LACHESIS BIOSCIENCES LIMITED

Prospectus

To raise up to $6,000,000 by an Offer to the public comprising:
Offer of 5,000,000 New Shares at an issue price of $1.00 each totalling $5,000,000; and Oversubscriptions of up to a maximum of $1,000,000.

IMPORTANT INFORMATION

This is an important document and it should be read in its entirety.
If after reading this Prospectus, you do not fully understand it or the rights attaching to the New Shares offered by it, you should consult an accountant, solicitor or other professional advisor for assistance.
The New Shares offered by this prospectus should be considered speculative.

ISSUED BY LACHESIS BIOSCIENCES LIMITED ACN 115 641 855

LODGE CORPORATE
Lead Manager

Important Information

This is an important document which should be read in its entirety before making any investment decision.

You should obtain independent advice if you have any questions about any of the matters contained in this Prospectus.

Offer

This Prospectus contains a proposal to offer the public up to 6,000,000 New Shares in the Company at an issue price of $1.00 per New Share, to raise up to approximately $6,000,000 before costs of the issue. The issue of New Shares is subject to the Company being able to raise the Minimum Subscription of $5,000,000 under the Offer. If, for any reason, the Minimum Subscription is not achieved, the Offer will not proceed and no New Shares will be issued.

Lodgement

This Prospectus is dated 1 August 2016 and has been lodged with the Australian Securities and Investments Commission (**ASIC**). This is a replacement prospectus (**Replacement Prospectus**) which replaced the prospectus dated 22 July 2016 and lodged with ASIC on that date (**Original Prospectus**). A summary of the material differences between the Original Prospectus and this Replacement Prospectus is as follows: (1) additional disclosures regarding the capacity of Dr Tim Morgan to exercise significant influence in relation to certain Shareholder decisions through the Special Majority Approval voting regime under the Sharheolders Agreement and the possibility of a third party having the capacity to exercise these rights in the future (see Chairman's Letter and Investment Overview); (2) insertion of definition of Special Majority Approval (see Appendix A). ASIC does not take responsibility for the content of this Prospectus.

Expiry date

This Prospectus expires on 22 October 2016 (Expiry Date). No Shares will be allotted, issued, transferred or sold on the basis of this Prospectus after the Expiry Date.

No investment advice

No person is authorised to provide any information, or to make any representation, about the Company or the Offer that is not contained in this Prospectus. Potential investors should only rely on the information contained in this Prospectus. Any information or representation which is not contained in this Prospectus may not be relied on as having been authorised by the Company or any other person in connection with the Offer.

Except as required by law and only to the extent required by such law, none of the Company, persons named in this Prospectus, nor any other person associated with the Company or the Offer, guarantees or warrants the future performance of the Company, the return on an investment made under this Prospectus, the repayment of capital or the payment of dividends on the New Shares.

Before deciding to invest in the Company, investors should read the entire Prospectus. The information contained in individual sections is not intended to and does not provide a comprehensive review of the business and the financial affairs of the Company or the New Shares offered under this Prospectus. The Offer does not take into account the investment objectives, financial situation or particular needs of individual investors.

Risks

You should carefully consider the risks (set out in Section 5) that impact on the Company in the context of your personal requirements (including your financial and taxation position) and, if required, seek professional guidance from your stockbroker, solicitor, accountant or other independent and qualified professional adviser prior to deciding to invest in the Company.

There may be risk factors in addition to these that should be considered in light of your personal circumstances.

No cooling-off regime (whether provided for by law or otherwise) applies in respect of the acquisition of Shares under this Prospectus.

Investors should be aware that the Shares are a speculative investment.

Statements of past performance

This Prospectus includes information regarding the past performance of the Company. Investors should be aware that past performance is not indicative of future performance.

Financial information presentation

The Historical Financial Information in this Prospectus should be read in conjunction with, and is qualified by reference to, the information contained in Section 7. Section 7 sets out in detail the financial information referred to in this Prospectus and the basis of preparation of that information.

Investors should note that certain financial data included in this Prospectus is not recognised under Australian Accounting Standards, and is classified as non-IFRS financial information. Although the Directors believe that these measures provide useful information about the financial performance of Lachesis Biosciences, they should be considered as supplements to the income statement and cash flow measures that have been presented in accordance with the Australian Accounting Standards and not as a replacement for them.

Because these non-IFRS financial measures are not based on Australian Accounting Standards, they do not have standard definitions, and the way Lachesis Biosciences calculated these measures may differ from similarly titled measures used by other companies. Readers should therefore not place undue reliance on these non-IFRS financial measures.

Unless otherwise stated or implied, all pro forma data in this Prospectus gives effect to the pro forma adjustments referred to in Section 7.

Forward-looking statements

This Prospectus contains forward-looking statements, including statements identified by use of words such as 'believes', 'estimates', 'anticipates', 'expects', 'predicts', 'intends', 'targets', 'plans', 'goals', 'outlook', 'aims', 'may', 'will', 'would', 'could' or 'should' and other similar words that involve risks and uncertainties.

Except as set out above, the Company and the Directors cannot and do not make any representation, express or implied, in relation to forward-looking statements and you are cautioned not to place undue reliance on these statements.
The Company does not intend to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

These statements are subject to various risk factors that could cause the Company's actual results to differ materially from the results expressed or anticipated in these statements.

Key risk factors are set out in Section 5. These and other factors could cause actual results to differ materially from those expressed in any statement contained in this Prospectus.

This Prospectus, including the industry overview in Section 2, uses market data and third party estimates and projections. There is no assurance that any of the third party estimates or projections contained in this information will be achieved. The Company has not independently verified this information. Estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed in the risk factors set out in Section 5.

Foreign jurisdictions

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

This Prospectus may not be distributed to, for the account or benefit of, or relied upon by, persons in the United States. The Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state or other jurisdiction of the United States, and may not be offered, sold, or otherwise transferred in the United States or to, or for the account or benefit of, any persons except in a transaction exempt from, or not subject to, registration under the US Securities Act and applicable US state securities laws.

Important Information

Refer otherwise to the specific foreign selling restrictions set out in Appendix D.

Exposure Period

Pursuant to the Corporations Act, this Prospectus is subject to an Exposure Period of seven days after the date of lodgement with ASIC, which may be extended by ASIC by up to a further seven days (ie 14 days in total).

The Exposure Period enables this Prospectus to be examined by market participants prior to the raising of funds. The examination may result in the identification of deficiencies in this Prospectus in which case any application may need to be dealt with in accordance with Section 724 of the Corporations Act. Application Forms received prior to the expiration of the Exposure Period will not be processed until after the Exposure Period. No preference will be conferred on Application Forms received during the Exposure Period and all Application Forms received during the Exposure Period will be treated as if they were simultaneously received on the date on which the Offer opens.

Applications and prospectus availability

Applications may be made only during the Offer period on the appropriate Application Form attached to, or accompanying, this Prospectus in its paper copy form or in its electronic form which must be downloaded in its entirety from www.lachesisbio.com. By making an application, you represent and warrant that you were given access to the Prospectus together with an Application Form.

The Offer pursuant to this Prospectus is available to persons receiving an electronic version of this Prospectus within Australia. The Company is entitled to refuse an application for New Shares under this Prospectus if it believes the Applicant received the Offer outside Australia in non-compliance with the laws of the relevant foreign jurisdictions.

Any person accessing the electronic version of this Prospectus for the purpose of making an investment in the Company must only access the Prospectus from within Australia, or any jurisdiction outside Australia where the distribution of the electronic version of this Prospectus is not restricted by law.

The Corporations Act prohibits any person from passing on to another person the Application Form unless it is attached to a paper copy of this Prospectus or accompanies the complete and unaltered electronic copy of this Prospectus.

Privacy

By completing an Application Form, you are providing personal information to Lachesis Biosciences and Link Market Services as the Share Registry which is contracted by the Company to manage Applications, and you consent to the collection and use of that personal information in accordance with these terms.

That personal information will be collected, held and used both in and outside Australia by the Company, and the Share Registry on its behalf, to process your Application, service your needs as an investor, provide facilities and services that you request and carry out appropriate administration of your investment. If you do not wish to provide the necessary information, the Company may not be able to process your Application.

As an investor, the Corporations Act requires information about you (including your name and address) to be included in the Company's Share register. This information must continue to be included in the Company's Share register even if you cease to be an investor.

The Company and the Share Registry on its behalf, may disclose your personal information for purposes related to your investment to their agents and service providers (which may be located outside of Australia) including those listed below or as otherwise authorised under the Privacy Act 1988 (Cth):

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

Under the Privacy Act 1988 (Cth), you may request access to your personal information that is held by, or on behalf of, the Company.

You can request access to your personal information or obtain further information about the Company's privacy practices by contacting the Company or its Share Registry, details of which are set out elsewhere in this Prospectus.

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

In accordance with the requirements of the Corporations Act, information on the Share register will be accessible by the public.

Currency

References in this Prospectus to currency are to Australian currency unless otherwise indicated.

Glossary

Certain terms and abbreviations in this Prospectus have defined meanings that are explained in the Glossary in Appendix A to this Prospectus. Defined terms are generally identifiable by the use of an upper case first letter.

Photographs and diagrams

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

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

Applications

Persons wishing to apply for New Shares pursuant to the Offer should complete the Application Form at the back of the Prospectus, and send that form together with the Subscription Amount to the address shown on the form so that it is received prior to the Closing Date.

By lodging an Application Form, you declare that you were given access to the entire Prospectus, together with an Application Form.

The Company will not accept a completed Application Form if it has reason to believe that an Application Form lodged by a prospective investor was not included in, or accompanied by, the Prospectus or if it has reason to believe that the Application Form has been altered or tampered with in any way.

Detailed instructions on completing the respective Application Forms can be found on the back of the Application Forms. The application of an Application Form and the allocation of New Shares are at the discretion of the Company.

Investigating Accountant's Reports on the Historical Financial Information

The Investigating Accountant's Report is provided in Section 8.

Questions

If you have any questions about how to apply for New Shares, please call your broker or other advisor. Instructions on how to apply for New Shares are set out in Section 1 of this Prospectus and on the back of the Application Form. If you have any questions in relation to the Offer, contact Link Market Services on **1300 853 809**.

Corporate Directory

Registered Office
Lachesis Biosciences Limited
Level 19, 15 William Street
Melbourne, Victoria 3000

Lead Manager
Lodge Corporate Pty Ltd
Level 6, 90 Collins Street
Melbourne, Victoria 3000

Directors
Mr Christian Nicks, Non-executive Chairman
Dr Amanda Reese, Non-executive Director
Dr Timothy Morgan, CEO & Managing Director

Legal Adviser
MinterEllison
Level 23, 525 Collins Street
Melbourne VIC 3000

Share Registry
Link Market Services
Level 1, 333 Collins Street
Melbourne VIC 3000

Patent Attorney
Davies Collison Cave
1 Nicholson Street
Melbourne VIC 3002

Auditors
Pitcher Partners
Level 19, 15 William Street
Melbourne VIC 3000

Investigating Accountant
Pitcher Partners Corporate Pty Ltd
Level 19, 15 William Street
Melbourne VIC 3000

Contents

Chairman's Letter

Dear Investor,

On behalf of the Directors, it is my pleasure to invite you to become a shareholder of Lachesis Biosciences Limited (the "Company").

The Directors believe a significant opportunity exists to improve therapy for neurodegenerative diseases by reformulating drugs currently administered orally or through a transdermal patch into a range of prescription nasal spray products using the Company's innovative nasal drug delivery technology.

Proceeds of the Offer will be used primarily to progress clinical trials for the Company's pipeline of nasally delivered drug product candidates. These products include a treatment for dementia associated with Alzheimer's and Parkinson's diseases and a treatment for agitation associated with Alzheimer's disease.

The Company's lead product candidate, Rivastigmine Nasal Spray, has the potential to offer improved clinical effect, tolerability and convenience relative to existing prescription drug treatments for dementia.

Relative to a new chemical entity drug candidate, the timeframe to prospective US marketing approval of a reformulation such as Rivastigmine Nasal Spray is expected to be shorter (approximately four years in total) and lower cost.

Rivastigmine Nasal Spray has completed clinical proof of concept and initial manufacturing stability studies. The Company intends to progress to a Phase 3 clinical trial before the end of 2017. A successful Phase 3 result would position the Company favourably to conduct licensing discussions as early as the first half of 2019.

The Company is supported in its goals by an experienced board and management possessing a breadth of contemporary knowledge and skills across healthcare finance, product licensing, research and development and commercialisation.

I encourage you to read the Prospectus in detail, including the summary of risks in section 5. You should also read the Shareholders Agreement in Appendix C which regulates certain important rights and obligations of Shareholders. I look forward to welcoming you as a Shareholder in Lachesis Biosciences Limited.

Yours sincerely,

Christian Nicks
Chairman

Key Offer Information

Key dates

Description	Date
Prospectus lodgement with ASIC	22 July 2016
End of Exposure Period[1]	29 July 2016
Offer open (being the Opening Date)	30 July 2016
Offer closes (being the Closing Date)	7 September 2016
Issue of New Shares under the Offer (being the Allocation date)	14 September 2016

1) May be extended by up to 7 days.

Notes

This timetable is indicative only and may change.

The Company reserves the right to vary the above dates without notice (including, subject to the Corporations Act, to close the Offer early, to extend the Closing Date, or to accept late Applications, either generally or in particular cases, or to cancel or withdraw the Offer, in each case without notifying any recipient of this Prospectus or Applicants).

If the Offer is cancelled or withdrawn before the allocation of New Shares (including as a result of the relevant conditions to the Offer not being satisfied), then all subscription amounts will be refunded in full (without interest) as soon as possible in accordance with the requirements of the Corporations Act.

Investors are encouraged to submit their Applications as soon as possible after the Offer opens.

The issue of New Shares pursuant to the Offer is conditional on the Company being able to raise the Minimum Subscription. If, for any reason, the Minimum Subscription is not raised under the Offer, the Offer will be discontinued and no New Shares will be issued under the Offer.

Key Offer statistics

	Based on the Minimum Subscription of $5,000,000	Based on the Maximum Subscription of $6,000,000
Existing Shares on issue at the Prospectus Date	8,837,136	8,837,136
New Shares offered under this Prospectus	5,000,000	6,000,000
Offer Price	$1.00	$1.00
Total Shares on issue at Completion of the Offer	13,837,136	14,837,136
Gross proceeds from the Offer	$5,000,000	$6,000,000

Use of proceeds

Use of proceeds [1]	Based on the Minimum Subscription of $5,000,000	Approximate % of use of proceeds	Based on the Maximum Subscription of $6,000,000	Approximate % of use of proceeds
Phase 1, Single-dose pharmacokinetic comparison study in healthy volunteers	$1,000,000	20%	$1,000,000	17%
Phase 2, Multiple-dose pharmacokinetic study in Alzheimer's disease patients	$2,000,000	40%	$2,000,000	33%
Preclinical safety studies	$800,000	16%	$800,000	13%
Working capital	$709,000	14%	$1,647,000	27%
Costs of the Offer	$470,000	9%	$530,000	9%
GST not claimable	$21,000	–	$23,000	–
Total	**$5,000,000**	**100%**	**$6,000,000**	**100%**

1) This anticipated expenditure program may vary from the actual expenditure, reflecting the results of preclinical and clinical work as they come to hand. The amounts and timing of actual expenditure may vary significantly and will depend on numerous factors such as prevailing business conditions and execution of relevant contracts. Investors should carefully read and consider the risk factors set out in section 5 including those which may impact upon the Company's use of proceeds and funding requirements.

In addition to the anticipated expenditure program, the Company may from time to time receive research and development payments under the Federal Government's R&D tax incentive program. While there is no guarantee the Company will receive such payments, any receipt of such payments will also affect the expenditure program.

Investors should carefully review and consider all of the risk factors in section 5, including those related to commercial development and funding, and which may impact on an investment in the Company.

