank</i>		
- AO Energy	545,406	545,406
- RHS	216,779	216,779
Funds raised under prospectus (refer note 2 (d))	3,000,000	2,400,000
Costs associated with the offer and acquisition of RHS (refer note 2 (f))	(415,000)	(379,000)
	<u>3,347,185</u>	<u>2,783,185</u>

4. Issued capital

	Pro Forma Historical Consolidated Balance Sheet		Pro Forma Historical Consolidated Balance Sheet	
	(Unaudited) Max		(Unaudited) Min	
	No. of shares	\$	No. of shares	\$
Shares on issue pre consolidation	142,176,609	4,412,495	142,176,609	4,412,495
Issue of shares under settlement deed (refer note 2 (b))	10,380,000	-	10,380,000	-
Issue of shares to the former Company Secretary (refer note 2 (b))	475,833	-	475,833	-
Issue of shares to the RHS shareholders (refer to note 2(a))	191,207,026	1,706,119	191,207,026	1,706,119
Issue of shares to David Brookes	8,792,974	175,859	8,792,974	175,859
Consolidation of share capital on a 1 is for 10 basis (refer to note 2(c))	(317,253,364)	-	(317,729,197)	-
Issue of shares pursuant to capital raising under prospectus (refer to note 2(d))	15,000,000	3,000,000	12,000,000	2,400,000
Issue of shares to Taylor Collison (refer to note 2(f))	1,006,065	201,213	946,065	189,213
Transaction costs (refer to note 2(f))	-	(316,247)	-	(279,299)
	51,309,310	9,179,439	48,249,310	8,604,387

5. Accumulated Losses

	Pro Forma Historical Consolidated Balance Sheet	Pro Forma Historical Consolidated Balance Sheet
	(Unaudited) Max \$	(Unaudited) Min \$
Opening accumulated losses in RHS	(3,940,397)	(3,940,397)
Deemed acquisition cost of RHS acquiring AO Energy (refer note 2 (c))	(1,249,245)	(1,249,245)
Issue of options to directors (refer note 2 (f))	(622,878)	(622,878)
Costs associated with the acquisition of RHS (refer note 2(g))	(475,825)	(464,773)
	(6,288,346)	(6,277,294)

Section 7: Material Contracts

Set out below are summaries of the more important provisions of contracts to which the Company is a party and which are or may be material in terms of the Offer or the operations of the Company or otherwise are or may be relevant to an investor who is contemplating the Offer.

7.1 Share Purchase Agreement

On 26 November 2013 the Company entered into a Share Purchase Agreement with the Original Vendors to acquire all the issued share capital of Reproductive Health Science in consideration for the issue to the Original Vendors (or their nominees) of 200,000,000 (now 191,207,026 as a result of the Deed of Variation referred to below) fully paid ordinary shares (pre-Consolidation).

By Novation Deed dated 23 December 2013 between the Original Vendors, SAFA and the Company Playford and PC Trust novated their rights and obligations under the Share Purchase Agreement to SAFA, in accordance with their rights under the Share Purchase Agreement (refer Section 7.1(v)(b) of this Prospectus).

By Deed of Variation dated 29 January 2014 between the Vendors and the Company, the number of Consideration Shares to be issued under the Share Purchase Agreement was varied from 200,000,000 fully paid ordinary shares (pre-Consolidation) to 191,207,026 fully paid ordinary shares (pre-Consolidation), together with other minor variations to the Share Purchase Agreement to extend the date for the Company to complete its due diligence, as included in the summary below. The reduction in the number of Consideration Shares reflects the proposed issue of Shares to Dr David Brookes (or his nominee) (subject to the passing of the resolutions at the meeting of Shareholders to be held on or about 13 March 2014) as outlined in the Investment Overview Section of this Prospectus.

The material terms of the Share Purchase Agreement (as novated and varied) are as follows:

- (i) The conditions precedent to completion of the Acquisition are:
 - (a) the Company conducting prior to 31 January 2014 (or such other date agreed by the Company and the Vendors) (**Due Diligence End Date**) such due diligence in respect of Reproductive Health Science as it deems appropriate and not prior to the Due Diligence End Date becoming aware of any matter that amounts to a breach of any of the warranties given by the Vendors;
 - (b) the Vendors conducting prior to the 30th day following the date of the Share Purchase Agreement (or such other date agreed by the Company and the Vendors) such due diligence in respect of the Company as they deem appropriate and not prior to that date becoming aware of any matter that amounts to a breach of any of the warranties given by the Company;
 - (c) the Company obtaining shareholder approval of the transaction contemplated by the Share Purchase Agreement, including for the purposes of ASX Listing Rules 7.1 and 10.11 and Chapter 2E of the Corporations Act;
 - (d) the Company obtaining shareholder approval to consolidate its shares;
 - (e) the Company obtaining shareholder approval to change its name to 'Reproductive Health Science Limited';
 - (f) the Company raising at least \$2.4 million via a prospectus for the offer of ordinary shares (post-Consolidation) at an offer price of at least \$0.20 each;
 - (g) the Company meeting the requirements in Chapters 1 and 2 of the ASX Listing Rules as if the Company was applying for admission to the official list;

- (h) the Company obtaining conditional approval (subject only to the imposition of conditions usual to such approvals) from ASX for its ordinary shares to be reinstated to quotation on ASX;
- (i) there being no material adverse change in the business, financial or trading position, or assets, liabilities or profitability or prospects of Reproductive Health Science;
- (j) there being no material adverse change in the business, financial or trading position, or assets, liabilities or profitability or prospects of the Company; and
- (k) that Reproductive Health Science's accuracy of detection of chromosome copy number from single cells sorted from Cell Lines of known chromosomal content allows it to meet its required preclinical validation claim of 90% or greater accuracy of the Microarray.

The conditions precedent referred to in paragraphs (a), (b) and (k) above have been satisfied.

- (ii) **(Completion)** Completion of the Acquisition will occur on the day that is five Business Days after the last of the conditions precedent is satisfied or waived **(Completion Date)**.
- (iii) **(Changes to AO Energy Board)** On the Completion Date, Graham Leslie Ascough will resign as a Director of the Company and Johnathon Peter Matthews (and Colin Douglas Matthews as his alternate) and Michelle Louise Fraser will be appointed as AO Energy Directors.
- (iv) **(Changes to Reproductive Health Science Board)** On the Completion Date:
 - (a) Johnathon Peter Matthews (and Colin Douglas Matthews as his alternate), Simon Thomas O'Loughlin and David Lionel Brookes will be appointed as Reproductive Health Science Directors and Donald Clinton Stephens will be appointed as secretary of Reproductive Health Science; and
 - (b) with effect from the end of Completion, Andrew Bollen, Colin Douglas Matthews and Caroline Popper will resign as Reproductive Health Science Directors, and Michelle Louise Fraser will resign as secretary of Reproductive Health Science.
- (v) **(Pre-Completion Transfers)** The Share Purchase Agreement provides that:
 - (a) a Vendor may (subject to obtaining the Company's prior written consent) before Completion, sell or contract to sell on the Completion Date, the beneficial interest in Reproductive Health Science Shares held by it, subject to the proposed acquirer confirming, on terms satisfactory to the Company in its discretion, the full authority of the relevant Vendor to transfer the full legal and beneficial title to the relevant Reproductive Health Science Shares to the Company at Completion; and
 - (b) Playford and PC Trust (together **Playford Entities**) may at any time prior to Completion transfer all of the Reproductive Health Science Shares held by them to SAFA, subject to the parties entering into a deed (on terms annexed to the Share Purchase Agreement) pursuant to which the rights and obligations of the Playford Entities under the Share Purchase Agreement are novated to SAFA, which right has been exercised by the Playford Entities, as evidenced by the Novation Deed.
- (vi) **(Company to pay Expenses)** The Company will pay the expenses of Reproductive Health Science in respect of the period commencing on 1 January 2014 and expiring

on the Completion Date, such expenses to be paid by the Company in the ordinary course.