Investment Overview

1

Introduction

Topic	Summary	For more information
What is the industry in which Lachesis Biosciences operates?	Lachesis Biosciences operates in the field of research, development and commercialisation of prescription pharmaceutical products for human use in neurodegenerative disease conditions.	Section 2
What is Lachesis Biosciences' business?	Lachesis Biosciences is a development company focused on nasal spray and nasal absorption technology. Lachesis Biosciences clinical-stage, Rivastigmine Nasal Spray product candidate is for the treatment of dementia symptoms associated with Alzheimer's and Parkinson's diseases.	Section 3
Rationale for development of Rivastigmine Nasal Spray	Rivastigmine was originally developed by Novartis and approved in 1997 to treat mild to moderate Alzheimer's Disease (AD) dementia, and is available in over 90 countries in oral and transdermal patch form. Drugs such as rivastigmine are one of a handful of drug classes that are used to treat diseases or disorders of the human central nervous system. The Directors believe that rivastigmine has the potential to be reformulated into a nasal spray to overcome the problems associated with current rivastigmine delivery methods, including tolerability problems (gastrointestinal side effects and sleeplessness), together with the convenience of adjustable, individual dosing during waking hours.	Section 3
Does Lachesis Biosciences have any patents over its intellectual property?	Lachesis Biosciences has a patent pending for its nasal spray technology, compositions and methods.	Section 9
How does Lachesis Biosciences intend to generate its income?	By either partnering (licensing) its pipeline products with larger pharmaceutical companies, or manufacturing and promoting its pipeline products to medical specialists using its own prospective commercial capability.	Section 3
Why is the Offer being conducted?	To further the development of its product pipeline, in particular Rivastigmine Nasal Spray.	Section 3

Key investment highlights

Investment merits	Comments	For more information
High unmet need for an improved therapy in Alzheimer dementia market with growing patient numbers	Each year about 10 million new AD dementia cases are diagnosed worldwide. A high unmet need exists for new therapies for AD dementia with improved efficacy, tolerability and convenience. Growth in the AD dementia market over the coming years is expected to be driven by new therapies, increasing disease prevalence and improved diagnosis. The market is expected to reach approximately US $15 billion per year worldwide by 2023. Global sales of branded and generic Rivastigmine in 2014 were US $1,009 million and US $333 million respectively, and accounted for 22% of all AD sales.	Section 2
Clinical, regulatory and manufacturing proof of concept completed	In November 2015, Lachesis Biosciences presented its initial clinical data for its Rivastigmine Nasal Spray at the Clinical Trials in Alzheimer's Disease conference in Barcelona, Spain. The Directors believe this was the first human study of nasal absorption of rivastigmine and it indicated the nasal spray could provide a therapeutically effective level of rivastigmine in the blood stream of patients.	Section 3

Key investment highlights: continued

Lower risk development pathway to market	A written Pre-IND response from the US Food and Drug Administration has confirmed the studies required by Lachesis Biosciences for prospective US marketing approval of Rivastigmine Nasal Spray.	Section 3
Reduced timeframe and expenditure to revenues	Relative to a new chemical entity drug candidate, the timeframe to prospective marketing approval of Rivastigmine Nasal Spray is expected to be shorter (approximately 4 years) and lower cost (approximately $25 million).	Section 3
Experienced Board and Management with a successful track record of new product development, licensing and commercialisation	A Board and management team with a successful history operating in the healthcare sector, collectively having achieved multiple product licensing successes and capital raisings, together with the required experience to manage high-value projects. A CEO and founder with 3 previous new drug product approvals now on the market from his first ASX-listed company.	Section 4

Commercialisation strategy

Product pipeline	Comments	For more information
Rivastigmine nasal spray	Near-term (1-4 years). Subject to a successful Phase 3 trial, the Company seeks to partner or promote this candidate product. The product pipeline of the Company presently consists of the lead clinical stage candidate product – Rivastigmine Nasal Spray and four preclinical candidate nasal spray drug products with potential applications within the field of neurodegenerative disease.	Section 3
Other prospective nasal spray products	Medium to long-term (2-8 years). Subject to a successful Phase 2 trial, the Company will seek to partner or further develop other candidate nasal spray drug products (Dextromethorphan Nasal Spray and Ifenprodil Nasal Spray). The Company may also seek to commercialise two potential combination products.	Section 3
Commercialisation and prospective competitive advantages	The Directors believe that with reformulation opportunities, revenues are best gained by obtaining marketing approval and reimbursement of a patented product with a competitive advantage in the marketplace either in partnership with another company, or by using an in-house commercial capability. Rivastigmine Nasal Spray has potential competitive advantages compared to oral capsules and transdermal patches: **Improved clinical effect (efficacy)** – Extra cognition benefit **Improved tolerability** – Less nausea, vomiting, diarrhoea and fatigue – Improved sleep	Section 3
Commercialisation and prospective competitive advantages continued	**Improved convenience** – Ease of administration – Easier to increase dosage The Directors believe our prospects for developing a commercially viable product will be assisted by our: – Cost of Goods (COGs) advantage: 40-58% lower drug content than patches – Pricing flexibility that gives the option to take generic share – Product pipeline scope for an AD franchise	Section 3, 9

Key risk factors

Key risk	Summary	For more information
Development and commercialisation of the Company's products	There are inherent uncertainties that exist in any development and commercialisation program for new biotechnologies, intellectual property and products. The Company's intellectual property and products are all at the research and development stage. There is no assurance that: – the development and commercialisation of new technologies and products will be successful; – all necessary regulatory registrations or approvals for the sale and distribution of the Company's technology or products will be obtained (and on terms acceptable to the Company); – new competitive or superior products, advancements or technologies will not be introduced to the market; – the Company will generate suitable revenues or profitability from the development and commercialisation its technologies, intellectual property or products.	Section 3, 5
Market adoption	To realise the Company's objectives, patients, physicians, hospitals, and third party payers such as health insurers must accept and adopt the Company's products, specifically the Rivastigmine Nasal Spray, for routine use. Regulatory approvals of the Company's products, including US Food and Drug Administration approval, does not guarantee market adoption. If market adoption is not forthcoming in the manner anticipated by the Company, the Company's ability to achieve its core business objectives including the development of its product pipeline would be significantly and adversely affected.	Section 3, 5
Sufficiency and allocation of funding/capital	The funding sought to be raised by the Offer is based on the Company's best current estimates of cash flow requirements and expenditures. The Company's overall business strategy may depend in part on its ability to raise additional funds from time to time to finance and complete research and development, testing and commercialisation of its technologies and products and its other longer-term objectives. There is no assurance that future funds, whether debt or equity, can be raised by the Company on favourable terms, if at all, or that the Company will have enough funding that it requires to fully complete its' current development and commercialisation program.	Section 3, 5, 8
Clinical development risk	Product approval under an expedited regulatory pathway requires us to meet pharmacokinetic (therapeutic blood level) targets stipulated by a Regulatory Agency. To meet these targets the Company needs to successfully complete pharmacokinetic studies in both healthy volunteers and AD patients to a generally pre-defined quality level. Upon satisfactory completion of these studies the Regulatory Agency then decides whether the products should proceed to a Phase 3 study. For our lead candidate, Rivastigmine Nasal Spray, the successful completion of a Phase 3 safety study will be required for the US Food and Drug Administration to accept a New Drug Application (NDA) submission and consider it for NDA approval. There is no guarantee that the Company will receive such approval.	Section 3, 5

Key risk factors: continued

Grant of core intellectual property relating to Rivastigmine Nasal Spray and other candidate products	The patent for Rivastigmine Nasal Spray is pending (i.e. not yet granted) and our ability to achieve granted patents in our key markets will depend on our ability to successfully address any issues raised by the issuing patent offices. The cost of filing, prosecuting, defending and enforcing our patent claims and other intellectual property rights, including patent infringement actions brought by third parties against us could require significant ongoing expenditure.	Section 5, 9
Liquidity and realisation risks	Applicants will be bound by the Shareholders Agreement which regulates certain rights and obligations of Shareholders. Applicants should particularly note that as the Company is not currently proposing to apply to quote Shares on any stock exchange, there is unlikely to be a market for Shares and the ability of a Shareholder to sell Shares may therefore be very limited. In addition, Shareholders will be bound by a pre-emptive rights regime that requires them to offer Shares to other Shareholders before selling them to a third party. A drag along procedure may also apply. These procedures are also likely to constitute a material limitation on the liquidity and realisation of Shares.	Section 5, 10, Appendix C
Key employee risk and other risks	The Company is subject to risk arising from any loss of services of the Managing Director and founder Dr Timothy Morgan. Other risk factors that apply generally in the conduct of a business, including litigation resulting from the breach of agreements or in relation to employees or contractors, loss of other key management or operational personnel, non-insurable risks, and other matters may all interfere with the Company's business and adversely affect its performance.	Section 5

Experience and background of the Directors and Management

Topic	Summary	For more information
What is the overall Board composition?	Lachesis Biosciences' leadership team has extensive industry experience. The Board currently comprises 3 Directors, including 2 independent Non-Executive Directors (one of whom is the independent non-executive Chairman).	Section 4
Who are the Directors and the Senior Management of the Company?	**Mr Christian Nicks, Non-Executive Chairman** – Investment banker. Ex-Goldman Sachs Australia Executive Director, Head of Healthcare Investment Banking, Ex-Investec, Managing Director, Head of Investment Banking **Ms Amanda Reese, Non-Executive Director** – Ex-CSL Associate Director In-Licensing Business Development **Dr Timothy Morgan, CEO and Managing Director, Founder** – Ex-Acrux Ltd Founder and Director Business Development	Section 4

Significant interests of key people and related party transactions

Topic	Summary	For more information
What are the major existing Investors' interests in the Offer and what significant benefits are payable to them?	Dr Timothy Morgan (through Learmonth Pty Ltd, an entity he controls) holds 6,228,774 Shares. He intends to purchase another 50,000 New Shares under this Offer. He will receive an annual salary of $130,000 for the financial year ending 30 June 2017 as CEO and Managing Director. Investors should note that Dr Morgan will have the capacity to exercise significant influence in relation to certain key Shareholder decisions (equivalent to a veto right) through the Special Majority Approval voting regime under the Shareholders Agreement.	Section 6, 10 and Appendix C

Significant interests of key people and related party transactions: continued

What are the major existing Investors' interests in the Offer and what significant benefits are payable to them? *Continued*	All Shares held by Dr Morgan through Learmonth Pty Ltd are subject to a two year voluntary escrow. After that two year period, as there is no restriction under the Shareholders Agreement on Dr Morgan indirectly disposing of his Shares by disposing of his interest in Learmonth Pty Ltd, it is possible that a third party could become the controller of Learmonth Pty Ltd and have the capacity to exercise this veto right.	Section 6, 10 and Appendix C
What are the Directors' and Management teams' interests?	Mr Christian Nicks holds 100,000 Shares and receives an annual fee of $40,000 as a Non-Executive Chairman. Ms Amanda Reese holds 50,000 Shares and receives an annual fee of $30,000 as a Non-Executive Director. The interests of Dr Timothy Morgan are shown above.	Section 6

Key financial metrics

Topic	Summary			For more information
What is Lachesis Biosciences' historical financial performance and position, in addition to its proforma financial position?	**FY ending 30 Jun**	**Performance (before tax)**	**Position**	Section 7, 8
	2014	($103,129)	$105,111	
	2015	($393,443)	$268,242	
	2016	($207,866)	$111,204	
Does Lachesis Biosciences have any debt facilities?	No.			Section 7, 8
How does Lachesis Biosciences expect to fund its operations?	The Company expects to fund its operations for the foreseeable future via equity capital raisings and interest earnings on cash-at-bank. The Company may also receive incentive research and development payments under the Federal Government's R&D tax incentive program, however this is not guaranteed.			Section 3, 7, 8
What is the Company's dividend policy?	The Company does not anticipate paying dividends in the foreseeable future, and expects that any future profits should remain in the Company to fund additional growth opportunities rather than be distributed in the form of dividends.			Section 7, 10

Overview of the Offer

Topic	Summary	For more information
Who is the issuer of this Prospectus?	Lachesis Biosciences Limited ACN 115 641 855.	Sections 1 and 10
What is Offered?	New Shares (being fully paid ordinary shares in the Company) are being offered under the Offer. The New Shares are of the same class and will rank equally in all respects with the Existing Shares on issue. Investors should read the Shareholders Agreement which regulates certain important rights and obligations of Shareholders including through the Special Majority Approval voting regime.	Section 6, 10 and Appendix C
What is the Minimum and Maximum Subscription for the Offer?	The Offer is to raise a Minimum Subscription of $5,000,000 and a Maximum Subscription of $6,000,000.	Section 1

Overview of the Offer: continued

Is the Offer conditional?

Yes. Completion of the Offer is conditional on the Minimum Subscription being received.

If the Minimum Subscription is not obtained within 3 months after the date of this Prospectus, the Company will repay all Application Monies in full without interest as soon as practicable in accordance with the requirements of the Corporations Act or issue a Supplementary Prospectus or Replacement Prospectus and allow Applicants 1 month in which to withdraw their Applications and be repaid their Application Monies in full without interest.

In addition, and without limiting the above and to the extent permitted by law, Lachesis Biosciences reserves the right not to proceed with the Offer at any time before the Completion of the Offer. If the Offer does not proceed, the Application Monies received will be refunded without interest as soon as possible in accordance with the requirements of the Corporations Act.

The Company also reserves the right to close the Offer or any part of it early, extend the Offer or any part of it, accept late Applications either generally or in particular cases, reject any Application, or allocate to any Applicant fewer New Shares than applied for.

Section 1

What is the consideration payable for the New Shares?

The Offer Price is $1.00 per New Share.

Section 1

What is the proposed use of proceeds received in connection with the Offer?

The Offer is being conducted to raise capital in order to further develop Rivastigmine Nasal Spray to improve its efficacy, tolerability and convenience, as is set out in the table below **'Use of Proceeds'**.

Section 3, 6

Use of Proceeds[1]	Based on the Minimum Subscription of $5,000,000	Approximate % of use of proceeds	Based on the Maximum Subscription of $6,000,000	Approximate % of use of proceeds
Phase 1, Single-dose pharmacokinetic comparison study in healthy volunteers	$1,000,000	20%	$1,000,000	17%
Phase 2, Multiple-dose pharmacokinetic study in Alzheimer's disease patients	$2,000,000	40%	$2,000,000	33%
Preclinical safety studies	$800,000	16%	$800,000	13%
Working capital	$709,000	14%	$1,647,000	27%
Costs of the Offer	$470,000	9%	$530,000	9%
GST not claimable	$21,000	–	$23,000	–
Total	**$5,000,000**	**100%**	**$6,000,000**	**100%**

1) This anticipated expenditure program may vary from the actual expenditure, reflecting the results of preclinical and clinical work as they come to hand. The amounts and timing of actual expenditure may vary significantly and will depend on numerous factors such as prevailing business conditions and execution of relevant contracts. Investors should carefully read and consider the risk factors set out in section 4 including those which may impact upon the Company's use of proceeds and funding requirements.

In addition to the anticipated expenditure program, the Company may from time to time receive research and development payments under the Federal Government's R&D tax incentive program. While there is no guarantee the Company will receive such payments, any receipt of such payments will also affect the expenditure program.

Overview of the Offer: continued

Who is eligible to participate?	Retail and other investors who are resident in Australia or any other jurisdiction in which the Offer may be lawfully received and accepted. Refer to the specific foreign selling restrictions set out in Appendix D.	Important Information and Appendix D
Is the Offer underwritten?	No, the Offer is not underwritten.	
What is the capital structure of the Company following Completion of the Offer?	Assuming a minimum subscription of $5,000,000, Directors and management will hold 46% of total Shares, other Existing Shareholders will hold 18%, and New Shareholders under this Offer will hold 36%. Refer to Key Offer statistics table.	Sections 6 and 10
Will the Shares be quoted?	No. It is not the current intention of the Company to apply for admission to the Official List of ASX (or any other recognised stock exchange). As such, the New Shares will not be quoted on ASX.	
Shareholders Agreement	Applicants are required to accede to the Shareholders Agreement, a copy of which is contained in Appendix C to this Prospectus. Investors should note that Dr Timothy Morgan (through Learmonth Pty Ltd, an entity he controls) will have the capacity to exercise significant influence in relation to certain key Shareholder decisions (equivalent to a veto right) through the Special Majority Approval voting regime under the Shareholders Agreement.	Section 10 and Appendix C
Will any Shares be subject to escrow arrangements?	All Shares held by Dr Timothy Morgan (through Learmonth Pty Ltd, an entity he controls), as founder, are held in voluntary escrow for two years and are also subject to the Shareholders Agreement.	Section 10
What is the minimum/ maximum Application under the Offer?	Applications must be for a minimum of 5,000 New Shares ($5,000). Applications in excess of the Minimum must be in multiples of 1,000 Shares ($1,000).	
What are the key dates of the Offer?	The Offer opens at 9.00 am AEST on 22 July 2016. The Offer closes at 5.00 pm AEST on 7 September 2016. Application forms and Application Monies must be received by Link Market Services before 5:00pm AEST on the Closing Date. All subscription amounts will be held by Link Market Services on trust in a separate account until the Minimum Subscription is received. These dates are indicative only. The Company reserves the right to vary the above times and dates without notice (including, subject to the Corporations Act, to close the Offer early, to extend the Closing Date, or to accept late Applications, either generally or in particular cases, or to cancel or withdraw the Offer, in each case without notifying any recipient of this Prospectus or any Applicant). Investors are encouraged to submit their Applications as soon as possible after the Offer opens.	
When will the New Shares be issued?	If the Offer proceeds as contemplated, and the Minimum Subscription is achieved, the New Shares are expected to be issued on or about the 14 September 2016. However, if the Closing Date is extended, the date for issue of the New Shares will also be extended. As Lachesis Biosciences is not listed on the ASX, it operates a certificated register. It is expected that share certificates will be despatched on or soon after the date of issue of the New Shares. Again any extension of the Closing Date will result in the extension of the date for the despatch of the share certificates in respect of any of the New Shares issued under this Prospectus.	

Overview of the Offer: continued

What are the tax implications of investing in the New Shares?	Summaries of certain Australian tax consequences of participating in the Offer and investing in Shares, including the New Shares, are set out in Section 10. The tax consequences of any investment in Shares will depend upon an investor's particular circumstances. Applicants should obtain their own tax advice prior to deciding whether to invest.	Section 10
Are there any brokerage, commission or stamp duty considerations?	No brokerage, commission or stamp duty is payable by Applicants on acquisition of New Shares under the Offer.	
How can I apply?	Applicants under the Offer may apply for New Shares under the Offer by completing their Application Form and lodging it with Link Market Services, along with payment of the Application Monies, prior to the Closing Date. An electronic copy of this Prospectus can also be downloaded at www.lachesisbio.com. Applications for Shares under this Prospectus may only be made during the Offer Period on an Application Form accompanying this Prospectus or by submitting an online Application at www.lachesisbio.com. To the extent permitted by law, an Application by an Applicant under the Offer is irrevocable.	Section 1
How can I pay the Offer Price?	Applications for New Shares must be accompanied by payment in full. Applications Monies must be paid in accordance with any instructions set out in the Application Form. If you have applied for New Shares online at www.lachesisbio.com, you must make your Application Payment for New Shares by BPAY® and your BPAY® payment must be received by the Registrar by the Closing Date, expected to be 5.00pm (Sydney time) on 7 September 2016. You should check your daily transaction limit with your bank, credit union or building society to ensure your Application Payment can be made using BPAY®. Application Monies must be in Australian dollars.	
Can the Offer be withdrawn?	The Offer will not proceed if the Minimum Subscription is not satisfied. The Company reserves the right to not proceed with the Offer at any time before the issue of New Shares. If the Offer does not proceed, Application Monies will be fully refunded. No interest will be paid on any Application Monies refunded, including as a result of not proceeding with the Offer.	
Where can I find out more information about this Prospectus or the Offer?	All enquiries in relation to this Prospectus should be directed to Link Market Services on 1300 853 809. If you are unclear in relation to any matter or are uncertain as to whether the Company is a suitable investment for you, you should seek professional guidance from your stockbroker, solicitor, accountant, financial adviser or other independent professional adviser before deciding whether to invest.	

Industry Overview

2

Lachesis Biosciences operates in the field of research, development and commercialisation of prescription pharmaceutical products for human use in neurodegenerative disease conditions.

Neurodegeneration is the umbrella term for the progressive loss of structure or function of neurons, including death of neurons, which are core components of the brain and spinal cord of the central nervous system. Many neurodegenerative diseases including Alzheimer's and Parkinson's occur as a result of neurodegenerative processes, and at present are incurable, resulting in progressive degeneration and/or death of neuron cells.

Existing approved treatments for these particular neurodegenerative diseases seek to improve cognition and functional capability whilst delaying or slowing decline in these capabilities in patients.

The Directors believe that a significant opportunity exists to improve existing drugs for neurodegenerative diseases by reformulating these drugs into a range of prescription nasal sprays to achieve nasal absorption into the bloodstream.

Nasal absorption has the advantage of delivering a drug directly into the bloodstream, avoiding the extensive breakdown of a drug by the liver that can occur following oral dosing (termed the 'first pass effect') and also reducing the gastrointestinal adverse events (i.e. side effects) that may occur after swallowing an oral capsule or tablet.

Alzheimer's disease (AD) is a degenerative disease that kills brain cells over time (i.e. neurodegenerative), eventually impairing patients' thinking and functioning resulting in dementia. Parkinson's disease (PD) is a type of movement disorder, which occurs when nerve cells in the brain don't produce enough of a brain chemical called dopamine. PD is also a neurodegenerative disease.

AD is thought to be caused by multiple factors and is unlikely to be cured or prevented with a single pharmacological approach to its treatment. The AD process is thought to start about 25 years before the onset of dementia.

People with normal brain function (i.e. cognitively normal) may progress to mild cognitive impairment which then places them at a higher risk of dementia that may be due to AD. The main risk factor for AD is older age, with about 20% of 85 year olds suffering from AD to some extent.

A significant amount of research and development effort by other companies is focused on finding a potential disease-modifying therapy (curative, reversal or stasis) for AD. The majority of these approaches seek to intervene in the disease process prior to the onset of dementia. These prospective therapies will need to have superior cost-benefit compared to primary prevention initiatives (such as prevention of high blood pressure and type 2 diabetes) in order to gain commercial relevance in many countries and are unlikely to completely prevent or cure AD because it is a multi-factorial disease.

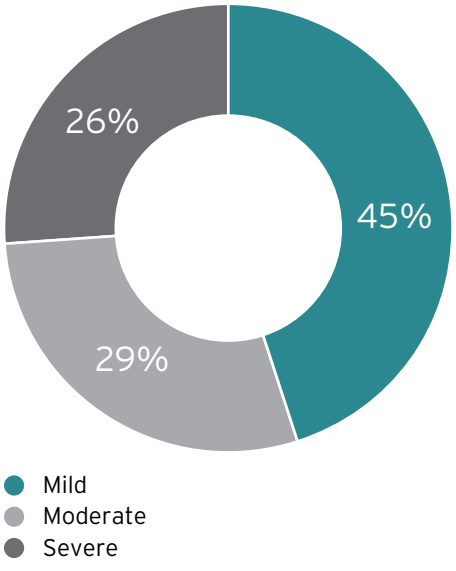
In contrast, the Company's candidate prescription nasal spray products focus on reformulating drugs for the existing dementia market where the therapeutic goal can be summarised as improving cognition and functional capability whilst delaying or slowing decline in these capabilities in patients with existing mild to moderate and severe dementia.

Patients with mild AD display clear symptoms:

- Forgetfulness of recent events
- Struggle to perform challenging mental maths, such as counting backward from 100 by 7s
- Greater difficulty with complex tasks, for example planning dinner for guests, paying bills or managing finances
- Forgetfulness about one's own personal history
- Becoming moody or withdrawn, especially in socially or mentally challenging situations

AD patients eventually progress from mild, to moderate, and then severe AD with an increasing degree of cognitive, functional and behavioural impairment. The approximate prevalence of AD by severity according to established medical criteria is shown in the figure below.

Prevalence of AD by severity



Dementia Market Opportunity

Dementia is a condition that describes a wide range of symptoms associated with a decline in memory or other thinking skills severe enough to reduce a person's ability to perform everyday activities.

The dementia market includes treatments for both AD and PD. The AD market is estimated by the Company to be approximately US $6.5 billion per year worldwide. The United States market accounts for approximately 45% of total sales.

AD market growth over the coming years is expected to be driven by new therapies, increasing disease prevalence and improved diagnosis. The Company expects the market to reach approximately US $15 billion per year worldwide by 2023.

Each year about 10 million new AD dementia cases are diagnosed worldwide. In the US alone, about 5 million people were living with AD in 2015. In Australia, there are more than 353,800 people living with dementia.

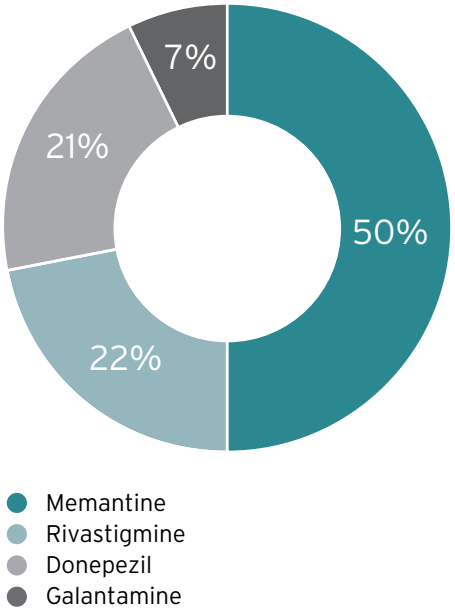
Four drugs are approved to treat dementia symptoms associated with AD and PD – rivastigmine, donepezil, galantamine and memantine.

In 2015, Novartis branded sales of rivastigmine were US $728 million, a decline from their peak in 2011 of US $1,067 million likely due to generic competition. The majority of these sales are from the rivastigmine transdermal patch rather than the oral capsule. Current sales of rivastigmine products consist of both branded and generic products. For example, in 2014 branded and generic products were US $1,009 and US $333 million, respectively.

Worldwide sales across all four existing dementia treatments for AD in 2014 were US $6.1 billion in total and rivastigmine sales accounted for 22% of this market.

The figure below shows the 2014 worldwide sales of each drug approved for dementia treatment associated with AD. The decline in market value (-4%) in 2014 reflects a decrease in total market value due to growth of lower cost generics at the expense of branded sales of rivastigmine patch and memantine oral-controlled release products, and the positive market volume growth (+2%) reflects increasing awareness and diagnosis of AD combined with higher numbers of older persons entering the at-risk ages for AD.

Worldwide AD Dementia Drug Sales 2014



Worldwide AD sales: US $6.1 billion
No. of patients on treatment > 7 million

Company Overview

3

Our focus: Nasal Drug Delivery for Neurodegenerative Diseases

Introduction

The Directors believe that a significant opportunity exists to improve existing drugs for neurodegenerative diseases by reformulating them into a range of prescription nasal sprays.

Nasal absorption has the advantage of delivering a drug directly into the bloodstream, avoiding the extensive breakdown of a drug by the liver that can occur following oral dosing and also reducing the gastrointestinal adverse events (i.e. side effects) that may occur after swallowing an oral capsule or tablet. Nasal absorption also has a faster onset of action compared to a transdermal patch. For drugs used to treat dementia, such as rivastigmine, a patch requires a higher amount of rivastigmine to be delivered across the skin and over a longer period of time to achieve an equivalent clinical effect as oral or nasal drug delivery.

Product Pipeline Candidates

The product pipeline of the Company presently consists of the lead clinical stage candidate product – Rivastigmine Nasal Spray and up to four preclinical candidate nasal spray drug products with potential applications within the field of neurodegenerative disease.

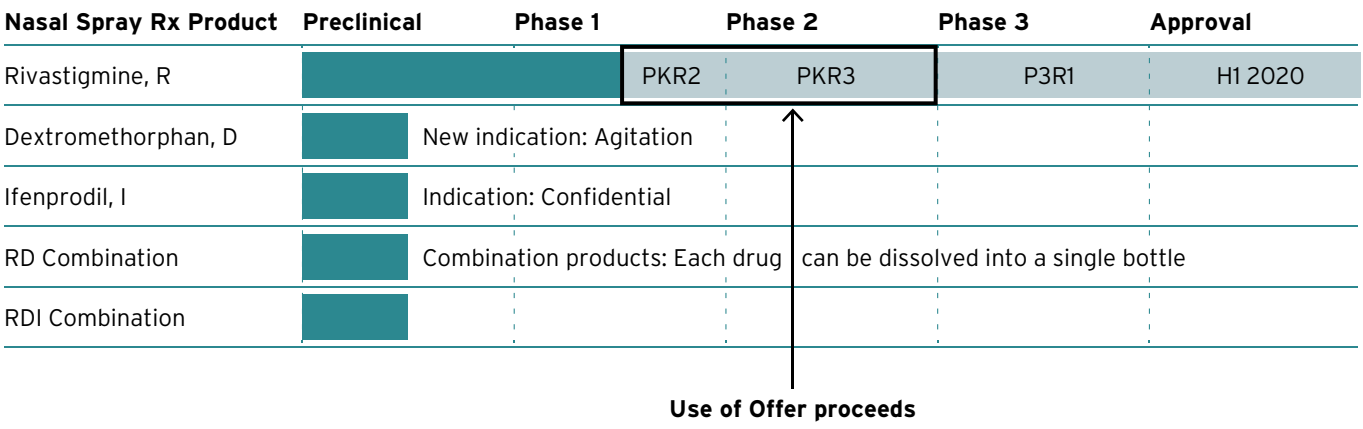
The Directors believe that the Company has the potential for expedited development pathways for our candidate nasal spray products due to the faster 505(b)(2) or hybrid regulatory pathways, and an expected capability to deliver drugs more efficiently with our technology.

The pathway to regulatory approval for the reformulation of approved drugs is generally expedited because the sponsor of the regulatory application (i.e. the Company) can rely upon any published clinical effect (i.e. efficacy) and safety data to support their regulatory application and to help justify their proposed development plan.

Rivastigmine Nasal Spray has completed clinical proof of concept and initial manufacturing stability studies. The Company intends to progress to Phase 3 clinical trials before the end of 2017. A successful Phase 3 result would position the Company favourably to conduct licensing discussions as early as the first half of 2019. Alternatively, the Company may decide to further progress the product on its own.

The product pipeline for the Company and the estimated, indicative FDA approval timeframe for the Rivastigmine Nasal Spray are shown in the figure below.[1]

Company's current product pipeline[1]



1) Indicative FDA approval timeframe only. No assurances can be provided, however, that the Company will progress its products beyond their current stage of development due to the various risk factors involved in such development (refer to section 5 for discussion of certain of the risk factors applicable to the Company's activities and an investment in the Company).

Development Phases

The sections below outline the various development phases (e.g. preclinical, phase 1, 2 and 3) that are required by Companies prior to making a New Drug Application (NDA) submission to a regulatory agency for market approval of a prescription drug product, and importantly, how these phases specifically relate to aspects of the Company's product pipeline.

Preclinical studies typically involve testing in suitable animal models to estimate the safety and potential clinical effect (i.e. efficacy) in humans prior to clinical testing in Phase 1. All of the drugs in our product pipeline have existing uses in humans.

Phase 1 studies in humans are designed primarily to test the safety of a drug in a human and for the Company's products this will often involve measurement of the pharmacokinetics (i.e. blood level profile of the drug). The Directors believe that for the existing drugs in our product pipeline achieving the desired blood level of each drug allows us to predict the likely efficacy level that we could achieve in patients, and as such serves as a potentially valuable proof of concept study for each of our candidate nasal spray products.

Phase 2 studies are conducted in patients to establish initial safety and efficacy of a drug in a human. The Directors believe that for drugs with an established relationship between blood levels of the drug and its efficacy, then an expedited development pathway relying on the Company's Phase 1 study and study data from other rivastigmine products can be used to justify an expedited regulatory approval pathway such as the US Food and Drug Administration's 505(b)(2) pathway and/or the European Medicines Agency's hybrid pathway.

Phase 3 studies are conducted to confirm safety and efficacy of a drug in humans. The Directors believe that for the majority of our candidate nasal spray products that only a single Phase 3 study should be required for approval of our products (i.e. Rivastigmine Nasal Spray and Dextromethorphan Nasal Spray) because the Company may be able to rely upon the existing safety and efficacy (i.e. clinical effect) data of already approved drugs.

Rivastigmine Nasal Spray Overview

A written Pre-IND response received from the US Food and Drug Administration (FDA) to the Company has provided advice for the ongoing development of Rivastigmine Nasal Spray.

Based on the US FDA's written Pre-IND response, the Company is planning to conduct two more pharmacokinetic (PK) studies (i.e. drug blood level studies):

- One Phase 1 PK and safety study in about 30 healthy volunteers (PKR2);
- One Phase 2 PK and safety study in about 30-40 AD patients (PKR3).

The Company would then expect to underake one Phase 3 safety study (P3R1) in about 500 AD patients.

Subject to Phase 3 study success, Rivastigmine Nasal Spray US product approval is estimated during 2020.

The Company proposes that the six-month Phase 3 safety study will be conducted as follows:

- an open-label (i.e. patients can see what they are taking) study of Rivastigmine Nasal Spray titrated (i.e. with doses incrementally increasing) to a maintenance dose;
- all patients to receive active treatment which is expected to make study recruitment easier.

Due to Rivastigmine Nasal Spray's novel route of administration, the US FDA has asked for three pre-clinical studies including a six-month preclinical safety study in a single mammalian animal species, primarily to support local safety in AD patients.

The Phase 3 study will also be designed to have:

- adequate and systematically collected safety data;
- a sub-cohort, usually one fifth of total, to continue on study for 12 months; and
- consistency with ICH criteria for long-term exposure.

The Company also intends to seek regulatory input from the European Medicines Agency into the Phase 3 study design.

Dextromethorphan Nasal Spray Overview

The Directors believe there is an unmet need for an effective treatment for agitation and/or aggression which can be a core feature of AD, with greater than 20% of individuals in a community setting and more than 50% of nursing home residents with dementia exhibiting excess agitation. In the US, there are more than 1.5 million dementia patients with agitation/aggression and no drugs are currently approved for this indication.

Dextromethorphan Nasal Spray through the nasal route of administration is expected to be able to avoid the significant liver metabolism that occurs when dextromethorphan is administered as a traditional oral dosage form. Nasal delivery has the expected advantage of reducing its metabolite, dextrorphan, which can cause hallucinogenic adverse events. The Company's product pipline includes single drug and combination nasal sprays for agitation associated with AD.

In the medium to long-term (2-8 years), the Directors believe that subject to a successful Phase 2 trial, a partner for Dextromethorphan Nasal Spray can be sought, or the product further progressed along its clinical development pathway before seeking a commercial partner.

Other Nasal Spray Products Overview

Other preclinical stage products in our pipeline include the drug, ifenprodil, for a confidential indication (i.e. human medical use) in the field of neurodegenerative disease.

Also in the product pipeline of the Company are nasal spray drug combinations (rivastigmine plus dextromethorphan) and (rivastigmine plus dextromethorphan plus ifenprodil) dissolved in a single nasal spray bottle, i.e. a single stock-keeping unit (SKU), which the Directors believe may help improve their clinical effect and/or convenience.

Rivastigmine Development Program

Rivastigmine – Background

Rivastigmine is able to boost levels of a neurotransmitter in the brain called acetylcholine by inhibiting the enzyme (cholinesterase) that causes it breakdown, and as such, rivastigmine is termed a cholinesterase inhibitor. Increasing acetylcholine levels in the brain of dementia patients helps to improve their cognition and functional capability.

Cholinesterase inhibitors, such as rivastigmine are one of a handful of drug classes that are used to treat diseases or disorders of the human central nervous system.

Exelon (rivastigmine tartrate oral capsule) and Exelon patch (rivastigmine transdermal system) were originally developed by Novartis. Exelon capsules have been available since 1997 to treat mild to moderate AD dementia and are approved in more than 90 countries. In 2006, Exelon became the only cholinesterase inhibitor to be approved for mild to moderate PD dementia in addition to AD in both the US and EU. Exelon patch was approved in 2007 in the US and EU and has been approved for the treatment of mild-to-moderate AD in more than 90 countries, including more than 20 countries where it is also approved for PD dementia.

The Exelon patch has shown comparable efficacy (i.e. clinical effect) and improved tolerability to the highest recommended doses of Exelon capsules, with significant improvement in cognition and overall functioning compared to placebo patch. In June 2013, the US Food and Drug Administration expanded the approved indication for Exelon patch to also include the treatment of patients with severe AD. Exelon patch is indicated for the treatment of patients with severe AD in 14 countries, including the US. In November 2012, European Marketing Authorization was obtained for higher dose patch (i.e. 15 cm^2) in mild to moderate AD dementia.

Of the other two approved cholinesterase inhibitors: Donepezil is not approved for Parkinson dementia; and Galantamine is not approved for severe AD or Parkinson dementia.

In 2015, Exelon/Exelon patch sales declined due to generic competition for Exelon patch in the EU, which offset growth for Exelon patch in the US and other markets. More recently, Exelon Patch sales have also been confronted with generic competition in the US. Global sales of branded and generic rivastigmine in 2014 were US $1,009 million and US $333 million respectively, and accounted for 22% of all AD sales.

The Directors believe the original aim reported for rivastigmine is still applicable to its reformulation into a nasal spray. This original aim was to provide a rapid, sustained, dose-dependent inhibition of central AChE (i.e. cholinesterase enzymes in the brain), attended by a favourable tolerability profile.

The first part of this aim was achieved by the oral capsule, but its' clinical utility has been limited by a relatively poor tolerability profile, with a high incidence of nausea, vomiting, diarrhoea and asthenia (a loss or lack of strength).

Whilst the transdermal patch helps to reduce nausea, vomiting and diarrhoea, its' slow onset of action and high cholinergic burden (i.e. rivastigmine drug exposure burden) due to 24 hour rivastigmine delivery means nausea, vomiting and diarrhoea, albeit to a lesser extent. As such, the treatment discontinuation rate for the transdermal patch isn't superior to the oral capsule.

This is probably due to the patch additionally causing skin irritation and sleep disturbances (due to 24 hour drug delivery). Rivastigmine Nasal Spray has the potential to overcome these problems, together with the convenience of adjustable, individual dosing during waking hours.

By aiming for similar rivastigmine blood levels as associated with the oral rivastigmine capsule whilst avoiding the high metabolite (NAP226-90) blood levels of the oral capsule, the Rivastigmine Nasal Spray has the potential of achieving its prospective competitive advantages.