- (vii) **(Refund of Expenses paid by the Company)** If any of the conditions precedent are not satisfied or waived and the Share Purchase Agreement is terminated as set out in paragraph (viii) below, the Vendors will procure Reproductive Health Science to pay to the Company all amounts paid by the Company as described in paragraph (vi) above up to a maximum amount of \$150,000.
- (viii) **(Termination)** The Share Purchase Agreement can be terminated by the Company or the Vendors (provided that party is not in default under the Share Purchase Agreement) in the event that the conditions precedent referred to in Section 7.1(i) of this Prospectus are not satisfied or waived by the Company within the timeframes as specified.

7.2 Settlement Deed

The Company has entered into a Settlement Deed dated 31 July 2013 (**Settlement Deed**) with its previous Directors Messrs Colin Goodall, Neil Young, Jeremy Jebamoney and David Bamford and The Honourable Alexander Downer AC. Under the terms of the Settlement Deed (and subject to obtaining the required Shareholder approval at the general meeting of Shareholders to be held on or about 13 March 2014), the previous Directors agree to forgo any unpaid employee or director entitlements and cancel all Options and Performance Rights held by them in exchange for a total of 10,380,000 Shares (pre-Consolidation).

7.3 Adelaide Research & Innovation Pty Ltd – Agreement to Licence Intellectual Property

On 19 September 2007 Reproductive Health Science entered into an Agreement to Licence Intellectual Property (**Licence**) with Adelaide Research & Innovation Pty Ltd (ACN 008 027 085) as trustee of The Adelaide Research & Innovation Investment Trust (**ARI**), the commercial development company of The University of Adelaide (**University**), and in which the University has vested all of its commercialisation rights in relation to its intellectual property in the Technology described in paragraph (i) below:

The material terms of the Licence are as follows:

- (i) **(Licence)** ARI grants to Reproductive Health Science an exclusive worldwide licence of:
 - (a) the intellectual property rights in the following patent applications:
 - (i) Comparative Genomic Hybridisation WO 2004088310; and
 - (ii) National Phase Entry in 200480015169.9 (China), 10/551,150 (USA), 2521068 (Canada), 04725230.9 (Europe), 542860 (New Zealand), 2004225908 (Australia) and 06106160.5 (Hong Kong),any corresponding patent applications claiming priority from any one or more of those patents and patent applications, any patents that issue on the patent applications listed above and any continuations, continuations-in-part, reissues, re-examinations, registrations and divisional and substituted patents from the patent applications described above (**Patents**); and
 - (b) all of ARI's related confidential information as at 19 October 2007 (**Commencement Date**),(together, **the Technology**), to conduct certain research and development activities specified in the Licence (including clinical trials) (**Project**), to manufacture, sell, hire or otherwise commercialise or exploit (**Exploit**) the Technology in any way, and subject to certain restrictions, to assign or sublicense to any third party the rights granted to Reproductive Health Science pursuant to the Licence, from the Commencement Date until the Licence is terminated pursuant to the Licence (**Term**).

- (ii) **(Project Intellectual Property Rights)** All intellectual property rights in the results of the Project and all improvements (except those resulting from research and development activities conducted by ARI or a sub-licensee of ARI) are owned by Reproductive Health Science (or as it may designate). Reproductive Health Science agrees to undertake with reasonable diligence, research and development with a view to Exploiting the Technology, and the improvements and intellectual property rights resulting from that further research and development will be owned by Reproductive Health Science.
- (iii) **(Sub-licence to Reproductive Health Science)** Reproductive Health Science grants to ARI a sublicense to conduct, on its own account, research and development activities (excluding the Project) **(ARI Activities)** in relation to the Technology and all improvements, including the right to sublicense to the University or a similar academic or non-commercial third-party, rights to conduct any or all of the ARI Activities. ARI will own all improvements arising from the ARI Activities, and Reproductive Health Science has a first option to negotiate with ARI a licence to use those improvements on terms comparable to those under which Reproductive Health Science is licensed to use the Technology under the Licence.
- (iv) **(Ownership)** The parties agree that all proprietary and intellectual property rights in the Technology are owned by and remain the property of ARI (and Reproductive Health Science has no right, title or interest in or in respect of the Technology except for those rights granted under the Licence) as follows:
 - (a) ownership of any improvements developed by ARI will vest in ARI; and
 - (b) ownership of any improvements developed by Reproductive Health Science and Project intellectual property will vest in Reproductive Health Science.
- (v) **(Project costs)** Reproductive Health Science will be solely responsible for the costs of the Project and all and any further research and development undertaken by it or on its behalf directed towards the exploitation of the Technology. Reproductive Health Science must also use its best endeavours to obtain and maintain patent protection in respect of the Technology, at its own cost, including prosecution of the Patents.
- (vi) **(Royalties)** Reproductive Health Science will pay the following royalties **(Royalties)** to ARI:
 - (a) based on net sales where Reproductive Health Science or an associated entity sells or supplies any product, process, material, information or service that uses, incorporates or embodies or derives from the Technology **(Product)**;
 - (b) in the event that Reproductive Health Science or an associated entity sub-licences another party to use the Technology, based on the income received by Reproductive Health Science in connection with the sublicense (calculated pursuant to the terms of the Licence).

Royalties will be calculated and paid in arrears on a calendar quarterly basis, no later than 45 days after the end of the relevant quarter. The royalty rates are commercial in confidence.
- (vii) **(Insurance)** Reproductive Health Science will maintain or cause to be maintained adequate insurance in respect of exploitation of any of the Technology, the Project intellectual property, the Project results or the Products in any country before the exploitation in that country occurs, and will procure in its licences of the Technology a covenant that the licensee take out and maintain similar cover.
- (viii) **(Termination)** Either Reproductive Health Science or ARI may elect to terminate the Licence immediately by written notice if the other party breaches a material term of

the Licence which is not capable of remedy, or fails to remedy a breach of a term of the Licence which is capable of remedy within a reasonable period of receiving notice of the breach, or ceases to carry on business, becomes or has become insolvent or is unable to pay its debts as and when they become due, or is the subject of winding up or liquidation proceedings.

ARI may also terminate the Licence immediately by written notice, if Reproductive Health Science breaches any of its warranties under the Licence or fails to comply with its obligations in the event of an assignment of the Licence.

The Licence terminates automatically upon the last to cease or expire of the Patents, and Reproductive Health Science will then be free to Exploit the Technology free of royalties (other than those obligations accruing prior to termination).