The Company has completed an initial clinical study for Rivastigmine Nasal Spray in eight healthy elderly individuals which provides proof-of-concept for this prescription product.

The Directors also believe that due to an expedited development pathway, a single Phase 3 safety trial for the Rivastigmine Nasal Spray (estimated to commence in H2 2017) has the potential to achieve a prospective US Food and Drug Administration marketing approval during the estimated timeframe of H1 2020.

Initial Human Study – Rivastigmine Nasal Spray

In November 2015, Lachesis Biosciences presented its initial human clinical study for Rivastigmine Nasal Spray at the Clinical Trials in AD conference (CTAD) in Barcelona, Spain. The Directors believe this was the first human study of nasal absorption of rivastigmine and it confirmed the nasal spray could provide a therapeutically effective level of rivastigmine.

The figure below shows the mean rivastigmine blood plasma concentration versus time in eight healthy elderly individuals after a single dose of Rivastigmine Nasal Spray administered in the morning.

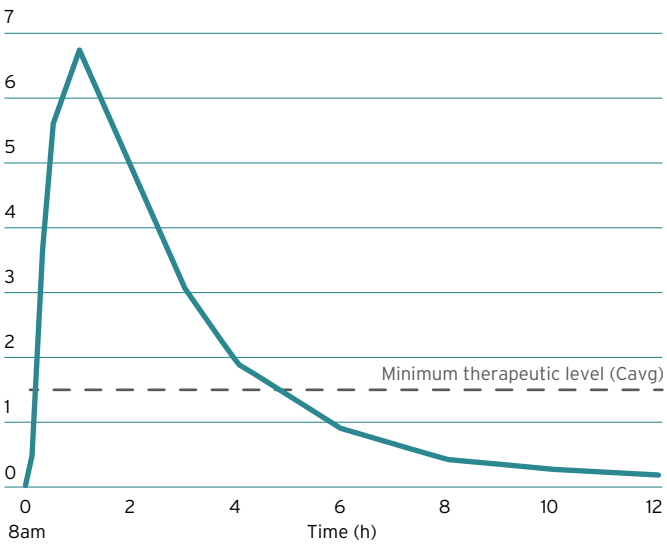
The mean rivastigmine concentration was above the minimum therapeutic level that is needed for treatment of dementia in Alzheimer and Parkinson disease patients.

The figure below shows the delivery of rivastigmine using the Company's nasal spray was significantly more efficient (62%) than the transdermal patch (45%, historical value) and oral capsule (36%, historical value) because the absolute bioavailability (F %) of the Rivastigmine Nasal Spray in eight elderly individuals was significantly higher.

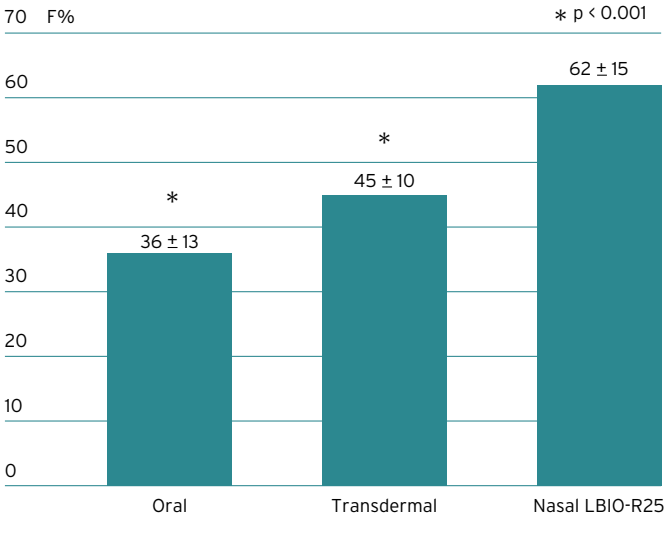
Note: The absolute bioavailability (*F*%) is a measure of the efficiency of drug delivery from a particular dosage form (in this case the nasal spray, oral capsule and transdermal patch) and it is determined from the area under the curve of each concentration versus time profile is used to calculate the rivastigmine exposure (i.e. AUC); then the relative AUC is used to calculate the absolute bioavailability of the new dosage form (in this case the nasal spray) because the intravenous dose is considered to have 100% bioavailability (i.e. 100% absorption into the blood circulation system because it is directly injected into the blood stream of each individual).

A higher absolute bioavailability (*F*%) has the potential to lower the cost of goods of the Rivastigmine Nasal Spray because it suggests a lower amount of drug required than for the transdermal patch for an equivalent clinical effect.

Rivastigmine Blood Plasma Concentration (ng/ml)



Absolute Bioavailability (F%)



Clinical Development Timeframe – Rivastigmine Nasal Spray

Subject to satisfactory completion and results for the phase 3 clinical trial and its preceding studies, the Company is planning for a US market launch of Rivastigmine Nasal Spray in H1 2020.

The Company estimates total development cost to achieve a prospective marketing approval in the United States for Rivastigmine Nasal Spray is approximately $25 million. Offer proceeds will be used to complete the two human pharmacokinetic studies (PKR2 and PKR3) and three preclinical safety studies required to support the 6 month, Phase 3 safety study in AD patients.

The future development milestones and their estimated completion dates are:[1]

✔ Clinical, Phase 1 Human Proof-of-concept	Nov 2015
✔ Chem. Manuf. Controls, 12 month pilot stability	Jan 2016
✔ Regulatory, FDA Pre-IND written response	May 2016
❑ Phase 1, Single-dose PK comparison (PKR2)	H2 2016
❑ Phase 2, Multiple-dose PK in AD patients (PKR3)	H1 2017
❑ Phase 3, 6 month safety study (P3R1)	H2 2017
❑ NDA submission	H1 2019
❑ NDA Approval	H1 2020

1) Refer to section 5 for a discussion of certain of the risk factors that may affect the Company's ability to meet these development milestones and completion dates.

Clinical, Phase 1 Human Proof-of-Concept CTAD, Nov 2015

The Company presented the results of its Phase 1 human proof-of-concept clinical study at the Clinical Trials in Alzheimer's Disease conference, Nov 2015, Barcelona Spain. Poster presentation details: Morgan TM. Absolute bioavailability and safety of a novel rivastigmine intranasal spray in healthy elderly individuals. J Prev Alz Dis 2015. 2(4):269-396; P2-55. CTAD 2015.; Australia and New Zealand Clinical Trial Registry no. for this study was: ACTRN12614001313628.

Chemistry Manufacturing and Controls, 12 month pilot stability, Jan 2016

The initial pilot stability testing results for Rivastigmine Nasal Spray out to 12 months (Jan 2016) show the product has the potential to achieve a commercially applicable shelf-life, approximately 2 years at a typical ambient temperature condition.

Regulatory, FDA Pre-IND written response, May 2016

The FDA provided a written pre-IND response to the Company for the Rivastigmine Nasal Spray (May 2016) which outlines the requirements (i.e. further research and development studies to be conducted) for prospective regulatory approval in the United States.

Phase 1, Single-dose PK comparison

A phase 1 pharmacokinetic study in about 30 healthy volunteers over about 10 days, where each participant will receive a single dose of the rivastigmine oral capsule, followed by a rest period then a single dose of the Rivastigmine Nasal Spray in order to show bioequivalence (i.e. similarity) of rivastigmine exposure (e.g. Cmax and AUC) between the approved dosage form (oral capsule) and the test dosage form (nasal spray).

Phase 2, Multiple-dose PK in AD patients

A phase 2 pharmacokinetic study in about 30-40 AD patients where each patient will receive multiple-doses of Rivastigmine Nasal Spray over about 28 days, with the doses increasing over time according to an appropriate dose titration schedule. The multiple-dose pharmacokinetic profile for rivastigmine and its metabolite can then be compared to existing values for the capsule and patch and/or a study control group receiving multiple doses of the approved transdermal patch.

Phase 3, 6 month safety study

Based on a written Pre-IND response from the US FDA, the Phase 3 study required for US marketing approval will be an open-label safety study in approximately 500 AD patients of 6 months duration with an open-label extension to 12 months for a sub-cohort of patients enrolled in this study.

NDA submission

The Company intends to submit a New Drug Application (NDA) submission under the 505(b)(2) regulatory pathway for Rivastigmine Nasal Spray. The 505(b)(2) regulatory pathway is often used when seeking regulatory approval for an existing drug that is being used for a new route of administration, which is the case for Rivastigmine Nasal Spray.

NDA approval

Following submission of a NDA to the US FDA, it typically requires up to 12 months to review the submission prior to any prospective marketing approval.

Commercialisation Strategy

The Company's current strategy is to partner with another company after Phase 3 completion, or build and use an in-house commercial capability. A prospective commercial partnership for a phase 3 asset would typically involve a royalty rate of approximately 10 to 20% of net sales, plus upfront and milestone payments.

Pharmaceutical products that are primarily prescribed by specialists such as Rivastigmine Nasal Spray (e.g. neurologists, geriatricians and psychiatrists) are also amenable to the Company creating its own commercial capability.

For an in-house sales and marketing effort, the Directors believe significant commercial capability would need to be built, but with the added prospective benefit of the Company achieving greater revenue streams than might be obtained under a royalty-based commercial partnership.

The Directors believe our prospects for building commercial capability will be assisted by our potential:

- Cost of Goods (COGs) advantage: 40-58% lower drug content than patches
- Pricing flexibility that gives the option to take generic share
- Product pipeline scope for an AD franchise

Based upon the results of the initial human study the Directors believe the expected benefits of the Rivastigmine Nasal Spray are as follows:

Prospective Competitive Advantages

Improved efficacy

- Rivastigmine Nasal Spray may achieve comparable clinical effects (i.e. efficacy) to the 10 cm^2 and 15 cm^2 transdermal patches but using 40-45% less rivastigmine.
- Rivastigmine Nasal Spray has the potential to achieve the extra mean -1 point ADAS-Cog benefit (i.e. cognition improvement) previously recorded with the 20 cm^2 transdermal patch dose but with overall clinical improvements, because total rivastigmine and metabolite (NAP226-90) exposure is expected to be less than that previously measured with the 15 cm^2 transdermal patch. Hence, the nasal spray should have a better risk benefit profile enabling higher effective doses of rivastigmine.

Improved tolerability

- Improvement of nausea, vomiting and diarrhoea because total metabolite (NAP226-90) exposure is lower from the Rivastigmine Nasal Spray compared to the patch and oral dosage forms.
- Improved sleep and less fatigue achieved by delivering rivastigmine during waking hours. Patch formulations can cause sleeplessness due to sustained high acetylcholine levels at night when these levels would normally fall per circadian rhythm.

Improved convenience

- Ease of administration by patient or caregiver, due to the lesser requirement of fine motor control, as compared to the removal of patch from its pouch and backing membrane prior to administration.
- Dose can be titrated (i.e. incrementally increased) easily to achieve the ideal effect and time of action.
- Difficulty swallowing an oral capsule.

Intellectual Property

Lachesis Biosciences has a worldwide PCT patent application pending for its nasal absorption technology. This utility patent application covers nasal formulation compositions and methods. Refer to Section 9 (Intellectual Property Report) for further information.

The nasal spray formulation compositions are screened using a lab-based testing model which is a useful way to explore the potential of new nasal spray products prior to clinical proof of concept trials in humans because it us allows to estimate the potential nasal absorption in a human.

Refer to section 5 for a discussion of intellectual property and related risk factors that may impact upon the Company's intellectual property position and an investment in the Company.

Board and Management

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Board

The Board is comprised of the Non-Executive Chairman, the Non-Executive Director and the CEO and Managing Director. Detailed biographies of the Board members are provided below.

Each Director below has confirmed to the Company that he or she anticipates being available to perform his or her duties as a Director without constraint from other commitments.

Mr Christian Nicks, Non-Executive Chairman

Christian was appointed as a Director and Chairman in July 2016. He is an investment banker with over 18 years of experience working in Australia, the United States, Japan, Hong Kong and the United Kingdom. He has advised on some of the largest transactions in the healthcare sector in Australia. He spent over 10 years at Goldman Sachs working in the healthcare, telecoms, industrials, financial sponsors and mining sectors. In 2010, he left Goldman Sachs to become Head of Investment Banking at Investec Australia and led a team of professionals to substantially grow Investec's advisory business. He left Investec in 2014 to establish Valkyrie Corporate Advisory Services, which provides specialised investment banking and corporate advisory services. He graduated from Stanford University with a Bachelor of Arts in Economics. He is a Member of the Australian Institute of Company Directors.

Dr Amanda Reese, Non-Executive Director

Amanda was appointed as a Director in July 2016. She is a commercial strategy and licensing specialist with over 18 years of experience in the pharmaceutical industry locally and overseas. She spent over 12 years at CSL from 2002 to 2015, most recently as Associate Director for In-Licensing. At CSL she gained broad experience across business development, regulatory affairs, medical affairs, R&D commercialisation, brand management and in-licensing roles. Her extensive commercial expertise is applied to her current executive role as Director of Commercialisation & Business Development at Paranta Biosciences Ltd whom she joined in November 2015. She commenced her career in specialty pharmaceuticals at AstaMedica in 1997. She has experience in a growth-stage, entrepreneurial company whilst at Optiscan Pty Ltd from 1998 to 2002. She has a Bachelor of Science with Honours and PhD from Monash University.

Dr Timothy Morgan, Chief Executive Officer and Managing Director, Founder

Tim is a founder of the Company and has been a Director since 2005. He was a founder and Director of Business Development at Acrux Limited. He has more than 18 years of experience in the pharmaceutical industry. He commenced his career at Glaxo in 1992 then undertook his higher degree research training at Monash University from 1994 to 1998 before founding Acrux Limited in 1999 and Lachesis Biosciences in August 2005. He has a Bachelor of Pharmacy with Honours and PhD from Monash University. He is a registered Pharmacist in Australia. His PhD research was competitively recognised both locally and internationally. To date, three prescription pharmaceutical products for which he was named as co-inventor have received marketing approval.

Corporate governance

The Board is responsible for the overall corporate governance of the Company. The Board will monitor the operational and financial position and performance of the Company and oversees its business strategy including approving the strategic goals of the Company and considering and approving the annual business plan, including a budget. The Board is committed to maximising performance, generating financial returns and value for Investors, and sustaining the growth and success of the Company. In conducting the Company's business with these objectives, the Board will seek to ensure that the Company is properly managed to protect Investor interests, and that the Company, and its Directors, officers and personnel operate in an appropriate environment of corporate governance.

The Board considers that each of its Non-Executive Directors is free from any interest, position, association or relationship that could materially interfere with, or reasonably be perceived to materially interfere with, the independent exercise of their judgement.

Board committees

The Board may from time to time establish appropriate committees to assist in the discharge of its responsibilities. The Board has established the Nomination and Remuneration Committee and the Audit and Risk Management Committee.

Other committees may be established by the Board as and when required. Membership of Board committees will be based on the needs of the Company, relevant legislative and other requirements and the skills and experience of individual Directors.

Nomination and Remuneration Committee

Under its charter, this Committee must have at least two members, a majority of whom (including the chair) must be independent Directors.

Currently, Christian Nicks and Amanda Reese are members of this Committee, and Christian Nicks will act as chair of this Committee.

The primary role of the Nomination and Remuneration Committee is to assist the Board with a view to discharging its responsibilities to Shareholders and other stakeholders to seek to ensure that the Company:

- oversees the nomination and appointment, and monitors the performance, of Board members and senior management;
- conducts succession planning;
- has coherent remuneration policies and practices which enable the Company to attract and retain executives and Directors who will create value for Shareholders;
- fairly and responsibly remunerates Directors and executives, having regard to the performance of the Company, the performance of the executives and the general remuneration environment;
- has policies to evaluate the performance of the Board, individual Directors and executives on (at least) an annual basis;
- has effective policies and procedures to attract, motivate and retain appropriately skilled and diverse persons to meet the Company's needs; and
- will integrate human capital and organisational issues into the overall business strategy.

Audit and Risk Management Committee

Under its charter, this Committee must have at least two members, a majority of whom must be independent Directors. Also, all members of this Committee must be financially literate and have familiarity with financial and accounting matters and at least one member must be a qualified accountant or other financial professional with appropriate expertise of financial and accounting matters.

Currently, Christian Nicks and Amanda Reese are members of the Audit Committee, and Christian Nicks will act as chair of this Committee.

The primary role of the Audit Committee is to assist the Board in carrying out its accounting, auditing and financial reporting responsibilities including:

- engaging in the oversight of the Company's financial reporting and disclosure processes and overseeing and reviewing the outputs of that process;
- assessing the appropriateness and application of the Company's accounting policies and principles and any changes to them, so that they accord with the applicable financial reporting framework;
- assessing any significant estimates or judgments contained in the Company's financial reports;
- reviewing annual reports with management, advisers, and the external auditors and recommending the applicable accounts' adoption by the Board;
- overseeing the establishment and implementation of risk management and internal compliance and control systems and ensuring that there is a mechanism for assessing the ongoing efficacy of those systems;
- approving the terms of engagement with the external auditor at the beginning of each financial year;
- approving policies and procedures for appointing or removing an external auditor and for external audit engagement partner rotation; and
- meeting periodically with the external auditor and inviting them to attend committee meetings to assist the committee discharge its obligations.

Risk Factors

5

Introduction

This Section 5 identifies what the Directors regard as major risks, which may materially and adversely affect the future operating and/or financial position of the Company. The risks in section 5.1 are listed in descending order of the Company's assessment of the combined likelihood of a factor to occur balanced against the severity of impact of the factor occurring. Prospective Applicants 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 New Shares.

The Directors' assessment of risks is based on their knowledge as at the date of this Prospectus and there is no assurance that the relative importance of the various risks will not change over time as the Company's development programs evolve.

5.1 Company Specific Risks

In addition to the general risks noted in Section 5.2. Investors should be aware of the specific risks of an investment in the Company. These specific risks include, but are not limited to, those risks referred to below.

Market adoption

To realise the Company's objectives, patients, physicians, hospitals, and third party payers such as health insurers must accept the Company's products, specifically the Rivastigmine Nasal Spray, for routine use. Regulatory approvals of the Company's products, including US Food and Drug Administration approval, does not guarantee market adoption. Acceptance of the Company's products in Europe and the US will be dependent on numerous factors, including but not necessarily limited to, market perception of the risk-benefit and cost-benefit analysis of the use of the Company's products and reimbursement. If market adoption is not forthcoming in the manner anticipated by the Company, the Company's ability to achieve its core business objectives including the development of its product pipeline would be significantly and adversely affected.

Sufficiency of funding

Proceeds from the Offer may not be sufficient to allow the Company to achieve its current business plan or become cash flow positive. The Company is currently not profitable and does not expect to become profitable until after achieving successful FDA clearance and US commercialisation of its products to a level that would allow sufficient sales revenue to fund on-going company operations. Delays in clinical trial patient enrolment, delays in regulatory approvals, or slower than anticipated market adoption could require the Company to seek additional funding. The Company may need to finance its future cash needs through equity offerings, debt financing or corporate collaboration. Any additional funds that it obtains may not be on terms favourable to its Shareholders and may require it to relinquish valuable rights. There is no assurance that additional funding would be available in the future or would be secured on acceptable terms.

If adequate funding is not available, the Company may be required to significantly reduce its operations or terminate its business.

Clinical trials

Product approval under a 505b(2) or hybrid regulatory pathways requires the Company to be able to meet the necessary pharmacokinetic targets stipulated by a Regulatory Agency. In order to meet these targets the Company needs to be able to successfully complete pharmacokinetic studies in both healthy volunteers and Alzheimer's disease patients to a generally pre-defined quality level stipulated in guidance documents and formal communications with the Regulatory Agency. For the Company's lead product candidate, Rivastigmine Nasal Spray, the successful completion of a single, well-designed Phase 3 safety study of 6 months duration and preceeding studies will be required for the US FDA to accept a NDA submission and consider it for NDA approval. A successful clinical trial will be necessary for the Company to obtain FDA approval for its products. Such trials can be expensive, time consuming, may be delayed or may fail. Clinical trial success, including the planned Phase 3 clinical trial, can be impacted by a number of factors including slower than expected recruitment or failure to recruit a sufficient number of patients, failure to meet trial safety end-points, lack of product effectiveness during the trial, safety issues and modifications to trial protocols or changes to regulatory requirements for trials. Clinical trials may also be delayed, suspended or terminated due to decisions by the institutional review board responsible for overseeing the study at a particular site. The success of earlier clinical trials may not necessarily be predictive of the results obtained in later clinical trials. In the case of Lachesis Biosciences, the planned Phase 3 clinical trial results may not demonstrate the necessary level of safety required to obtain requisite regulatory approval. If this occurred the Phase 3 clinical trial may need to be repeated. There is no guarantee that the Company would be able to obtain funding for a further Phase 3 trial or that the repeat trial would be successful.

Regulatory

The Company will require regulatory approval for its products including US FDA clearance of its Rivastigmine Nasal Spray. The Regulatory Agency must be satisfied that the Company has demonstrated that Rivastigmine Nasal Spray is safe and effective as a treatment for the targeted indications. The results of our clinical trials may not meet the level of statistical or clinical significance required by the Regulatory Agency for marketing approval. The contract research organisations that we plan to contract to conduct clinical trials may take actions outside of our control that materially adversely impact our clinical trials. A Regulatory Agency may disagree with our interpretation of data from our preclinical studies and clinical trials or may require that we conduct additional studies. Regulatory approvals may be time consuming and their outcomes are uncertain. There is no guarantee the Company will obtain necessary regulatory approvals from the FDA or other Regulatory Agencies for

the Rivastigmine Nasal Spray. There is also no guarantee the Company will obtain necessary approvals for future products in the markets in which the Company plans to commercialise. There is some inherent uncertainty with any regulatory submission and possible changes in regulatory stance that, although no such charges are currently expected, if they occur they may delay the Company's approvals.

Preclinical

The Regulatory Agency must be satisfied that Rivastigmine Nasal Spray, as a new route of administration, is safe for repeated exposure to the nasal mucosa of a human. The results of a 6 month, repeated-dose safety study in an appropriate mammalian animal species, will be required to assess the safety, or otherwise, of allowing Alzheimer's disease patients to receive a similar dosing exposure for the same length of time. A particular focus for this safety assessment will be local histological safety of nasal and surrounding local tissues as stipulated in guidance documentation and formal communications with a Regulatory Agency. If the safety assessment is not satisfactory further preclinical studies may be required to satisfy the Regulatory Agency.

Health care Insurers and reimbursement

In both domestic and foreign markets, sales of pharmaceutical products are likely to be influenced by the availability and amounts of reimbursement of patients' pharmaceutical expenses by third party care payer organisations, including government agencies, private health care insurers and other health care payers. For the Rivastigmine Nasal Spray and any other products developed by the Company, no assurance can be given that reimbursement will be provided by such payers at all or without substantial delay, or, if such reimbursement is provided, that the approved reimbursement amounts will be sufficient to enable the Company to sell products developed, including the Rivastigmine Nasal Spray, on a profitable basis. If reimbursements are not made or are not sufficient these could have a material impact on the financial viability of the Company.

Intellectual property and patent rights

The Company will rely on its ability to obtain and maintain patent protection of products such as the Rivastigmine Nasal Spray. There is no current or threatened legal action by or against Lachesis Biosciences. However, in the future, legal action may be necessary to enforce the Company's issued patents, to protect its trade secrets and know-how, or to determine the enforceability, scope, and validity of the proprietary rights of others. The cost of such legal action is expensive and the outcome of this type of legal action is uncertain. The patent for Rivastigmine Nasal Spray is pending and the Company's ability to achieve granted patents in its key markets will depend on its ability to successfully address any issues raised by the issuing patent offices. If patents are not granted the Company is likely to have difficulty establishing its products in the marketplace.

Infringement of third party intellectual property rights

In the future the Company may be subjected to infringement claims or litigation arising out of patents and pending applications of its competitors, or additional proceedings initiated by third parties or the USPTO to re-examine the patentability of licenses or owned patents. The defence and prosecution of intellectual property suits, USPTO proceedings, and related legal and administrative proceedings are costly and time-consuming to pursue, and their outcome is uncertain. If the Company is found to have infringed the rights of third parties, the Company could be prevented from selling its products and be forced to defend against litigation and to pay material costs and stipulated damages.

Trade secrets

In addition to its patent activities, the Company also relies on its trade secrets. The protective measures that the Company employs may not always be sufficient to protect its trade secrets. This could erode the Company's competitive advantage. The Company cannot be certain that others will not independently develop the same or similar technologies on their own or gain access to trade secrets or disclose such technology, or that the Company will otherwise be able to meaningfully protect its trade secrets and unpatented know-how and keep them secret. This could allow competitors to commercialise products competitive to the Rivastigmine Nasal Spray.

Competition

The prescription pharmaceutical product industry is highly competitive and subject to rapid and significant technological advancements. The industry includes companies with significantly greater financial, technical, human, research and development, and marketing resources than the Company. Competitors may commercialise products that compete directly or indirectly with the Company's products. If competitors develop products or technologies that are more effective, the Company's current or future products may become obsolete or uncompetitive. As a significant unmet medical need exists for the treatment of Alzheimer's disease, there are several large and small pharmaceutical companies focused on delivering therapeutics for the treatment of Alzheimer's disease. Some existing large market competitors in this field are Allergan (sells branded memantine products) and Sandoz (sells generic and branded rivastigmine products). Some other potential market competitors include large companies like Merck and Lundbeck which both have drug candidates for Alzheimers' disease in Phase 3 development.

Manufacturing and product quality

The Company's Rivastigmine Nasal Spray has not yet been produced on a large scale. If the Company or its suppliers are unable to manufacturer products in sufficient quantities or at an appropriate cost level, it may not be able to meet demand for its products which may adversely impact its clinical study patient enrolment timeline and/or its sales revenue objectives.

The Company's products must also meet the regulatory requirements which are subject to continual review including inspections by regulatory authorities. Failure by the Company or its suppliers to continuously comply with applicable regulatory requirements or failure to take satisfactory corrective action in response to adverse inspection, could result in enforcement actions, including a public warning letter, a shutdown of, or restrictions on, its manufacturing operations, delays in approving or clearing products, refusal to permit the import or export of its products or other enforcement action. Product approval requires that the Rivastigmine Nasal Spray be stable over the proposed label shelf-life and this requires us to demonstrate that the chemistry, manufacturing and controls in place for a product are robust and safe for the intended use. If this cannot be demonstrated then the Company would need to repeat these stability studies and related activities. There is no guarantee that the Company would be able to obtain funding for further studies or that the repeat studies would be successful.

Suppliers

The Company expects that its contracts with key suppliers will be generally standard in nature, in the form of purchase order arrangements that are common to medical device firms in the early stages of commercialisation, with no minimum purchase orders required. As the Company moves into its commercialisation phase, it will increasingly rely on its key suppliers for the Rivastigmine Nasal Spray components. A disruption at one of its key suppliers could cause a substantial delay in availability of the Company's products, leading to a potential loss of sales. Specifically, if Rivastigmine Nasal Spray pumps were no longer available from the Company's current supplier, the Company would need to find an alternate supplier. Development of key manufacturing processes (mixing, filling, capping and labelling) along with process validation testing, quality control testing, and regulatory approvals required for a manufacturing change could take at least six months to complete. The Company believes, but cannot guarantee, that no proprietary technologies are employed by suppliers and that there are a number of potential alternative suppliers that operate in the United States that could be located, qualified and approved for all of its critical system components. If a suitable alternative supplier could not be found this could detrimentally impact product supply and revenue.

Product liability

As with all medical device products, despite regulatory approvals, there is no assurance that unforeseen adverse events or manufacturing defects will not arise. The Company may be exposed to the risk of product liability claims, which are inherent in the design, manufacturing, marketing, and use of medical devices. Product liability claims may damage the Company's reputation and may destroy or substantially diminish the Company's business. Defending a suit, regardless of its merits, could be costly and could divert management attention from the Company's core business activities.

Key personnel

The Company currently employs Tim Morgan as CEO and Managing Director (refer to section 4). In addition, the Company will likely engage as consultants, a number of key management and scientific personnel. Loss of key personnel could have a material, detrimental impact on our ability to meet our development milestones in a timely manner. We are also exposed to the risk that our future employees and contractors, including principal investigators, consultants, commercial partners, service providers and other vendors may engage in negligent, fraudulent or other misconduct. Misconduct by these parties could violate the laws and regulations of regulatory bodies, including those laws that require the reporting of true, complete and accurate information to such regulatory bodies; manufacturing standards; federal and state healthcare fraud and abuse and health regulatory laws and other similar foreign fraudulent misconduct laws; or laws that require the true, complete and accurate reporting of financial information or data. The Company's future depends on retaining and attracting suitable and qualified personnel. There is no guarantee that the Company will be able to attract and retain suitable qualified personnel, which could negatively affect the Company's ability to reach its goals and therefore materially adversely impact on an investment in the Company.

Control of Existing Shareholders

Immediately after the Offer, assuming that the Company's officers and directors and Existing Shareholders do not subscribe (other than those outlined in the investment overview in Section 1) for any Shares in the Offer, the Existing Shareholders will beneficially own approximately 64.23% of the Shares. As a result, these Existing Shareholders, if they were to act together, may potentially be able to exert a significant degree of influence over the Company's management and affairs and other matters requiring Shareholder approval, including the appointment of Directors and approval of significant corporate transactions. This concentration of ownership may harm the market price of the Shares by delaying or preventing a change in control, even if a change is in the best interests of the Company's other Shareholders. Existing Shareholders are not bound to make decisions that are in the best interests of all Shareholders. Refer to Section 10 for a summary of the Shareholders Agreement and the Constitution.

Speculative nature of investment

Any potential investor should be aware that subscribing for New Shares involves various risks. The New Shares carry no guarantee with respect to the payment of dividends, return of capital or market value. The success of the Company is largely dependent on European and US market adoption and the outcome of its proposed pivotal clinical trial for the Rivastigmine Nasal Spray, and obtaining US FDA marketing clearance. An investment in the Company should therefore be considered speculative in nature.

No independent valuation

No independent valuation has been carried out on the Company or its products. Valuations of medical device products before commercial use are imprecise. The Directors do not believe that an independent valuation would be meaningful given the likely qualifications and limitations of such valuations and the difficulties in determining the likely commercial success of the Company and its products.

Exchange rates

The Company may in the future be subject to exchange rate risks with the majority of the proceeds of the Offer to be received in Australian Dollars, while some suppliers that will be engaged by the Company have functional currencies that are in US Dollars or Euros. The Company does not intend to enter into hedging transactions. As a result, movements in foreign exchange rates may cause the costs of the Company's contracts to increase for reasons unrelated to the Company's financial condition or performance and may result in a discrepancy between the Company's actual results of operations and those estimated by the Company when a contract with one of these overseas suppliers was first entered.

5.2 General Risks

This Section 5.2 describes some of the potential risks associated with an investment in New Shares generally. It does not purport to list every risk that may be associated with an investment in Shares now or in the future and the occurrence or consequences of some of the risks described in this Section are partially or completely outside the control of the Company and its Directors.

Market fluctuations

Market fluctuations in Australia and other markets around the world may negatively impact the share price. Factors that may influence the investment climate in stocks (which may not relate to actual performance of Lachesis Biosciences) include general economic outlook, movements in commodity prices, exchange rate movements, interest rates, inflation and political developments.

Liquidity and realisation

Applicants for New Shares will be bound by the Shareholders Agreement (refer to section 10 for a summary and Appendix C for a full copy of the Agreement). Shareholders will be bound by a pre-emptive rights regime that requires them to offer Shares to other Shareholders before selling them to a third party. This procedure is likely to constitute a material limitation on the liquidity and realisation of Shares.

General economic conditions

Australian and world economic conditions may negatively impact Lachesis Biosciences' financial performance. A prolonged deterioration in economic conditions could be expected to have a material adverse impact on the Company.

Taxation

Changes in tax legislation and regulation or their interpretation may adversely affect the value of an investment in Shares and may affect Shareholders differently.

Accounting Standards

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

Absence of dividends

The ability of the Company to pay any dividend in the future is dependent on many factors including the outcome of the Company's clinical trials and commercialisation activities. Many of the factors that will affect the Company's ability to pay dividends and the timing of those dividends will be outside the control of the Company and its Directors. The Directors cannot give any assurance regarding the payment of dividends in the future. Furthermore, given the Company is in development stage it is not possible to forecast the likely financial result of the Company for the current financial year or any year thereafter. Refer to Section 10 for further information on dividend policy.

Other

Other risks include those normally found in conducting business, including litigation resulting from breach of agreements or in relation to employees or any other cause. Our computer systems, our contract research organisations, other contractors and consultants, are vulnerable to damage from computer viruses, unauthorised access, natural disasters, terrorism, war and telecommunication and electrical failures. If such an event were to occur and cause interruptions in our operations, it could result in a material disruption of our drug development programs. The ability of our risk mitigation and contingency plans to prevent and limit the impact of risk occurrence depends on our ability to implement good risk management practice for our product candidates across during research, development and prospective commercialisation. The above list of risk factors should not to be taken as exhaustive of the risks faced by Lachesis Biosciences or by investors in Lachesis Biosciences. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of Lachesis Biosciences and the value of the New Shares. Therefore, the New Shares to be issued pursuant to the Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those New Shares.

Interests and Benefits

6

Interests and benefits

This section 6 sets out the nature and extent of the interests and fees of certain persons involved in the Offer. Other than as set out below or elsewhere in this Prospectus, no:

- Director or proposed Director;
- person named in this Prospectus and who has performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- promoter of the Company; or
- underwriter to the issue or sale of Shares or financial services licensee involved in the issue or sale of New Shares under this Prospectus,

holds at the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:

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

and no amount (whether in cash, Shares, Options or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given, to any such persons for services in connection with the formation or promotion of the Company or the Offer or to any Director or proposed Director to induce them to become, or qualify as, a Director.

Interests of advisers and others

The Company has engaged the following professional advisers:

- **MinterEllison** has acted as the Australian legal adviser (other than in relation to taxation and patent, trademark and intellectual property matters) to the Company in relation to the Offer. The Company has paid, or agreed to pay, approximately $90,000 (excluding disbursements and GST) for this service until the Prospectus Date. Further amounts may be paid to MinterEllison in accordance with its normal time-based charges.
- **Pitcher Partners Corporate Pty Ltd** has acted as the Investigating Accountant and has prepared the Investigating Accountant's Reports in Section 8. The Company has paid, or agreed to pay, approximately $20,000 (excluding disbursements and GST) for this service until the Prospectus Date. Further amounts may be paid to the Investigating Accountant in accordance with its normal time-based charges.
- **Lodge Corporate** has acted as the Lead Manager of the Offer. The Company has paid, or agreed to pay, approximately $30,000 (excluding disbursements and GST) for this service, a base management fee of 2.00% (plus GST, where applicable) on the gross proceeds of the Offer, and a selling fee of 4.00% (plus GST, where applicable) on the gross proceeds of the Offer. For further details on fees the Company has paid, or agreed to pay, refer to the section 10, under Material Contracts and the Offer Management Agreement.
- **Davies Collison Cave Trade Mark and Patent Attorneys** have acted as the patent attorneys for the Company and has prepared the Intellectual Property Report in Section 9. The Company has paid, or agreed to pay, approximately $2,500 (excluding disbursements and GST) for this service until the Prospectus Date. Further amounts may be paid to Davies Collison Cave Trade Mark and Patent Attorneys in accordance with its normal time-based charges.

Other than as otherwise stated, to the extent that these amounts, and other expenses of the Offer, are payable by the Company, they will be paid by the Company out of funds raised under the Offer or available cash. Further information on the use of proceeds and payment of expenses of the Offer is set out in Section 1.

CEO and Managing Director interests and remuneration

The key terms and conditions of Tim Morgan's employment are as follows:

Timothy Morgan, PhD

CEO and Managing Director

Contract commencement date: 20 July 2016.

Key employment terms

Cash and non-cash benefits

Dr Morgan's per annum salary is currently $130,000 (inclusive of superannuation).

Notice period for termination

Either the Company or Dr Morgan may terminate the agreement on 6 months' written notice.

Post-employment restraints

Following termination, Dr Morgan will be restrained from competing with the Comany in Australia and New Zealand for up to 12 months.

Intellectual property

All existing and future intellectual property rights developed by Dr Morgan are assigned to and automatically vest in the Company.