7.4 Kapa Biosystems Inc – Agreement to License Technology Know-How

On 15 April 2013 (**Commencement Date**) Reproductive Health Science entered into an Agreement to License Technology Know-How (**Licence**) with Delaware, USA company Kapa Biosystems Inc TIN 20-4326915 (**Kapa**) in relation to certain Technology developed by Reproductive Health Science.

The material terms of the Licence include information which is commercial in confidence and comprise trade secrets belonging to the parties. Accordingly, such information is not disclosed in the following summary of the Licence.

- (i) (**Licences**) Reproductive Health Science grants to Kapa:
 - (a) an exclusive (including exclusive of Reproductive Health Science itself) worldwide licence in respect of certain protocols; and
 - (b) a non-exclusive worldwide licence of a certain other protocol,(together, the **Technology**) and the intellectual property rights in and relating to that Technology for a term of 15 years commencing on the Commencement Date (**Term**). The Licences include the rights to conduct a particular research and development project described in the Licence (**Project**), to Exploit the Technology in any way and certain rights to assign or sub-license to any third party the rights granted to Kapa pursuant to the Licence.
- (ii) (**Products**) As part of the Project, Kapa must use reasonable endeavours to launch Products (being products, processes, materials, information or services that use, incorporate or embody or derive from the Technology), for the defined purposes, and provide the Products to Reproductive Health Science for its use.
- (iii) (**Other Terms**) The Licence contains other provisions which are usually found in licences of this nature relating to intellectual property rights, royalties, sales targets, non-competition, change in control, termination, insurance and confidentiality.

7.5 Taylor Collison Mandate Letter

By Letter Agreement dated 19 November 2013, the Company granted to Taylor Collison Limited (**Taylor Collison**) a non-exclusive mandate for the provision of corporate and financial services concerning the future activities of the Company (**Mandate**).

The Mandate outlines the basis upon which Taylor Collison agrees to provide corporate and financial services to the Company in the context of its proposed investment in Reproductive Health Science, and in particular, to set out the fee structure in the event of a successful acquisition, comprising a cash component of \$75,000 and Shares to be issued to Taylor Collison (or its nominee) equating to 2% of the issued capital of the Company (calculated

following the Issue) upon completion of the Acquisition.

Subject to completion of the Acquisition, the Company appoints Taylor Collison as sole Lead Manager to any capital raisings undertaken for a period of 12 months from 19 November 2013, including the Offer. The Company agrees to pay Taylor Collison a commission of 5% and a 1% management fee on funds raised.

The Company will also reimburse Taylor Collison for all disbursements and out-of-pocket expenses incurred.

Taylor Collison's appointment may be terminated by either party upon written notice being received by the other party.

The Company indemnifies Taylor Collison, its related companies and their directors, officers, employees and consultants in connection with their work performed under the Mandate.

Section 8: Additional Information

8.1 Tax Status and Financial Year

The Company is taxed in Australia as a public company. The financial year of the Company ends on 31 December annually.

8.2 Corporate Governance

The Board of Directors is responsible for the corporate governance of the Company including its strategic development.

The Board of Directors acknowledges the Principles of Good Corporate Governance and Best Practice Recommendations set by the Australian Securities Exchange (**ASX**) Corporate Governance Council. However in view of the Company's current size and extent of nature of operations, full adoption of the recommendations is currently not practical. The Board will continue to work towards full adoption of the recommendations in line with growth and development of the Company in the years ahead and particularly upon Completion of the Acquisition. Where the Company's framework is different to the Principles of Good Corporate Governance and Best Practice Recommendations set by the ASX Corporate Governance Council, it has been noted.

A summary of the corporate governance practices as currently adopted by the Board are as follows:

Principle 1: Lay solid foundations for management and oversight

Recommendation 1.1 – Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.

The primary responsibilities of the Board include:

- the approval of the annual and half year financial report;
- the establishment of the long term goals of the entity and strategic plans to achieve those goals;
- the review and adoption of annual budgets for the financial performance of the Company and monitoring the results on a quarterly basis;
- ensuring that the entity has implemented adequate internal controls together with appropriate monitoring of compliance activities; and
- ensuring that the entity is able to pay its debts as and when they fall due.

The Company discloses the curriculum vitae of each Director in its Annual Report. These are also detailed in the Investment Overview Section of this Prospectus.

The Company's executive management currently comprises the Company Secretary (and following Completion of the Acquisition, Dr Michelle Fraser as Managing Director) to whom the Board delegates (and will delegate) responsibilities as outlined contractually and as expected for these executive positions.

Recommendation 1.2 – Companies should disclose the process for evaluating the performance of senior executives.

The objective of the Company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The Board ensures that executive reward satisfies the following criteria for good executive reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders

- transparency
- capital management

The remuneration structure for Directors, secretaries and senior managers is based on the following factors:

- experience of the individual concerned
- the overall performance of the market in which the Company operates
- the overall performance of the Company.

Given the limited number of senior executives, their performance is (and will in the short term continue to be) reviewed annually by the Board as part of the ordinary course of meetings of the Directors.

Recommendation 1.3 – Companies should provide the information indicated in the Guide to reporting on principle 1.

As at the date of this Prospectus, there are no departures from Principle 1.

Principle 2: Structure the Board to add value

Recommendation 2.1 – A majority of the Board should be independent Directors.

Recommendation 2.2 – The chair should be an independent Director.

Recommendation 2.3 – The roles of chair and chief executive officer should not be exercised by the same individual.

Recommendation 2.4 – The Board should establish a nomination committee.

Recommendation 2.5 – Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors.

Recommendation 2.6 – Companies should provide the information indicated in the Guide to reporting on Principle 2.

- The skills, experience and expertise relevant to the position of Director and period of office held by each Director is disclosed within the Directors' report of the Company's Annual Report, and/or in the Investment Overview Section of this Prospectus.
- Presently the Board consists of four non-executive Directors. Upon Completion of the Acquisition, it is intended that the Board will consist of four non-executive directors and one executive director and that Dr David Brookes would be appointed Chairman of the Board.
- With the prior approval of the Chairman, each Director has the right to seek independent legal and other professional advice at the Company's expense concerning any aspect of the Company's operations or undertaking in order to fulfil their duties and responsibilities as Directors.
- The Company does not presently have a nomination committee. Due to the size and nature of the activities of the Company, the nomination of new Directors is conducted by the Board by way of ongoing review and discussion in relation to experience deficiencies that may exist within the existing Board structure.
- The performance of the Board is reviewed as part of the ordinary course of meetings of the Directors and is considered by Shareholders through the approval of Director appointments at the Annual General Meeting.

As at the date of this Prospectus there are the following departures from Principle 2:

Recommendation 2.4 – Due to the size of the Company's operations, nomination of new Directors is considered by the full Board and therefore the Company does not have a separate nomination

committee.

Principle 3: Promote ethical and responsible decision-making

Recommendation 3.1 – Companies should establish a code of conduct and disclose the code.

The Board endeavours to ensure that the Directors, officers and employees of the Company act with integrity and observe the highest standards of behaviour and business ethics in relation to their corporate activities.

Specifically, that Directors, officers and employees must:

- comply with the law
- act in the best interests of the Company
- be responsible and accountable for their actions, and
- observe the ethical principles of fairness, honesty and truthfulness, including disclosure of potential conflicts.