Other interests

Dr Morgan (through Learmonth Pty Ltd, an entity he controls) currently holds 6,228,774 Shares or 70% of the Shares on issue prior to completion of this Offer and he intends to purchase 50,000 New Shares under this Offer. Therefore, on Completion of the Offer, assuming a Minimum Subscription, Dr Morgan will hold 6,278,774 Shares or 45% of the Shares in the Company.

Non-Executive Director interests and remuneration

Under the Constitution the Directors as a whole (other than executive Directors) may be paid or remunerated for their services a total amount or value not exceeding $250,000 per annum or such other maximum amount fixed by the Company in general meeting. Annual Directors' fees currently agreed to be paid by the Company are $40,000 to Mr Christian Nicks, Chairman and $30,000 to Ms Amanda Reese, Non-executive Director. All Directors' fees are inclusive of statutory superannuation. Mr Nicks and Ms Reese hold 100,000 and 50,000 Shares in the Company, respectively.

Deeds of indemnity, access and insurance for directors

The Company has entered into deeds of indemnity, access and insurance with the Directors which contain rights of access to certain books and records of the Company for a period of seven years after the Director ceases to hold office. This seven year period may be extended where certain proceedings or investigations commence before the seven year period expires.

Under the Constitution, the Company is required to indemnify all Directors and officers, past and present, against certain liabilities. The indemnity provided for under the deed of indemnity, access and insurance, operates from the date of appointment as a Director or officer of the Company until the seventh anniversary of that Director or officer's retirement date. Subject to the terms of a director and officer liability insurance policy, the Company indemnifies each Director and officer against all liabilities incurred by that Director or officer in or arising out of the discharge of that Director or officer's duties (as a director or officer of the Company) and any and all reasonable legal costs which relate to any such liability, in each case to the maximum extent permitted by law (including certain statutory restrictions), the Constitution and excluding any liabilities that are subject to a third party indemnity or insurance policy. If a Director or officer of the Company is entitled to be indemnified under the deed of indemnity, access and insurance, the Company will pay the relevant amount to discharge the liability or legal cost. Under the terms of the deed of indemnity, access and insurance, the Company will not indemnify a Director or officer of the Company in circumstances where to do so would involve the Company or any of its subsidiaries being in breach of any law.

Under the Constitution, the Company may arrange and maintain Directors' and officers' insurance for its Directors and officers to the extent permitted by law. Under the deed of indemnity, access and insurance, the Company must, for each Director or officer, maintain or procure the maintenance of insurance for the Director or officer's period of office and for a period of seven years after the Director or officer ceases to hold office.

The deed of indemnity, access and insurance allows for the Company in certain cases to make advance payments to an indemnified party for an amount owing in respect of a loss covered by the deed.

Directors' Shares

Directors are not required under the Constitution to hold any Shares. However, the Shareholdings of all Directors on Completion of the Offer is expected to be as follows:

Directors	Number of Shares held directly or indirectly on Completion of the Offer
Timothy Morgan	6,278,774
Christian Nicks	100,000
Amanda Reese	50,000

Financial Information

7

This Section contains a summary of the historical financial information prepared by the Directors of Lachesis (together the **Financial Information**).

The purpose for including the Financial Information is to provide potential investors sufficient information to make an informed investment decision.

The **Historical Financial Information** comprises the:

- Historical income statements for FY2014, FY2015 and FY2016, (the **Historical Results**);
- Historical cash flow statements for FY2014, FY2015 and FY2016; (the **Historical Cash Flow Statements**);
- Pro forma historical balance sheet as at 30 June 2016 (the **Pro Forma Balance Sheet**);

(together the **Historical Financial Information**).

Also summarised in this Section 7 are:

- the basis of preparation and presentation of the Financial Information (Section 7.1); and
- Lachesis' proposed dividend policy (Section 7.6).

All amounts disclosed in the tables are presented in Australian dollars.

7.1 Basis of preparation and presentation of the Financial Information

The Directors of Lachesis are responsible for the preparation of the Financial Information.

The Historical Financial Information has been prepared and presented in accordance with the recognition and measurement principles of Australian Accounting Standards issued by the Australian Accounting Standards Board, which are consistent with International Financial Reporting Standards (**IFRS**) and interpretations issued by the International Accounting Standards Board (**IASB**).

The Financial Information is presented in an abbreviated format and does not contain all of the disclosures required by the Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act.

The information in this Section 7 should be read in conjunction with the risk factors set out in Section 5 and other information contained in this Prospectus.

Lachesis' significant accounting policies are set out in Appendix B.

7.2 Preparation of Historical Financial Information

The Historical Financial Information has been prepared for the purpose of inclusion in this Prospectus. The Historical Financial Information has been derived from the audited statutory consolidated financial statements for FY2014, FY2015 and FY2016. There are no pro forma adjustments being made to historical income statements and cash flow statements as there are no non-recurring items. A pro forma historical Balance Sheet as at 30 June 2016 has been prepared to recognise the impact of the capital raising.

The Historical Financial Information included in this Prospectus has been reviewed, but not audited, by Pitcher Partners Corporate Pty Ltd. Investors should note the scope and limitations of the Investigating Accountants Report (refer Section 8).

Refer to Section 7.4 for a reconciliation between the Statutory Historical Balance Sheet and the Pro Forma Historical Balance Sheet.

Investors should note that past results are not a guarantee of future performance.

7.3 Explanation of certain non-IFRS financial measures

Lachesis uses certain measures to manage and report on its business that are not recognised under Australian Accounting Standards. These are known as "non-IFRS financial measures" and the principal ones used in this Prospectus are as follows:

- EBITDA is earnings before interest, taxation, depreciation and amortisation;
- EBIT is earnings before interest and taxation; and
- NPAT is net profit after tax.

These measures are reconciled to NPAT in Section 7.4.

Although the Directors believe these measures provide useful information about the financial performance of Lachesis, they should be considered as supplements to the income statement and cash flow measures that have been presented in accordance with the Australian Accounting Standards and not as a replacement for them. Because these non-IFRS financial measures are not based on Australian Accounting Standards, they do not have standard definitions, and the way Lachesis calculated these measures may differ from similarly titled measures used by other companies. Readers should therefore not place undue reliance on these non-IFRS financial measures.

7.4 Historical Financial Information

Historical Results

The table below sets out the Historical results for FY2014, FY2015 and FY2016.

	Historical Results		
Year Ending 30 June	**FY2014**	**FY2015**	**FY2016**
Operating Revenue	**3,002**	**2,278**	**1,122**
Employee Costs	(27,398)	(80,972)	(81,011)
Other Costs	(55,480)	(288,380)	(111,573)
Total Costs	(82,878)	(369,352)	(192,584)
EBITDA (after corporate costs)	**(79,876)**	**(367,074)**	**(191,462)**
Depreciation & Amortisation	(23,253)	(26,369)	(16,404)
EBIT	**(103,129)**	**(393,443)**	**(207,866)**
Net interest expense	–	–	–
Profit/(Loss) before tax	**(103,129)**	**(393,443)**	**(207,866)**
Non Recurring Items	–	–	–
Income tax (expense)/benefit	22,273	144,974	50,828
NPAT(Loss)	**(80,856)**	**(248,469)**	**(157,038)**

Pro Forma Historical Balance Sheet

The table below sets out the adjustments that have been made to the Statutory Historical Balance Sheet as at 30 June 2016 to prepare the Pro Forma Balance Sheet for Lachesis. These adjustments reflect certain pro forma adjustments including the impact of the operating and capital structure that will be in place following completion of the Offer as if it had occurred or were in place as at 30 June 2016.

		Minimum subscription		Maximum subscription	
Balance Sheet	Statutory Historical Balance Sheet [1]	Pro Forma Impact of the Offer [2]	Proforma Balance Sheet	Pro Forma Impact of the Offer [3]	Proforma Balance Sheet
Current Assets					
Cash and cash equivalents	44,312	4,483,000	4,527,312	5,417,000	5,461,312
Receivables	5,117	26,000	31,117	30,000	35,117
Current Tax Assets	50,828	–	50,828	–	50,828
Other assets	46,469	–	46,469	–	46,469
Total Current Assets	**146,726**	**4,509,000**	**4,655,726**	**5,447,000**	**5,593,726**
Non Current Assets					
Property, plant and equipment	30,323	–	30,323	–	30,323
Total Non Current Assets	**30,323**	**–**	**30,323**	**–**	**30,323**
Total Assets	**177,049**	**4,509,000**	**4,686,049**	**5,447,000**	**5,624,049**
Current Liabilities					
Payables	65,845	–	65,845	–	65,845
Borrowings	–	–	–	–	–
Current tax liabilities	–	–	–	–	–
Other liabilities	–	–	–	–	–
Total Liabilities	**65,845**	**–**	**65,845**	**–**	**65,845**
Net Assets	**111,204**	**4,509,000**	**4,620,204**	**5,447,000**	**5,558,204**
Equity					
Share capital	1,887,900	4,509,000	6,396,900	5,447,000	7,334,900
Accumulated Losses	(1,776,696)	–	(1,776,696)	–	(1,776,696)
Total Equity	**111,204**	**4,509,000**	**4,620,204**	**5,447,000**	**5,558,204**

1) Reflects the reported balance sheet of Lachesis as at 30 June 2016 per audited financial statements.

2) Contributed equity increases by $4.509 million as a result of that portion of the proceeds of the Minimum Subscription under the Offer which is received by Lachesis through the issue of New Shares offset by the Offer transaction costs ($0.491 million) applied against equity.

3) Contributed equity increases by $5.447 million as a result of that portion of the proceeds of the Maximum Subscription under the Offer which is raised by Lachesis through the issue of New Shares offset by the Offer transaction costs ($0.553 million) applied against equity.

Historical Cash Flow Statements

The table below set out the Historical Cash Flow Statements.

	Historical Cash Flow Statements		
Year Ending 30 June	FY2014	FY2015	FY2016
Operating cash flows			
Receipts from customers	127	751	–
Payments to creditors and employees	(73,562)	(376,979)	(182,506)
Net interest received	2,860	2,128	1,122
Income tax Received	–	22,273	144,974
Operating Cash Outflows	**(70,575)**	**(351,827)**	**(36,410)**
Capital receipts/(expenditure)	(80,531)	(1,173)	(3,472)
Investing Cash Outflows	**(80,531)**	**(1,173)**	**(3,472)**
Net Proceeds from Share Issue	50,100	411,600	–
Financing Cash Inflows	**50,100**	**411,600**	**–**
Reconciliation of cash			
Cash at beginning of the financial year	126,600	25,594	84,194
Net increase / (decrease) in cash held	(101,006)	58,600	(39,882)
Cash at end of financial year	**25,594**	**84,194**	**44,312**

7.5 Management discussion and analysis

General factors affecting the operating results of historical financial information

Below is a discussion of the main factors which affected Lachesis operations and relative financial performance in FY2014, FY2015 and FY2016 and which Lachesis expects may continue to affect it in the future. The discussion of these general factors is intended to provide a brief summary only and does not detail all factors that affected Lachesis historical operating and financial performance, nor everything that may affect Lachesis operations and financial performance in the future.

Historical Results and key performance indicators: FY2016 compared to FY2015, and FY2015 compared to FY2014

The table below sets out the summary of Historical Results and selected key performance indicators for FY2014, FY 2015 and FY2016.

	Historical Results				
Year Ending 30 June	FY2014	FY2015	Change	FY2016	Chang
Operating Revenue	**3,002**	**2,278**	(724)	**1,122**	(1,156)
Employee Costs	(27,398)	(80,972)	(53,574)	(81,011)	(39)
Other Costs	(55,480)	(288,380)	(232,900)	(111,573)	176,807
Total Costs	(82,878)	(369,352)	(286,474)	(192,584)	176,768
EBITDA	**(79,876)**	**(367,074)**	(287,198)	**(191,462)**	175,612
Depreciation & Amortisation	(23,253)	(26,369)	(3,116)	(16,404)	9,965
EBIT	**(103,129)**	**(393,443)**	(290,314)	**(207,866)**	185,577

The company has not previously generated any revenue, with income being interest on cash holdings and research and development tax concession rebates. All costs incurred relate to the undertaking of its research and development activities, as follows:

FY2014

Operating Revenue – Represented mainly by interest income.

Operating Costs – Mainly represented by total cost incurred which are predominately employee costs (from March 2014) and external research and development costs.

FY2015

Operating Revenue – Represented mainly by interest income.

Operating Costs – Mainly represented by total cost incurred which are predominately employee costs and external research and development costs.

FY2016

Operating Revenue – Represented mainly by interest income.

Operating Costs – Mainly represented by total cost incurred which are predominately employee costs and external research and development costs.

Historical Cash Flow Statements: FY2016 compared to FY2015, and FY2015 compared to FY2014

The table below sets out the summary Historical Cash Flow Statements.

	Historical Results				
Year Ending 30 June	**FY2014**	**FY2015**	Change	**FY2016**	Change
Operating cash flows					
Receipts	127	751	624	–	(751)
Payments to creditors and employees	(73,562)	(376,979)	(303,417)	(182,506)	194,473
Net interest received	2,860	2,128	(732)	1,122	(1,006)
Income tax received	–	22,273	22,273	144,974	122,701
Other operating cash flows	–	–	–	–	–
Net operating cash flows	**(70,575)**	**(351,827)**	**(281,252)**	**(36,410)**	**315,417**

FY2015

– Income tax received is research and development tax concession claims.

– Payments to creditors and employees is mainly wages and external research and development costs.

FY2016

– Income tax received is research and development tax concessional claims.

– Payments to creditors and employees is mainly wages and external research and development costs.

7.6 Dividend policy and forecast distribution

No dividend will be paid following the offer. Investors should refer to the statement on dividend policy set out in Section 10 of this Prospectus.

8 Investigating Accountant's Report

PITCHER PARTNERS
CORPORATE PTY LTD

Level 19
15 William Street
Melbourne
Victoria 3000

Postal Address:
GPO Box 5193
Melbourne Vic 3001
Australia

ACN 082 323 868
AFS LICENCE NO. 229841

Tel: +61 3 8610 5000
Fax: +61 3 8610 5999

www.pitcher.com.au
partners@pitcher.com.au

Ref: MWP

21 July 2016

The Board of Directors
Lachesis Biosciences Limited
C/– Pitcher Partners
Level 19, 15 William Street
MELBOURNE VIC 3000

Dear Directors

INDEPENDENT LIMITED ASSURANCE REPORT ON LACHESIS BIOSCIENCES LIMITED HISTORICAL AND PRO FORMA HISTORICAL FINANCIAL INFORMATION

We have been engaged to report on the Historical Financial Information and Pro Forma Historical Financial Information of Lachesis Biosciences Limited (the Company, or Lachesis) as at 30 June 2016. The Historical Financial Information has been prepared for inclusion in the Prospectus dated on or about 21 July 2016 in connection with the proposed offer to the public of up to 6,000,000 New Shares in the Company at an issue price of $1.00 per New Share, to raise up to approximately $6,000,000 before costs of the issue. The issue of New Shares is subject to the Company being able to raise the Minimum Subscription of $5,000,000 under the Offer.

(the Prospectus).

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

Background

Lachesis Biosciences operates in the field of research, development and commercialisation of prescription pharmaceutical products for human use in neurodegenerative disease conditions. It is a development company focused on nasal spray and nasal absorption technology. It's Rivastigmine Nasal Spray product is at clinical-stage and is a candidate for the treatment of dementia symptoms associated with Alzheimer's and Parkinson's disease. The company is seeking to raise capital to further the development of its product pipeline, in particular the Rivastigmine Nasal Spray.

PITCHER PARTNERS

Scope

Historical Financial Information

You have requested Pitcher Partners Corporate Pty Ltd (Pitcher Partners Corporate) to review the following Historical Financial Information of Lachesis included in the Prospectus:

- the Statement of Financial Performance for the 3 years ended 30 June 2014,2015 and 2016;
- the Statement of Financial Position as at 30 June 2016; and
- the Statement of Cash Flows for the 3 years ended 30 June 2014, 2015 and 2016.

(collectively, the "Historical Financial Information").

The Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the company's adopted accounting policies. The Historical Financial Information has been extracted from the financial reports of Lachesis for the 3 years ended 30 June 2014, 2015 and 2016, which were audited by Pitcher Partners in accordance with the Australian Auditing Standards. Pitcher Partners issued unmodified audit opinions on the financial reports. 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 Pitcher Partners Corporate to review the pro forma historical Statement of Financial Position as at 30 June 2016 (Pro Forma Historical Financial Information).

The Pro Forma Historical Financial Information has been derived from the Historical Financial Information of Lachesis, after adjusting for the effects of pro forma adjustments described in section 7 of the Prospectus. The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the Historical Financial Information and the event(s) or transaction(s) to which the pro forma adjustments relate, as described in section 7 of the Prospectus, as if those event(s) or transaction(s) had occurred as at the date of the Historical Financial Information. Due to its nature, the pro forma Historical Financial Information does not represent the company's actual or prospective financial position.

Directors' responsibility

The directors of Lachesis are responsible for the preparation 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 control as the directors determine are necessary to enable the preparation of the Historical Financial Information and pro forma Historical Financial Information that are free from material misstatement, whether due to fraud or error.

PITCHER PARTNERS

Our responsibility

Our responsibility is to express a limited assurance conclusion 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 Australian Auditing Standards.

Our review consisted of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review 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 review report on any financial information used as a source of the financial information.

Conclusions

Historical Financial Information

Based on our review, 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 7 of the Prospectus, and comprising:

- the Statement of Financial Performance of Lachesis for the 3 years ended 30 June 2014, 2015 and 2016;
- the Statement of Financial Position as at 30 June 2016; and
- the Statement of Cash Flows for the 3 years ended 30 June 2014, 2015 and 2016

are not presented fairly, in all material respects, in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the company's adopted accounting policies.

Pro Forma Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information being the Statement of Financial Positions as at 30 June 2016 is not presented fairly in all material respects, in accordance with the stated basis of preparation being the recognition and measurement principles contained in Australian Accounting Standards and the company's adopted accounting policies.

Restriction on Use

Without modifying our conclusions, we draw attention to section 7 of the Prospectus, which describes the purpose of the financial information prepared, being for inclusion in the Prospectus. As a result, the financial information may not be suitable for another purpose.