Recommendation 3.2 – Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity for the Board to assess annually both the objectives and progress in achieving them.

Recommendation 3.3 – Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them.

Recommendation 3.4 – Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board.

Recommendation 3.5 – Companies should provide the information indicated in the Guide to reporting on Principle 3.

As at the date of this Prospectus, there are the following departures from Principle 3:

Recommendations 3.2 and 3.3 – Due to the Company's size and nature of operations, the Company's diversity policy does not include measurable objectives in relation to gender diversity. Upon Completion, Dr Michelle Fraser will be appointed as Managing Director of the Company. The Board remains conscious of the requirement to establish reasonable objectives for achieving gender diversity.

Principle 4: Safeguard integrity in financial reporting

Recommendation 4.1 – The Board should establish an audit committee.

Recommendation 4.2 – The audit committee should be structured so that it (i) consists only of non-executive Directors; (ii) consists of a majority of independent Directors; (iii) is chaired by an independent chair, who is not the chair of the Board; and (iv) has at least three members.

Recommendation 4.3 – The audit committee should have a formal charter.

Recommendation 4.4 – Companies should provide the information indicated in the Guide to reporting on Principle 4.

As at the date of this Prospectus, there are the following departures from Principle 4:

Recommendations 4.1, 4.2 and 4.3 – The members of the Company's Audit Committee are currently Mr Donald Stephens and Mr Graham Ascough (both non-executive directors). Upon completion of the Acquisition, the members of the Audit Committee will comprise Mr Simon O'Loughlin (Chair), Mr Donald Stephens and Mr Johnathon Matthews. In addition, due to the Company's size and nature of operations, to date limited to joint venture operations where the Company is not an active partner, the Board is actively involved in ongoing operational and financial review.

Principle 5: Make timely and balanced disclosure

Recommendation 5.1 – Companies should establish written policies to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

The Board and Company Secretary have been appointed as the persons responsible for communications with the Australian Securities Exchange (ASX). These persons are also responsible for ensuring the compliance with the continuance disclosure requirements in the ASX Listing Rules and overseeing and co-ordinating information disclosure to the ASX.

Recommendation 5.2 – Companies should provide the information indicated in the Guide to reporting on Principle 5.

As at the date of this Prospectus, there are no departures from Principle 5.

Principle 6: Respect the rights of shareholders

Recommendation 6.1 – Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.

The Board and the Company Secretary are responsible for the communications strategy to promote effective communications with shareholders and encourage effective participation at general meetings. Due to the size of the Company, all communications are prepared and administered in-house.

The Company provides an update on its activities on a quarterly basis as required under the ASX Listing Rules.

Recommendation 6.2 – Companies should provide the information indicated in the Guide to reporting on Principle 6.

As at the date of this Prospectus, there are no departures from Principle 6.

Principle 7: Recognise and manage risk

Recommendation 7.1 – Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

The Board is responsible for the Company's system of internal controls. The Board constantly monitors the operation and financial aspects of the Company's activities and considers the recommendations and advice of external auditors and other external advisers on the operations and financial risks that face the Company.

The Board ensures that recommendations made by the external auditors and other external advisers are investigated and, where considered necessary, appropriate action is taken to ensure that the Company has an appropriate internal control environment in place to manage the key risks identified.

In addition, the Board investigates ways of enhancing existing risk management strategies, including appropriate segregation of duties and the employment and training of suitably qualified and experienced personnel.

The Company obtains statements from its Company secretary that:

- the Company's financial reports present a true and fair view in all material respects, of the Company's financial condition and operational results are in accordance with the relevant accounting standards. Furthermore, the Board of Directors does, in its role, state to shareholders in the Company's accounts that they are true and fair, in all material respects;
- the integrity of the financial statements is founded on a sound system of risk management and internal compliance and control which implements policies adopted by the Board; and
- the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

The Board believes the Company's risk management and internal compliance and control procedures are operating efficiently and effectively in all material aspects appropriate for a company of AO Energy Limited's size and nature.

Recommendation 7.2 – The Board should require management to design and implement a risk management and internal control system to manage the Company's material business risks and report to it on whether these risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.

Recommendation 7.3 – The Company should disclose whether it has received assurance from the chief executive officer and chief financial officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and that the system is operating effectively in all material respects in relation to financial reporting risks.

Recommendation 7.4 – Companies should provide the information indicated in the Guide to reporting on Principle 7.

As at the date of this Prospectus, there are no departures from Principle 7.

The Company has received an update from management as to the effectiveness of the Company's management of its material business risks.

The Board has received assurance from the Company secretary under Recommendation 7.3.

Principle 8: Remunerate fairly and responsibly

Recommendation 8.1 – The Board should establish a remuneration committee.

Recommendation 8.2 – The remuneration committee should be structured so that it: (i) consists of a majority of independent Directors; (ii) is chaired by an independent chair; and (iii) has at least three members.

Recommendation 8.3 – Companies should clearly distinguish the structure of non-executive Directors' remuneration from that of executive Directors and senior executives.

Recommendation 8.4 – Companies should provide the information indicated in the Guide to reporting on Principle 8.

The Company does not have any scheme for retirement benefits, other than superannuation, for any Directors.

As at the date of this Prospectus, there are the following departures from Principle 8:

Recommendations 8.1 and 8.2 – Due to the Company's size and nature of operations, the Board is actively involved in ongoing remuneration policy. As a result, the functions ordinarily undertaken by a remuneration committee are undertaken by the Board of Directors of the Company. The Board plans to establish a remuneration committee as per the usual guidelines upon Completion of the Acquisition.

8.3 Litigation

As at the date of this Prospectus, the Company is not involved in any legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against the Company or Reproductive Health Science.

8.4 Rights Attaching To Shares

The Shares to be issued under this Prospectus will rank equally with the issued fully paid ordinary shares in the Company. The rights attaching to Shares are set out in the Company's Constitution and, in certain circumstances, are regulated by the Corporations Act, the Listing Rules and general law.

The following is a summary of the more significant rights of the holders of Shares of the Company. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities

of the Company's members.

(a) **Meetings of Shareholders and notices**

Each Shareholder is entitled to receive notice of, attend and vote at general meetings of the Company and receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution, the Corporations Act or the ASX Listing Rules.

(b) **Voting**

At a general meeting, every Shareholder present in person or by proxy, attorney or representative has one vote on a show of hands (irrespective of the number of Shares they hold) and one vote for each Share held on a poll. Where there are two or more joint holders of a Share and more than one joint holder tenders a vote, the vote of the holder named first in the register who tenders the vote will be accepted to the exclusion of the votes of the other joint holders.

Voting at any meeting of Shareholders is by a show of hands unless a poll is demanded. A poll may be demanded by:

- (i) at least five Shareholders entitled to vote on the resolution;
- (ii) Shareholders with at least 5% of the votes that may be cast on the resolution; or
- (iii) the Chairman.

If the votes are equal on a proposed resolution, the Chairman has a casting vote on a show of hands.

(c) **Dividends**

The Directors may from time to time pay dividends to Shareholders. The Directors may pay any interim and final dividends as, in their judgment, the financial position of the Company justifies. The Directors may fix the amount and the method of payment of the dividends. The payment of a dividend does not require any confirmation by a general meeting.

Subject to any special rights or restrictions attaching to any Shares, dividends must be paid equally on all Shares and in proportion to the number of, and the amounts paid on, the Shares held.

(d) **Issues of Shares**

Subject to the restrictions on the issue of shares imposed by the Constitution, the ASX Listing Rules and the Corporations Act, the Directors may issue, grant options in respect of, or otherwise dispose of further shares to any person on such terms and conditions as they see fit.

(e) **Variation of class rights**

Subject to the Corporations Act and their terms of issue, the rights attached to a class of shares may be varied with the consent in writing of the holders of at least three quarters of the issued shares in the particular class, or by a special resolution passed at a separate meeting of the holders of shares in that class.

The creation or issue of further shares ranking equally with a class of shares already on issue is not a variation of class rights.

(f) **Transfer of Shares**

Shareholders may transfer Shares by a written transfer instrument in the usual form or any form approved by the Directors or, while the Company is listed on ASX, Shares can be transferred electronically in accordance with the ASX Settlement Operating Rules and ASX requirements. All transfers must comply with the Constitution, the Corporations Act, the Listing Rules and the ASX Settlement Operating Rules. The Directors may refuse to register a transfer of Shares. The Directors must refuse to register a transfer of Shares where required

to do so by the ASX Listing Rules. The Directors may suspend the registration of a transfer at any time, and for any period, as permitted by the ASX Settlement Operating Rules. Subject to the ASX Listing Rules, Shares are freely transferable.

(g) Sale of non-marketable parcels

The Directors may cause the Company to sell a Shareholder's Shares if that Shareholder holds less than a marketable parcel of Shares, provided that the procedures set out in the Constitution are followed. A marketable parcel of Shares is defined in the ASX Listing Rules and is, generally, a holding of Shares with a market value of not less than \$500.

(h) Winding up

Subject to the Constitution and any special resolution or rights or restrictions attaching to any class or classes of shares, Shareholders will be entitled on a winding up to a share in any surplus assets of the Company in proportion to the shares held by them.

(i) Directors – appointment and removal

The minimum number of Directors is three and the maximum is fixed by the Directors but may not be more than 11, unless the Shareholders pass a resolution varying that number. Directors are elected at annual general meetings of the Company.

The Directors may also appoint a Director to fill a casual vacancy on the Board or in addition to the existing Directors, who will then hold office until the next annual general meeting of the Company.

Retirement will occur on a rotational basis so that no Director (excluding the Managing Director) may hold office beyond the third annual general meeting following the meeting at which they were last elected or re-elected (whichever is later) without Shareholders approving their reappointment.

(j) Directors – voting

Questions arising at a meeting of Directors will be decided by a majority of votes of the Directors present at the meeting and entitled to vote on the matter. In the case of a tied vote, the Chairman has a second or casting vote, unless there are only two Directors present or qualified to vote.

(k) Directors' and officers' indemnities

The Company, on a full indemnity basis and to the full extent permitted by law, indemnifies each person who is or has been an executive officer of the Company or a Director, and such other officers or former officers of the Company or its related bodies corporate as the Directors in each case determine (each an Officer), against any liability (including costs and expenses) incurred by that person as an Officer or a related body corporate of the Company to the extent permitted by law.

The Company, to the extent permitted by law, may insure an Officer against a liability incurred by the Officer as an officer of the Company or any of its related bodies corporate including, but not limited to, reasonable costs or expenses incurred in defending proceedings whether civil or criminal and whatever the outcome.

The Company has entered into Indemnity, Insurance and Access Deeds with each Director which confirm the Directors' right of access to Board papers and require the Company to indemnify the Director for a liability incurred as an officer of the Company or any of its related bodies corporate, subject to the restrictions imposed by the Corporations Act and the Constitution. Details are set out in the Investment Overview Section of this Prospectus.

(l) Variation of the Constitution

The Constitution may be amended only by a special resolution passed by at least 75% of the votes cast by Shareholders present and entitled to vote on the resolution. At least 28 days'

written notice specifying the intention to propose the resolution must be given to Shareholders.

8.5 Terms and Conditions of Options and Performance Rights

8.5(a) Options to Former Directors

As at the date of this Prospectus, the Company has granted a total of 29,050,000 Options (pre-Consolidation) to its Former Directors under the AO Energy Performance Rights and Options Plan, established by the Company on the following terms and conditions:

- (i) As to 10,550,000 of those Options, each Option is exercisable (subject to the conditions set out below) at any time during the period commencing on the date of grant and expiring on 11 February 2016, and has an exercise price of \$0.225 (pre-Consolidation); and
- (ii) As to 18,500,000 of those Options, each Option is exercisable (subject to the conditions set out below) at any time during the period commencing on the date of grant and expiring on 11 February 2017, and has an exercise price of \$0.30 (pre-Consolidation).

Under the Company's Performance Rights and Options Plan (**Plan**), the Company may issue eligible participants with Performance Rights and/or Options. Each Performance Right entitles the holder to subscribe for or be transferred one Share at no consideration, subject to any performance conditions specified by the Board being satisfied. Each Option entitles the holder to subscribe for or be transferred one Share by paying the exercise price applying in respect of that Option and subject to any performance conditions specified by the Board being satisfied. In other words, the difference between a Performance Right and an Option is that, upon them becoming exercisable, no amount is payable by the holder in the case of a Performance Right whereas an exercise price is payable in the case of an Option.

Performance Rights and Options do not confer an interest in a Share or the usual rights attached to Shares such as dividend and voting rights.

An invitation to participate in the Plan, the particular conditions on which Performance Rights and Options will be granted and the number of Performance Rights and Options to be granted, is at the discretion of the Board.

There is no amount payable on the grant of a Performance Right or an Option.

Performance Rights and Options do not confer a right to participate in new issues of capital.

If the company makes a bonus issue, participants whose Performance Rights and Options have not been exercised will be entitled to an adjustment to the number of Shares that will be issued to them upon their exercise and, in the case of Options, their exercise price will be adjusted proportionately.

In the event of a reorganisation of the issued capital of the Company, the number of Shares to which a participant is entitled to on the exercise of a Performance Right or Option will be reconstructed as required by the Listing Rules.

Performance Rights and Options will vest and may be exercised if:

- all applicable performance conditions relating to the Performance Rights or Options have been satisfied; or
- the Performance Rights or Options otherwise vest in accordance with the Plan (see below regarding cessation of employment or a change of control occurring).

If a participant dies, retires or is made redundant, or in the event of any other reason approved by the Board, and at that time the participant continues to satisfy any other conditions imposed by the Board, the Board may allow the Performance Rights or Options granted to the participant to vest.

If a participant ceases to be an employee for any other reason, for example, because their employment is terminated for misconduct, then all Performance Rights or Options held by the participant will lapse immediately.

Upon a change of control of the Company occurring, the Board has a discretion to determine whether all or some of the unvested Performance Rights and Options will vest. If no such determination is made by the Board, 50% of the unvested Performance Rights and Options will vest and be capable of exercise.

Unvested Performance Rights or Options will also lapse immediately if the relevant performance conditions attaching to them are not satisfied, if there is an unauthorised transfer of them or if a participant acts fraudulently or dishonestly or is in breach of his or her obligations to the Company or any related body corporate of the Company.