Liability

Pitcher Partners Corporate has consented to the inclusion of this report in the Prospectus in the form and context in which it is included. The liability of Pitcher Partners Corporate is limited to the inclusion of this report in the Prospectus. Pitcher Partners Corporate makes no representation regarding, and has no liability for, any other statement or other material in, or any omissions from, the Prospectus.

PITCHER PARTNERS

Declaration of Interest

Pitcher Partners Corporate does not have any interest in the outcome of the Offer other than in the preparation of this report for which normal professional fees will be received.

Yours faithfully
PITCHER PARTNERS CORPORATE PTY LTD

M W PRINGLE
Executive Director and Representative

9 Intellectual Property Report

DAVIES COLLISON CAVE
INTELLECTUAL PROPERTY

Patent and Trade Mark Attorneys Australia and New Zealand

1 Nicholson Street
Melbourne Victoria 3000
Australia

GPO Box 4387
Melbourne Victoria 3001
Australia

T +61 3 9254 2777
F +61 3 9254 2770
E mail@davies.com.au
W www.davies.com.au
ABN 22 077 969 519

In association with
Davies Collison Cave Law

19 July 2016

The Directors
Lachesis Biosciences Limited
c/- Pitcher Partners
Level 19, 15 William Street
Melbourne VIC 3000

DCC Ref: 35251617/MJC/AYL

Re: Lachesis Biosciences Limited

Dear Directors,

We provide a Patent Attorney Report for inclusion in a prospectus to be issued by Lachesis Biosciences Limited.

Yours sincerely
DAVIES COLLISON CAVE

Michael Caine
Partner
MCaine@davies.com.au

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AUSTRALIA
NEW ZEALAND
SINGAPORE
ASIA PACIFIC

Intellectual Property Report – Lachesis Biosciences Limited

Davies Collison Cave (the "Firm") has been retained by Lachesis Biosciences Limited of c/- Pitcher Partners, Level 15, Level 19, 15 William Street, Melbourne, Victoria, 3000 ("Lachesis Bio") to provide this report on granted patents, patent applications and registered trade marks by Lachesis Biosciences Limited. The report includes:

- Schedules I and II, which list granted patents and patent applications in relation to a home diagnostic system and an intranasal spray, respectively.
- Schedules III, IV and V, which list registered trade marks.

About Davies Collison Cave
Davies Collison Cave is one of Australia's leading intellectual property firms. It specialises in providing advice relating to protecting and enforcing intellectual property rights. Davies Collison Cave has over 250 employees and can trace its history back more than 130 years, making it one of Australia's longest established IP firms.

The services provided by Davies Collison Cave cover aspects of IP including patents, registered designs, trade marks, copyright and plant breeders' rights, and are provided by attorneys possessing a diverse range of technical skills in areas including chemistry and materials, clean energy, engineering, physics and electronics, information technology, life sciences, pharmaceuticals, medical devices, nanotechnology and plant innovation.

Intellectual Property Overview
Intellectual property is a collective term used to refer to a number of different rights including patents, registered designs, trade marks, copyright and trade secrets.

Patents
A patent is a legally enforceable and exclusive right to commercially exploit an invention for a defined period of time in a particular territory.

In Australia, where the invention is a product, exploitation includes making, hiring, selling or otherwise disposing of the product, or offering to make, sell, hire or otherwise dispose of the product, using or importing the product, or keeping the product for the purpose of doing any of those things. For a method or process, exploitation includes using the method or process or exploiting a product resulting from performing the method or process. Other territories have their own laws regarding the rights afforded by a granted patent, and advice should be sought on a country by country basis if further information is required.

Patents are granted for inventions that meet defined criteria. Each territory in the world has its own patent laws and different countries therefore generally have different criteria, and hence make their own assessment as to the patentability of an invention. In general, the requirements include that the claimed invention is novel, involves an inventive step and meets subject matter eligibility requirements.

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Patent Application Process

In order to obtain patent protection, it is ultimately necessary for an application to be filed with a Patent Office in each country where protection is sought. However, International conventions exist that enable applications to be initially filed in a single country, with subsequent applications being filed individually in each country within a defined time limit.

For example, the Paris Convention provides a mechanism that allows patent applications to be filed to cover additional countries within 12 months of the date of lodging a first patent application in Australia. Thus, one or more provisional patent applications can be filed in Australia, and then subsequent applications can be filed covering other countries within 12 months of the earliest provisional application, in a process known as claiming priority.

The subsequent applications can be separate applications in each country of interest. Alternatively, a single International Patent Cooperation Treaty (PCT) application can be filed covering a number of contracting states. The PCT application cannot ultimately be granted as a patent, but rather allows the filing of national patent applications in individual countries to be deferred up to a set date, typically 30 months from the filing date of the first patent application, such as the first provisional patent application.

Once filed, the International (PCT) application undergoes an assessment process, in which a designated patent office performs a search and issues an International Search Report and associated International Search Opinion, providing a preliminary view on whether the patent application meets novelty, inventive step and industrial applicability requirements. Responses to the International Search Opinion can be optionally filed during a subsequent examination process, before an International Preliminary Report on Patentability issues, providing an opinion of patentability.

It should be noted however that the outcome of this process is not binding and subsequent assessment is typically performed by patent offices in each country, after individual national patent applications have been filed. In this regard, each country will typically perform an independent search, and then assess whether the patent application meets the patentability requirements, additionally taking into account their own local law.

Whilst most countries require a local patent application to be filed, in some cases regional patent applications can be filed covering a group of individual countries. For example, a European patent application can be filed, which can allow subsequent patents to be granted in up to 38 countries.

Assuming any objections are overcome, the patent application can then be granted allowing this to be subsequently enforced to prevent third parties exploiting the invention.

Trade marks

A trade mark provides legally enforceable exclusive rights to prevent others from using a substantially identical or deceptively similar mark in relation to the goods and/or services for which the trade mark is registered in a given jurisdiction, e.g. a single country.

Different jurisdictions have respective criteria for trade marks and their own laws as to the rights afforded by a trade mark, and advice should be sought for each jurisdiction.

Schedules

SCHEDULE I

Title: **HOME DIAGNOSTIC SYSTEM**
Applicant: **Lachesis Biosciences Limited**

JURISDICTION	APPLICATION NUMBER	PATENT NUMBER	FILING DATE[1]	STATUS
Australia	2006252260	2006252260	22 December 2006	Granted
United States of America	60/752357	8388532	22 December 2006	Granted

[1] **Priority date claimed:** **22 December 2005**

SCHEDULE II

Title: **INTRANASAL COMPOSITIONS FOR TREATMENT NEUROLOGICAL AND NEURODEGENERATIVE DISEASES AND DISORDERS**
Applicant: **Lachesis Biosciences Limited**

JURISDICTION	APPLICATION NUMBER	FILING DATE[1]	STATUS
International Application	PCT/AU2015/050591	30 September 2015	Pending

[1] **Priority date claimed:** **3 October 2014**

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SCHEDULE III

Mark: **LACHESIS**
Applicant: **Lachesis Biosciences Limited**

JURISDICTION	APPLICATION NUMBER	REGISTERED NUMBER	FILING DATE[1]	STATUS
Australia	1074908	1074908	12 September 2005	Registered

[1] **Priority date claimed:** **12 September 2005**

SCHEDULE IV

Mark: **PERSONAL HEALTH OPTIMISER**
Applicant: **Lachesis Biosciences Limited**

JURISDICTION	APPLICATION NUMBER	REGISTERED NUMBER	FILING DATE[1]	STATUS
Australia	1122460	1122460	6 July 2006	Registered

[1] **Priority date claimed:** **6 July 2006**

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SCHEDULE V

Mark: **MYPREVENTA**
Applicant: **Lachesis Biosciences Limited**

JURISDICTION	APPLICATION NUMBER	REGISTERED NUMBER	FILING DATE[1]	STATUS
Australia	1351901	1351901	22 March 2010	Registered
Madrid Protocol (TM)	1046425	1046425	28 June 2010	Registered
United States of America	79/085593	3919123	28 June 2010	Registered

[1] **Priority date claimed:** **22 March 2010**

Limitations

The Schedules have been prepared based on the records of the Firm and information supplied by Patent and Trade Mark Offices in relevant jurisdictions through official communications or through publication on official databases. The Firm cannot take responsibility for missing or erroneous data that is provided by Patent and Trade Mark Office databases and as such the Firm is not responsible for the accuracy of the information provided.

The Firm can provide no assurance that any of the patent applications listed in the Schedules will result in the issuance of an enforceable patent or as to the scope of any such patent.

It is important to understand that issuance of a patent or registration of a trade mark is not a guarantee of validity, and that granted patents and registered trade marks can be held subsequently unenforceable, for example in Court proceedings. The Firm can provide no assurance as to the validity of any granted patents or registered trade marks listed in the Schedules, or any patents derived from the applications listed in the Schedules.

Also we can provide no assurance that any granted patents or registered trade marks listed in the Schedules, or any patents derived from the applications listed in the Schedules, even if valid, will cover the commercial activities of Lachesis Bio, or that the exploitation of any of the inventions and trade marks the subject of those patents, trade marks or patent applications will not infringe any rights held by third parties.

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Additional Information

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Registration

Lachesis Biosciences was registered in Victoria, Australia on 5 August 2005 under the Corporations Act as a proprietary company limited by shares. Lachesis Biosciences was converted to a public unlisted company on 8 July 2016.

Company Tax Status and Financial Year

The Company is taxed in Australia as a public unlisted company. The financial year of the Company ends on 30 June annually.

Dividend Policy

Lachesis Biosciences does not currently generate a profit and, as it continues to expand its business operations, the Company does not anticipate paying dividends in the foreseeable future and as such expects that future profits should remain in the Company to fund additional growth opportunities rather than be distributed in the form of dividends.

No assurances are given by any person, including the Directors, about the payment of any dividend and the level of franking on any such dividend in future. The payment of a dividend by the Company is at the discretion of the Directors and will be a function of a number of factors, including specific and general business conditions, the operating results and financial performance and position of the Company, future funding requirements, capital management initiatives, taxation considerations (including level of franking credits available), any contractual, legal or regulatory restrictions on the payment of dividends and any other factors the Directors may consider relevant.

Constitution and rights attaching to Shares

The rights and liabilities attaching to the ownership of the Shares arise from a combination of the Constitution, the Shareholders Agreement, statute and general law. A summary of the significant rights, liabilities and obligations attaching to the Shares under the Constitution and a description of other material provisions of the Constitution are set out below. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of Shareholders.

Issue of Shares

Subject to the Corporations Act, the Constitution and the Shareholders Agreement, the Directors may issue and allot, or dispose of, Shares on terms determined from time to time by the Directors at an issue price that the Directors determine from time to time and to Investors whether in proportion to their existing shareholdings or otherwise, or to such other persons as the Directors may determine from time to time. The Directors' power under the Constitution includes the power to grant options over unissued shares and issue and allot shares; with any preferential, deferred or special rights, privileges or conditions; with any restrictions in regard to dividend, voting, return of capital or otherwise; which are liable to be redeemed or converted; or which are bonus shares for whose issue no consideration is payable to the Company.

Transfer of Shares

Shares may be transferred by a proper transfer effected in accordance with the Constitution. Subject to compliance with the Constitution, Shares may be transferred by a written instrument of transfer in any usual or common form or by any other form approved by the Directors.

The Board may, in its absolute discretion, refuse to register a transfer of Shares.

Meetings of members

Each Investor is entitled to receive notice of, attend, and vote at, general meetings of the Company and to receive all notices, accounts and other documents required to be sent to investors under the Constitution and the Corporations Act.

Except as permitted by the Corporations Act, general meetings must be called on at least the minimum number of days' notice required by the Corporations Act (which at the date of this Prospectus is 21 days) and otherwise in accordance with the procedures set out in the Corporations Act.

Voting at a general meeting

At a general meeting of the Company, every Investor present in person or by proxy, representative or attorney has one vote on a show of hands and, on a poll, one vote for each fully paid share held by the Investor.

Share buy-backs

Subject to the Corporations Act, the Company may buy shares in the Company on terms and at times determined by the Board.

Variation of class rights

At present, the Company's only class of shares on issue will be Shares. The rights attached to any class of shares may be varied in accordance with the Corporations Act.

Directors — appointment

Under the Constitution, the minimum number of Directors that may comprise the Board is 3 and the maximum number of Directors is 7 unless the Investors pass a resolution varying that number. 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. Refer to the summary of the Shareholders Agreement for more information regarding Board composition.

Directors — remuneration

The Directors, other than an executive Director, will be paid by way of fees for services up to the maximum aggregate sum per annum as may be approved from time to time by the Company in general meeting. The current maximum aggregate sum per annum is $250,000, with the initial remuneration of the Directors set out in Section 6. Any change to that maximum aggregate sum needs to be approved by investors.

Pursuant to the Constitution, Non-Executive Directors may also be paid all travelling, hotel and other expenses properly incurred by them in attending 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.

Directors – voting

Questions arising at a meeting of the Board 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 an equality of votes on a resolution, the chairperson of the meeting does not have a casting vote in addition to a deliberative vote.

Dividends

The Board may by resolution either:

- declare a dividend and fix the amount, the time for and method of payment; or
- determine a dividend or interim dividend is payable and fix the amount, the time for and method of payment.

For further information in respect of the Company's proposed dividend policy, refer to the information above under the heading 'Dividend Policy' in this Section.

Indemnities

The Company, to the extent permitted by law, indemnifies every person who is or has been a Director or company secretary of the Company against any liability incurred by that person as an officer of the Company (including liabilities incurred by the officer as a Director or secretary of a subsidiary of the Company where the Company requested the officer to accept that appointment), and reasonable legal costs incurred or allegedly incurred by that person as an officer of the Company (including such legal costs incurred by the officer as an officer of a subsidiary of the Company where the Company requested the officer to accept that appointment). The Company, to the extent permitted by law, may advance to an officer an amount which it might otherwise be liable to pay to the officer under the terms of the indemnity outlined above. The Company may enter into a deed with any officer of the Company to give effect to those matters outline in this paragraph.

The Company, to the extent permitted by law, may pay a premium for a contract insuring a person who is or has been a Director against liability incurred by that person as a Director.

Winding up

Without prejudice to the rights of the holders of shares issued on special terms and conditions, if the Company is wound up, the liquidator may, with the sanction of a special resolution of the Company, divide among the investors of the Company in kind all or any of the Company's assets; and for that purpose, determine how it will carry out the division between the different classes of investors, but the liquidator may not require an investor to accept any shares or other Securities in respect of which there is any liability.

The Directors consider that the following contracts are a significant and material contract to the Company and of such a nature that an investor may wish to have details of it when making an assessment of whether to apply for New Shares. Summaries for material contracts set out in this Prospectus do not purport to be complete and are qualified by the text of the contracts themselves.

Amendment

The Constitution may be amended only by special resolution passed by at least three-quarters of the votes cast by investors of the Company present (in person or by proxy) and entitled to vote on the resolution at a general meeting of the Company.

Material Contracts

The Directors consider that the following contracts are a significant and material contract to the Company and of such a nature that an investor may wish to have details of it when making an assessment of whether to apply for New Shares. Summaries for material contracts set out in this Prospectus do not purport to be complete and are qualified by the text of the contracts themselves.

Shareholders Agreement

The Existing Shareholders are parties to the Shareholders Agreement. Each Applicant is required to accede to the Shareholders Agreement, a copy of which contained in Appendix C to this Prospectus. A summary of the significant rights, liabilities and obligations attaching to the Shares under the Shareholders Agreement and a description of other material provisions of the Shareholders Agreement is set out below. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of Shareholders.

Board of Directors

Shareholders must procure that the Board consists the Directors comprising the Board as at the date of this Prospectus up to a maximum of four directors. Shareholders may appoint one director to the board by special majority approval, being consent of Shareholders who together hold more than 70% of the Shares and including the founder shareholder Learmonth Pty Ltd (controlled by Tim Morgan, the Managing Director and CEO) (**Special Majority Approval**). A quorum for a Board meeting is two Directors including Tim Morgan and decisions must be decided by simple majority vote.

Special Majority Approval

The Company cannot do any of the following without Special Majority Approval of Shareholders: amend the Constitution (in addition to the special resolution requirement under the Constitution); carry on any business other than the business of research, development and commercialisation of healthcare related technology; sell or wind up the Company; change the accounting period or appoint or remove the Auditor; or provide financial assistance to a Director.

Issue of Shares

Any offer of Shares must be offered to all Shareholders pro rata unless it is an "Excluded Issue" (as that term is defined in the Shareholder Agreement – refer to Appendix C).

Pre-emptive rights

A Shareholder wanting to transfer any of its Shares (other than in conjunction with an IPO or a transfer to an 'Affiliate' (as that term is defined in the Shareholders Agreement – refer to Appendix C) must first offer those Shares in writing to each other Shareholder.

Third party offers (drag and tag along rights)

If an arm's length offer to acquire Shares is made, extended to all other Shareholders and approved by Special Majority Approval of Shareholders, all remaining Shareholders must accept the offer on those terms. Similarly, if Shareholders representing 70% or more of all issued Shares accept an offer to sell, the remaining minority Shareholders may require their Shares to be purchased on the same terms.

IPO

In the event of an IPO approved by the Board, the Company must act in accordance with the direction of the Board to appoint a financial adviser to manage the IPO. Parties must take all action to facilitate the IPO and not take any action to hinder the IPO. Transfer rights are suspended while the Company is considering an IPO.

Offer Management Agreement

The Company has entered into the Offer Management Agreement with the Lead Manager. Pursuant to the Offer Management Agreement, the Lead Manager has agreed to exclusively undertake, arrange and manage the Offer that to work with the Company on examining a potential initial public offering of the Company on the ASX (**IPO**). A summary of the more significant provisions under the agreement is set out below.

Fees and expenses

The Company has agreed to pay the following fees and expenses to the Lead Manager:

- offer monthly retainer fee – following completion of the Offer a monthly retainer of $10,000 (plus GST, where applicable) over a minimum 3 month period for advisory services in connection with the Offer;
- IPO monthly retainer fee – following completion of the Offer a monthly retainer of $15,000 (plus GST, where applicable) over a minimum 6 month period for advisory services in connection with a potential IPO (with the first instalment payable on formation of the IPO steering committee and/or IPO due diligence committee);
- base management fee –a base management fee of 2.00% (plus GST, where applicable) on the gross proceeds of the Offer and any potential IPO;
- IPO success fee – a success fees of $100,000 (plus GST, where applicable) on achieving the maximum subscription amount under a potential IPO for managing the proposed IPO;
- selling fee – a selling fee of 4% (plus GST, where applicable) on the gross proceeds of the Offer or the IPO for the raising of capital under the Offer or any potential IPO;
- post-IPO transaction services – following completion of an IPO, the Company will appoint the Lead Manager to provide general advisory and transaction services for a minimum period of 12 months; and
- certain out of pocket expenses of the Lead Manager, including travel and investor presentation expenses, as well as legal fees agreed by the Company.