Performance Rights or Options may not be transferred except with the consent of the Board or, if a participant dies, to the participant's legal personal representative.

Shares issued on exercise of Performance Rights or Options will rank equally with all existing Shares then on issue.

Performance Rights and Options will not be quoted. The Company will apply to ASX for quotation of Shares issued on exercise of Performance Rights or Options.

The Plan will be administered by the Board, who has power to suspend, terminate or amend the Plan.

Pursuant to the Settlement Deed outlined in Section 7.2 of this Prospectus, these Options will, subject to obtaining the approval of Shareholders at the meeting of AO Energy Shareholders to be held on or about 13 March 2014, be cancelled in exchange for AO Energy Shares, on the terms as set out.

8.5(b) Options to Taycol Nominees Pty Ltd

As at the date of this Prospectus, the Company has granted a total of 1,791,046 Options (pre-Consolidation) to Taycol Nominees Pty Ltd on the following terms and conditions:

1. No consideration is payable for the grant of the Options.
2. Each Option gives the Optionholder the right to subscribe for one fully paid, ordinary Share in the Company, in accordance with these terms of issue.
3. The exercise price payable upon exercise of each Option is \$0.201 (**Exercise Price**) (pre-Consolidation).
4. Each Option automatically lapses at 5pm Adelaide time on 1 October 2016 (**Expiry Date**).
5. Each Option may be exercised at any time during the period commencing on the date of grant of the Option and ending on the Expiry Date (**Exercise Period**).
6. Options may be exercised by lodging with the Company during the Exercise Period:
 - (a) a duly signed written notice of exercise, in the format specified by the Company from time to time, specifying the number of Options which are being exercised (**Exercise Notice**);
 - (b) a cheque for the Exercise Price for the Options being exercised (or a telegraphic transfer of cleared funds or a direct credit of cleared funds to the Company); and
 - (c) the certificate of the Options being exercised, for cancellation by the Company.

An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price for the Options being exercised in cleared funds.

7. Delivery of the Exercise Notice will constitute a warranty from the Optionholder to the Company that the issue of Shares upon exercise of the Options will not result in a breach of the takeovers provisions in the Corporations Act in relation to the Company.
8. Within five Business Days after receipt of a valid Exercise Notice accompanied by full payment of the Exercise Price and the option certificate, the Company will:
 - (a) issue the number of Shares specified in the Exercise Notice;

- (b) cancel the certificate for the Options being exercised and update the options register accordingly; and
- (c) if applicable, issue a new option certificate for any unexercised Options.
9. All Shares issued upon the exercise of Options will rank equally in all respects with other ordinary Shares of the Company from the date of issue.
 10. The Options may be transferred if the registered holder (as transferor) and the transferee duly execute a transfer form in the format approved by the Company from time to time. The transfer is not effective until the Company processes the transfer, updates the options register and issues a new option certificate to the new registered holder.
 11. The Optionholder has no right or entitlement, without exercising the Options, to participate in new issues of Shares offered to the Company's Shareholders during the Exercise Period, whether by way of rights issue, bonus issue or other pro-rata offer of Shares to Shareholders. However the Company will ensure that for the purposes of determining entitlements to any such offer or issue, the record date will be a date at least five Business Days after the offer or issue is announced by the Company.
 12. If the Company makes a 'bonus issue' (as defined in the ASX Listing Rules) before the Expiry Date then upon exercise of an Option the Optionholder is entitled to have issued to it additional Shares, in accordance with the requirements of Listing Rule 6.22.3 (or its replacement or successor).
 13. The Optionholder has no right or entitlement to participate in the Company's dividends.
 14. If there is a reorganisation of the issued capital of the Company before the Expiry Date then the number of Options to which an Optionholder is entitled, or the Exercise Price (or both) will be reconstructed (as appropriate) in accordance with Listing Rule 7.22 (or its replacement or successor). The rights of the Optionholder under these terms of issue may be amended to the extent necessary to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation.
 15. The Optionholder has no rights or entitlements in addition to those set out above to a change in the Exercise Price, or a change to the number of Shares over which the Option can be exercised.
 16. These terms of issue are binding on the personal and legal representatives of the Optionholder.

8.5(c) Performance Rights to Former Directors

As at the date of this Prospectus, the Company has granted 3,600,000 Performance Rights to the Former Directors on the terms and conditions of the AO Energy Performance Rights and Options Plan outlined in Section 8.5(a) of this Prospectus.

Pursuant to the Settlement Deed outlined in Section 7.2 of this Prospectus, these Performance Rights will, subject to obtaining the approval of Shareholders at the meeting of AO Energy Shareholders to be held on or about 13 March 2014, be cancelled in exchange for AO Energy Shares, on the terms as set out.

8.5(d) New Options to Existing Directors and Johnathon Matthews

If the Acquisition is completed, and subject to obtaining Shareholder approval at the meeting of AO Energy Shareholders to be held on or about 13 March 2014 the Company will grant 3,000,000 Options to the existing Directors and Johnathon Matthews (or their nominees) on the following terms and conditions:

1. Each Option entitles the holder to one ordinary share in the Company.
2. Each of the Options will be exercisable at a price, rounded up to the next whole cent, 25% above the closing price of the Company's shares on the date shareholder approval for the grant of the

options is given (calculated on a post-Consolidation basis).

3. Each Option is exercisable in whole or in part at any time during the period commencing on the date of issue and expiring on 31 December 2016 (Exercise Period). Options not exercised before the expiry of the Exercise Period will lapse.
4. Options are exercisable by notice in writing to the Board delivered to the registered office of the Company and payment of the exercise price per option in cleared funds.
5. The Company will not apply to ASX for official quotation of the Options.
6. The Company will make application for official quotation on ASX of new shares allotted on exercise of the Options. Those shares will participate equally in all respects with existing issued ordinary shares, and in particular new shares allotted on exercise of the Options will qualify for dividends declared after the date of their allotment.
7. Options can only be transferred with Board approval, except that if at any time before expiry of the Exercise Period the Optionholder dies, the legal personal representative of the deceased Optionholder may:
 - elect to be registered as the new holder of the Options;
 - whether or not he becomes so registered, exercise those Options in accordance with the terms and conditions on which they were granted; and
 - if the deceased has already exercised Options, pay the exercise price in respect of those Options.
8. An optionholder may only participate in new issues of securities to holders of ordinary shares in the Company if the Option has been exercised and shares allotted in respect of the Option before the record date for determining entitlements to the issue. The Company must give prior notice to the Optionholder of any new issue before the record date for determining entitlements to the issue in accordance with the ASX Listing Rules.
9. If there is a bonus issue to the holders of ordinary shares in the capital of the Company, the number of ordinary shares over which the Option is exercisable will be increased by the number of ordinary shares which the holder of the Option would have received if the Option had been exercised before the record date for the bonus issue.
10. If the Company makes a rights issue (other than a bonus issue), the exercise price of Options on issue will be reduced according to the following formula:

$$A = O - \frac{E [P - (S + D)]}{(N + 1)}$$

Where:

- A = the new exercise price of the Option;
- O = the old exercise price of the Option;
- E = the number of underlying ordinary shares into which one Option is exercisable;
- P = the average closing sale price per ordinary share (weighted by reference to volume) recorded on the stock market of ASX during the five trading days immediately preceding the ex rights date or ex entitlements date (excluding special crossings and overnight sales and exchange traded option exercises);
- S = the subscription price for a security under the pro rata issue;
- D = the dividend due but not yet paid on existing underlying securities (except those to be issued under the pro rata issue); and
- N = the number of securities with rights or entitlements that must be held to receive a

right to one new security.

11. If, during the currency of the Options the issued capital of the Company is reorganised, those Options will be reorganised to the extent necessary to comply with ASX Listing Rules.

8.5(e) New Options to Michelle Fraser

If the Acquisition is completed, and subject to obtaining Shareholder approval at the meeting of AO Energy Shareholders to be held on or about 13 March 2014, the Company will grant 2,700,000 Options to Michelle Fraser (or nominee) on the terms and conditions set out in Section 8.5(d) of this Prospectus except that:

- 900,000 of the Options will each have an exercise price of \$0.25.
- 900,000 of the Options will each have an exercise price of \$0.30.
- 900,000 of the Options will each have an exercise price of \$0.35.

8.6 Employee Share Option Plan

The Company has established an Employee Share Option Plan (**Plan**) to assist in the attraction, retention and motivation of employees of the Company.

The summary of the Plan is set out below for the information of potential investors in the Company. The detailed terms and conditions of the Plan may be obtained free of charge by contacting the Company.

All employees (full and part-time) will be eligible to participate in the Plan.

The allocation of Options to each employee is in the discretion of the Board.

If permitted by the Board, Options may be issued to an employee's nominee.

Each Option is to subscribe for one fully paid ordinary share in the Company and will expire 5 years from its date of issue. Subject to vesting under applicable vesting condition (if any) or satisfaction of applicable performance condition (if any) an Option is exercisable at any time from its date of issue.

Options will be issued free. The exercise price of Options will be the amount determined by the Board. The total number of shares the subject of Options issued under the Plan, when aggregated with issues during the previous 5 years pursuant to the Plan and any other employee share plan, must not exceed 5% of the Company's issued share capital.

If, prior to the expiry date of Options, an employee's employment is terminated where such termination has either been voluntary on the employee's part or otherwise has occurred without cause the Options held by that person (or that person's nominee) must be exercised within 30 days after the termination (but prior to the expiry date of options) otherwise they will automatically lapse.

Except with the consent of the Board, Options may not be transferred and will not be quoted on or by ASX.

Shares issued as a result of the exercise of Options will rank equally with the Company's previously issued shares.

Optionholders may only participate in new issues of securities by first exercising their Options.

If there is a bonus share issue to the holders of shares, the number of shares over which an Option is exercisable will be increased by the number of shares which the Optionholder would have received if the Option had been exercised before the record date for the bonus issue.

If there is a pro rata issue (other than a bonus share issue) to the holders of shares, the exercise price of an Option will be reduced to take account of the effect of the pro rata issue in accordance with the formula in Section 8.5(d) of this Prospectus.

If there is a reorganisation of the issued capital of the Company, unexercised Options will be reorganised in accordance with the Listing Rules.

The Board may amend the Plan Rules subject to the requirements of the Listing Rules.

8.7 Directors' Interests

Except as disclosed in this Prospectus, no Director (whether individually or in consequence of a Director's association with any company or firm or in any material contract entered into by the Company) has now, or has had, in the two year period ending on the date of this Prospectus, any interest in:

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

Except as disclosed in this Prospectus, no amounts of any kind (whether in cash, Shares, Options or otherwise) have been paid or given or agreed to be paid or given to any Director or to any company or firm with which a Director is associated to induce him or her to become, or to qualify as, a Director, or otherwise for services rendered by him or her or any company or firm with which the Director is associated in connection with:

- the formation or promotion of the Company; or
- the Offer of the Shares.

8.8 Interests of Named Persons

Except as disclosed in this Prospectus, no promoter, underwriter, expert or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of this Prospectus, nor any firm in which any of those persons is or was a partner nor any company in which any of those persons is or was associated with, has now, or has had, in the two year period ending on the date of this Prospectus, any interest in:

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

Except as disclosed in this Prospectus, no amounts of any kind (whether in cash, Shares, Options or otherwise) have been paid or given or agreed to be paid or given to any promoter, underwriter, expert or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of this Prospectus, or to any firm in which any of those persons is or was a partner or to any company in which any of those persons is or was associated with, for services rendered by that person in connection with the formation or promotion of the Company or the Offer under this Prospectus.

Shelston IP will receive professional fees of \$3,500 (exclusive of GST) for the provision of the Independent Patent Attorney's Report on the Reproductive Health Science licensed patents.

Ernst & Young have acted as the investigating accountant in relation to the Offer. As investigating accountant, Ernst & Young have prepared the Independent Limited Assurance Report which has been included in this Prospectus. In respect of this work the Company has agreed to pay Ernst & Young a total of \$11,227 (exclusive of GST) for these services. The Company has incurred professional fees in the sum of \$23,000 (exclusive of GST) in respect of audit services provided by Ernst & Young during 2013.

O'Loughlins Lawyers have acted as the solicitors to the Company in relation to the Offer, and in that capacity and otherwise assisting the Company with the preparation of this Prospectus, O'Loughlins Lawyers have been involved in undertaking certain due diligence enquiries in relation to legal matters and providing legal advice to the Company in relation to the Offer. In respect of this work, the

Company has agreed to pay O'Loughlins Lawyers \$50,000 (exclusive of GST) for these services up to the date of this Prospectus. O'Loughlins Lawyers have been paid \$21,207.50 (exclusive of GST) for professional fees from the Company during the last 24 months.

Link Market Services Limited has agreed to provide share registry services to the Company in accordance with a detailed schedule of fees listed in its proposal to AO Energy Limited for share registry services for the Consolidation and Offer, dated 28 February 2014.

Taylor Collison Limited will receive the remuneration outlined in Section 7.5 of this Prospectus in respect of its services as Lead Manager to the Offer.

8.9 Consents

Each of the parties referred to in this Section:

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

Shelston IP has given its written consent to the inclusion in Section 4 of this Prospectus of its Independent Patent Attorney's Report and to all statements in the Prospectus referring to that report in the form and context in which they appear, and to being named as Independent Patent Attorney, and has not withdrawn such consent before lodgement of this Prospectus with ASIC.

Ernst & Young have given their written consent to the inclusion in Section 5 of this Prospectus of their Independent Limited Assurance Report and to all statements referring to that report in the form and context in which they appear, and to being named as Investigating Accountant and as Auditor, and have not withdrawn such consent before lodgement of this Prospectus with ASIC.

O'Loughlins Lawyers have given their written consent to being named as Solicitors to the Company and have not withdrawn such consent before lodgement of this Prospectus with ASIC.

Taylor Collison Limited has given its written consent to being named as Lead Manager to the Offer and has not withdrawn such consent before lodgement of this Prospectus with ASIC.

Link Market Services Limited (**Link**) has given and, as at the date hereof, has not withdrawn its written consent to be named as Share Registrar in the form and context in which it is named. Link has had no involvement in the preparation of any part of this Prospectus other than being named as Share Registrar to the Company. Link has not authorised or caused the issue of any part of this Prospectus.

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

8.10 Electronic Prospectus

If you have received this Prospectus as an electronic prospectus or in paper form please ensure that you have received the entire Prospectus accompanied by the Application Form. If you have not, please email the Company at info@aoenergy.com.au and the Company will send to you, for free, either a hard copy or a further electronic copy of this Prospectus or both.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with this Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered. In such case, the Application Monies received will be dealt with in accordance with section 722 of the Corporations Act.

8.11 Documents Available for Inspection

Copies of the following documents may be inspected free of charge at the registered office of the Company during normal business hours:

- the Constitution of the Company; and
- the consents referred to in Section 8.9 of this Prospectus.

Section 9: Directors' Consents

Each of the Directors and Proposed Directors has consented in writing to the lodgement of this Prospectus with ASIC and has not withdrawn that consent.

Dated: 7 March 2014

Signed for and on behalf of the Company

A handwritten signature in black ink, appearing to read 'S. O'Loughlin', written over a light blue horizontal line.

SIMON O'LOUGHLIN
Chairman

Section 10: Definitions

In this Prospectus unless the context otherwise requires:

General Definitions

\$ or A\$ means the lawful currency of Australia.

Acquisition means the acquisition by AO Energy of all of the issued shares in Reproductive Health Science pursuant to the terms of the Share Purchase Agreement.

AO Energy Limited, or **AO Energy** means AO Energy Ltd (ACN 010 126 708).

AO Energy Board means the board of directors of AO Energy.

AO Energy Director means a director of AO Energy.

AO Energy Share means a fully paid ordinary share in the capital of AO Energy.

AO Energy Shareholder means the holder of a AO Energy Share.

Applicant means a person who submits an Application Form under this Prospectus.

Application Form means the application form contained in this Prospectus or a copy of the application form contained in this Prospectus or a direct derivative of the application form which is contained in this Prospectus.

Application Money means 20 cents being the amount payable in respect of each Share under the Offer.

Application means a valid application to subscribe for Shares.

ASIC means the Australian Securities and Investments Commission.

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

ASX Listing Rules or **Listing Rules** means the official listing rules of ASX.

ASX Settlement means ASX Settlement Pty Ltd (ACN 008 504 532).

ASX Settlement Operating Rules mean the operating rules of ASX Settlement.

Board of Directors and **Board** means the Board of Directors of the Company as constituted from time to time.

Business Day means a business day as defined in the ASX Listing Rules.

Capital Raising means the capital raising to be completed by AO Energy of at least A\$2,400,000 (minimum subscription) and up to an additional \$600,000 (maximum subscription) at an issue price of no less than A\$0.20 per AO Energy Share to no less than that number of new investors in AO Energy required by ASX.

CST means Central Standard Time as observed in Adelaide, South Australia.

CHESS means the Clearing House Electronic Subregister System operated by ASX Settlement.

Closing Date means the date on which the Offer closes.

Company means AO Energy Limited (ACN 010 126 708).

Completion means completion of the Acquisition.

Completion of the Offer means the allotment of at least 12,000,000 Shares offered under this Prospectus.

Consideration Shares means 191,207,026 fully paid ordinary shares (pre-Consolidation) in the capital of the Company.

Consolidation means the consolidation of the existing securities of the Company on a one-for-ten basis (rounded up to the nearest whole number), which consolidation is proposed to become effective on the

date of, and immediately after, completion of the Acquisition.

Constitution means the constitution of the Company.

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

Corporations Regulations means *Corporations Regulations 2001* (Cth).

Deed of Variation means the Deed of Variation (Share Purchase Agreement) dated 29 January 2014 between the Vendors and AO Energy.

Directors means the directors of the Company.

EL and Exploration Licence means an area granted in respect to mineral exploration.

Exposure Period means the period of seven days (or longer as ASIC may direct) from the date of lodgement of this Prospectus with ASIC.

Former Directors means Colin Goodall, Neil Young, Jeremy Jebamoney, David Bamford and The Honourable Alexander Downer AC.

HIN means holder identification number.

Issue means the issue of Shares pursuant to this Prospectus.

Issuer Sponsored means securities issued by an issuer that are held in uncertificated form without the holder entering into a sponsorship agreement with a broker or without the holder being admitted as an institutional participant in CHESS.

Maximum Subscription means \$3,000,000 or 15,000,000 Shares.

Minimum Subscription means \$2,400,000 or 12,000,000 Shares.

Novation Deed means the Novation Deed dated 23 December 2013 between the Original Vendors, SAFA and AO Energy.

Offer Period means the period commencing on the Opening Date and ending on the Closing Date.

Offer Price means 20 cents being the amount payable in respect of each Share under the Offer.

Offer means the invitation to apply for Shares pursuant to this Prospectus.

Official List means the Official List of ASX.

Opening Date means the date immediately following the expiry of the Exposure Period.

Option means a right to subscribe for a Share.

Optionholder means a holder of an Option.

Original Vendors means Single Cell, Playford Capital, PC Trust and any or all of them and includes their nominees and assignees.

PC Trust means Playford Capital Pty Ltd (ACN 091 257 733) as trustee and manager of PC IIFF Trust.

Performance Right means a right to be issued for no consideration a Share under the Plan described in Section 7.5(a) of this Prospectus, upon the satisfaction of specified performance conditions.

Playford Capital means Playford Capital Pty Ltd (ACN 091 257 733).

Proposed Directors means Michelle Fraser, Johnathon Matthews and Colin Matthews (alternate).

Prospectus means this disclosure document.

Quotation means quotation of the Shares on the Official List.

Reproductive Health Science means Reproductive Health Science Pty Ltd (ACN 067 210 922).

Reproductive Health Science Share means a fully paid ordinary share in the capital of Reproductive Health Science.

SAFA means South Australian Government Financing Authority.

Share Purchase Agreement means the Share Purchase Agreement dated 26 November 2013 between AO Energy and the Original Vendors in relation to the Acquisition, as novated by the Novation Deed and as varied by the Deed of Variation.

Share Registrar means Link Market Services Limited (ABN 54 083 214 537).

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

Shareholder means a holder of a Share.

Single Cell means Single Cell Pty Ltd (ACN 117 480 047).

Vendors means Single Cell and SAFA and either of them and includes their nominees and assignees.

Technical Definitions

Aneuploid or Aneuploidy means the characteristic of having the wrong number of chromosomes.

Cell Line means a cell culture consisting of a number of genetically identical cells.

Clinical Pregnancy means a pregnancy indicated by the ultrasound detection of a gestational sac in the uterus.

DNA means deoxyribonucleic acid.

DNA Amplification means the process of making copies of DNA.

Embryo means an egg that has been fertilized by a sperm and has undergone one or more cell divisions.

Embryo Transfer means placement of an embryo or embryos into a woman's uterus after IVF.

Fluorescent Labelling or Labelling means the process of attaching a fluorescent tag (ie a fluorophore) to DNA.

IVF means in-vitro fertilisation.

Microarray means a set of DNA sequences arranged in a grid pattern attached to a solid surface.

Morphology means the form, structure and shape of an object.

PCR means Polymerase Chain Reaction.

PGS means Pre-implantation Genetic Screening.

Reagents means substances used in a chemical reaction.

Sequencing means the process of determining the precise order of nucleotides (ie the building blocks of DNA) in DNA.