Acquistion of Shares

Tim Morgan (through Learmonth Pty Ltd, an entity he controls) agrees to transfer, and has transferred to the Lead Manager a total of 6.5% of Shares in the Company as at the date of the Offer Management Agreement.

Termination

Either party may terminate the Offer Management Agreement with or without cause on seven days' written notice.

If the Offer Management Agreement is expires or is terminated, the applicable fees and expenses set out above must be paid on any capital raised from a party introduced to the Company by the Lead Manager at any time during the preceding 12 months.

If the Offer Management Agreement expires or is terminated by the Company without cause and the Company resolves to raise equity capital within 12 months of the termination or expiry, the Company must in good faith offer the Lead Manager a role in managing the capital raising (subject to competitive terms). If the Company fails to offer the Lead Manager a role in the capital raising, the Company must pay the Lead Manager, as liquidated damages, the fees set out above that would have been payable had the Lead Manager been engaged on equivalent terms.

If the Company considers terminating the Offer Management Agreement as a result of dissatisfaction with the performance of the Lead Manager, the Company must first provide the Lead Manager with reasonable notice and an opportunity to rectify the quality of service provided.

Limitation of liability

The Lead Manager disclaims liability for any loss suffered by the Company in connection with the Lead Manager's services (except to the extent such loss was directly caused by the gross negligence, fraud or wilful misconduct of the Lead Manager or intentional breach of the Offer Management Agreement by the Lead Manager), for any claims arising out of advice or information given by the Lead Manager or if the Offer does not proceed.

Indemnity

The Company indemnifies the Lead Manager against any and all claims brought against the Lead Manager or any losses incurred by the Lead Manager in connection with the Offer or the Lead Manager's services (except to the extent such claims or losses have arisen from the negligence, fraud or wilful misconduct of the Lead Manager or the intentional breach of the Offer Management Agreement by the Lead Manager).

Legal Proceedings

To the knowledge of the Directors, there is no material current, pending or threatened litigation with which the Company is directly or indirectly involved.

Regulatory Matters

Lachesis Biosciences believes it holds and is in compliance with all material licences, regulatory authorisations, registrations and approvals that are necessary for its business and operations.

Summary of Australian Tax Issues in Respect of the Shares for Australian Tax Resident Investors

Australian taxation considerations

This summary is general in nature and is not intended to be an authoritative or complete statement of all potential tax implications for each investor. The precise implications of ownership or disposal of the Shares will depend upon each investor's specific circumstances. Investors should seek their own professional advice on the taxation implications of holding or disposing of the Shares, taking into account their specific circumstances.

Australian tax laws are complex and subject to ongoing change. The tax consequences discussed in this summary do not take into account or anticipate any changes in law (by legislation or judicial decision) or any changes in administrative practice or interpretation by the relevant authorities. The following tax comments are based on the tax law in Australia in force as at the Prospectus Date.

The following information is a general summary of the Australian income tax implications for Australian tax resident individuals, complying superannuation entities, trusts, partnerships and corporate investors (other than life insurance companies) that hold Shares in the Company on capital account. These comments do not apply to non-Australian tax resident investors, banks, insurance companies, investors that hold Shares on revenue account or carry on a business of trading in shares, investors who are exempt from Australian income tax or investors subject to the Taxation of Financial Arrangements regime in Division 230 of the Income Tax Assessment Act 1997 (Cth) which have made elections for the fair value or reliance on financial reports methodologies.

Dividends paid on Shares

Australian tax resident individuals and complying superannuation entities

Dividends paid by the Company on a Share will constitute assessable income of an Australian tax resident investor. Australian tax resident investors who are individuals or complying superannuation entities should include the dividend in their assessable income in the year the dividend is paid, together with any franking credit attached to that dividend (some superannuation funds may be exempt in relation to Shares held to support current pension liabilities). Such investors should be entitled to a tax offset equal to the franking credit attached to the dividend, subject to being a 'qualified person' (as discussed below). The tax offset can be applied to reduce the tax payable on the investor's taxable income. Where the tax offset exceeds the tax payable on the investor's taxable income, such investors should be entitled to a tax refund.

To the extent that the dividend is unfranked, the investor will generally be taxed at his or her prevailing marginal rate on the dividend received with no tax offset.

Australian tax resident corporate investors

Australian tax resident corporate investors are also required to include both the dividend and associated franking credit in their assessable income.

They are then allowed a tax offset up to the amount of the franking credit on the dividend. An Australian tax resident corporate investor should be entitled to a credit in its own franking account to the extent of the franking credit on the distribution received. This will allow the corporate investor to pass on the benefit of the franking credits to its own investor(s) on the payment of dividends.

Excess franking credits received cannot give rise to a refund for a company but may in certain circumstances be converted into carry forward tax losses.

Australian tax resident trusts and partnerships

Investors who are Australian tax resident trusts and trustees (other than trustees of complying superannuation entities) or partnerships should include the franking credit in determining the net income of the trust or partnership. The relevant beneficiary or partner may be entitled to a tax offset equal to the beneficiary's or partner's share of the net income of the trust or partnership.

Shares held 'at risk'

The benefit of franking credits can be denied where an investor is not a 'qualified person' in which case the investor will not need to include an amount for the franking credits in their assessable income and will not be entitled to a tax offset.

Broadly, to be a 'qualified person', an investor must satisfy the holding period rule and, to the extent necessary, the related payment rule.

Under the holding period rule, an investor is required to hold Shares 'at risk' for more than 45 days continuously (which is measured as a period of at least 45 days commencing the day after the Shares were acquired and at the latest ending on the 45th day after the day on which the Shares become ex-dividend) in order to qualify for franking benefits, including franking credits. Any day on which an investor has a materially diminished risk or loss of opportunity for gain (through transactions such as granting options or warrants over Shares or entering into a contract to sell the Shares) may not be counted as a day on which the investor held the Shares 'at risk'. This holding period rule is subject to certain exceptions, including where the total franking offsets of an individual in a year of income do not exceed $5,000.

Special rules apply to trusts and beneficiaries. Specifically, there are particular difficulties in satisfying the holding period rule where an investor holds Shares through a discretionary trust where no family trust election has been made. It may be the case that the holding period rule cannot be satisfied (except in the case of individual beneficiaries who have franking credit entitlements of less than $5,000 in a year). If you are the trustee of a discretionary trust, it is strongly recommended that you seek professional advice.

Under the related payment rule, a different testing period applies where the investor has made, or is under an obligation to make, a related payment in relation to the dividend. The related payment rule requires the investor to have held the Shares at risk for the continuous 45 day period as above and, more specifically, within the limited period commencing on the 45th day before, and ending on the 45th day after, the day the Shares become ex-dividend.

Investors should seek professional advice to determine if these requirements, as they apply to them, have been satisfied.

The Australian Government has recently introduced specific integrity rules that may apply to deny franking tax offsets to certain "dividend washing" arrangements. Broadly, dividend washing (or 'distribution washing') is a type of scheme by which a taxpayer can obtain multiple franking credits in respect of a single economic interest by selling an interest after an entitlement to a franked distribution has accrued and then immediately purchasing an equivalent interest with a further entitlement to a corresponding franked distribution. Investors should have regard to these proposed changes in considering the tax implications of their personal circumstances.

Australian capital gains tax

Most Australian tax resident investors will be subject to Australian CGT on the disposal of the Shares. Some investors will hold Shares on revenue account, as trading stock or under the Taxation of Financial Arrangements regime. These investors should seek their own advice.

An investor will derive a capital gain on the disposal of a particular Share where the capital proceeds received on disposal exceeds the CGT cost base of the Share. The CGT cost base of the Share is broadly the amount paid to acquire the Share plus any transaction/incidental costs. In an arm's length transaction, the capital proceeds should generally be the cash proceeds received from the sale of Shares.

A CGT discount may be available on the capital gain for individual investors, trustee investors and investors that are complying superannuation entities, broadly where the particular Shares are held for at least 12 months prior to sale. Any current year or carry forward capital losses should offset the capital gain first before the CGT discount can be applied.

The CGT discount for individuals and entities acting as trustees (other than a trust that is a complying superannuation entity) is 50%, and for complying superannuation entities is 33 1/3 %.

In relation to trusts, the rules are complex, but this discount may be able to be flowed up to beneficiaries of the trust.

An investor will incur a capital loss on the disposal of the particular Shares to the extent that the capital proceeds on disposal are less than the CGT reduced cost base of the Shares.

If an investor derives a net capital gain in a year, this amount is included in the investor's assessable income. If an investor incurs a net capital loss in a year, this amount is carried forward and is available to offset against capital gains derived in subsequent years, subject in some cases to the investor satisfying certain rules relating to the recoupment of carried forward losses.

Tax file numbers

An investor is not required to quote their TFN to the Company. However, if TFN or exemption details are not provided, Australian tax may be required to be deducted by the Company from dividends at the maximum marginal tax rate plus the Medicare levy.

An investor that holds Shares as part of an enterprise may quote its Australian Business Number instead of its TFN.

Stamp duty

No Australian stamp duty should be payable by Investors in respect of the Offer or their acquisition or disposal of their Shares in the Company whilst it is a listed company. Individual Investor should obtain their own independent advice depending on their individual circumstances.

Australian goods and services tax

The acquisition of the Shares by an Australian resident (that is registered for GST) will be an input taxed financial supply, and therefore is not subject to GST.

No GST should be payable in respect of dividends paid to investors.

An Australian resident investor that is registered for GST may not be entitled to claim full input tax credits in respect of GST on expenses they incur that relate to the acquisition, redemption or disposal of the Shares (e.g. lawyers' and accountants' fees).

Investors should seek their own advice on the impact of GST in their own particular circumstances.

Restrictions on Distribution

No action has been taken to register or qualify this Prospectus, the Shares or the Offer in any jurisdiction outside Australia. In particular, the Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold, directly or indirectly, in the United States, except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and applicable US state securities laws.

This Prospectus does not constitute an offer or invitation to apply for New Shares in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation under this Prospectus.

This Prospectus may not be released or distributed in the United States.

Each Applicant will be taken to have represented, warranted and agreed as follows:

- it understands that the Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state of the United States and may not be offered, sold or resold in the United States except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and applicable US state securities laws;
- it is not in the United States;
- it has not and will not send the Prospectus or any other material relating to the Offer to any person in the United States; and
- it will not offer or sell the Shares in the United States or in any other jurisdiction outside Australia and New Zealand except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and in compliance with all applicable laws in the jurisdiction which Shares are offered and sold.

Refer otherwise to the foreign selling restrictions set out in Appendix D.

Consents

Each of the parties referred to below, to the maximum extent permitted by law, expressly disclaims all liabilities in respect of, makes no representations regarding and takes no responsibility for any statements in or omissions from this Prospectus, other than the reference to its name in the form and context in which it is named and a statement or report included in this Prospectus with its consent as specified below.

Written consents to the issue of this Prospectus have been given and, at the time of lodgement of this Prospectus with ASIC, had not been withdrawn by the following parties:

- **MinterEllison** has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Australian legal adviser (other than in relation to patent, trademark intellectual property and taxation matters) to the Company in relation to the Offer in the form and context in which it is named.
- **Pitcher Partners** has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as the Auditor and Investigating Accountant to the Company in relation to the Historical Financial Information in the form and context in which it is named and has given and not withdrawn its consent to the inclusion in this Prospectus of its Investigating Accountant's Report in Section 8 and the statements specifically attributed to it in the text of this Prospectus in the form and context in which they are respectively included (and all other references to that report and those statements in this Prospectus).
- **Lodge Corporate Pty Ltd** has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as the Lead Manager in the form and context in which it is named.
- **Link Market Services Pty Ltd** has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as the Share Registry in the form and context in which it is named. Link Market Services has had no involvement in the preparation of any part of this Prospectus other than being named as Share Registry to the Company.
- **Davies Collison Cave Patent and Trade Mark Attorneys** has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as trade mark attorneys for the Company in relation to the Intellectual Property Report in Section 9 in the form and context in which it is named and has given and not withdrawn its consent to the inclusion in this Prospectus of the Intellectual Property Report (and all references to the Intellectual Property Report in this Prospectus) in the form and context in which it appears.

Governing Law

This Prospectus and the contracts that arise from the application of the Applications and bids under this Prospectus are governed by the laws applicable in Victoria, Australia and each Applicant under this Prospectus submits to the exclusive jurisdiction of the courts of Victoria, Australia.

Statement of Directors

This Prospectus is authorised by the Director who consents to its lodgement with ASIC and its issue.

Costs of the Offer

If the Offer proceeds, the total estimated costs of the Offer, including legal fees incurred, registration fees, fees for other advisors, prospectus design, printing and advertising expenses and other miscellaneous expenses, will be approximately $450,000 if the minimum funds are raised under the Offer. The costs of the Offer will be approximately $510,000 if the maximum funds are raised under the offer. Refer to Sections 1 and 6 for further information.

Appendix A: Glossary

A

Term	Definition
AAS	Australian Accounting Standards.
AASB	Australian Accounting Standards Board. An Australian Government agency that develops and maintains accounting standards for entities in the private, public and not-for-profit sectors of the Australian economy.
ABN	Australian Business Number.
ACN	Australian Company Number.
AD	Alzheimer's disease
Applicant	A person who submits an Application.
Application	An application made to apply for New Shares offered under this Prospectus.
Application Form	An application form relating to the Offer included in or accompanying this Prospectus (including any personalised Application Forms).
Application Monies	The amount accompanying an Application Form submitted by a Applicant.
ASIC	Australian Securities and Investments Commission.
ASX	ASX Limited or its financial market, the Australian Securities Exchange, as the context requires.
AUD, A$, $ or cents	Australian currency.
Australian Accounting Standards	Australian Accounting Standards and other authoritative pronouncements issued by the AASB.
Board	The board of Directors of Lachesis Biosciences.
CEO	The chief executive officer of the Company, being, as at the Prospectus Date, Dr Timothy Morgan.
CGT	Capital gains tax.
Chairman	The chairman of the Company, being, as at the Prospectus Date, Mr Christian Nicks.
Closing Date	The date by which Applications must be lodged for the Offer, being 5:00pm (Melbourne time) on 7 September 2016 unless varied.
Completion of the Offer	Completion in respect of the issue of Shares pursuant to the Offer.
Constitution	The constitution of the Company.
Corporations Act	*Corporations Act 2001 (Cth).*
Directors	The Directors of the Company.
Existing Shares	Shares currently on issue prior to the Offer.
Existing Shareholder	A holders of Existing Shares.
Expiry Date	21 October 2016.
Exposure Period	The period specified in section 727(3) of the Corporations Act, being a minimum of seven days from the Prospectus Date, during which an Application must not be accepted. ASIC may extend this period by up to a further seven days after the end of this period.
FY	Financial Year.

Appendix A: Glossary

Term	Definition
FDA	Food and Drug Administration, United States.
GST	Goods and services tax as defined in *A New Tax System (Goods and Services Tax) Act 1999 (Cth).*
H1	First six months of a calendar year
H2	Second six months of a calendar year
Historical Financial Information	The Statutory Historical Financial Information and Pro forma Historical Financial Information.
ICH	The International Council for Harmonisation of Technical Requirements for Pharmaceuticals for Human Use.
IND	Investigational New Drug
IFRS	International Financial Reporting Standards.
Independent Limited Assurance Report	The Independent Limited Assurance Report produced by the Investigating Accountant and is contained in Section 8.
Intellectual Property Report	The report in relation to certain intellectual property of Lachesis Biosciences, prepared by Davies Collison Cave Patent and Trade Mark Attorneys and included in Section 9.
Investigating Accountant	Pitcher Partners Corporate Pty Ltd.
Investigating Accountant's Reports	The Investigating Accountant's Reports include the Investigating Account's Report on Historical Financial Information (see Section 8).
Investor	A holder of one or more Shares.
Lachesis Biosciences or Company	Lachesis Biosciences Limited ACN 115 641 855.
Lead Manager	Lodge Corporate Pty Ltd ACN 125 323 168.
Management	The executives of the Company identified in Section 4.
Maximum Subscription	The maximum amount to be raised pursuant to this Prospectus and the Offer, being $6,000,000.
Minimum Subscription	The minimum amount to be raised pursuant to this Prospectus and the Offer, being $5,000,000.
NDA	New Drug Application.
Neurodegenerative disease	Neurodegenerative diseases are characterised by progressive nervous system dysfunction. These disorders are often associated with atrophy (i.e. shrinkage or loss) of the affected central or peripheral (i.e. outer) structures of the nervous system. They include diseases such as Alzheimer's Disease and Parkinson's Disease.
New Shares	The new Shares (being a minimum of 5,000,000 Shares and a maximum number of 6,000,000 Shares) offered under the Offer.
Non-Executive Director	A member of the Board who does not form part of Company's Management.
Offer	The offer of New Shares under this Prospectus.

Appendix A: Glossary

Term	Definition
Offer Management Agreement	The offer management agreement between the Company and the Lead Manager in relation to the Offer dated 26 May 2016.
Offer Price	$1.00 per New Share, being the price payable, per each New Share.
Original Prospectus	The prospectus dated 22 July 2016 and lodged with ASIC on that date (which is replaced by this Prospectus).
PD	Parkinson's disease
Pharmacokinetic	What the body does to a drug, refering to the movement of the drug into, through, and out of the body.
PK	Pharmacokinetic.
Pre-IND	Pre-IND relates to formal advice sought prior to filing (Pre-) an Investigational New Drug (IND) application with the US Food and Drug Administration.
Prevalence	The percentage of a population that is affected with a particular disease at a given time.
Prospectus	This document dated the Prospectus Date (including the electronic form of this document) and any further Replacement Prospectus or Supplementary Prospectus in relation to this document.
Prospectus Date	The date of this Prospectus, being 1 August 2016.
PCT	International Patent Cooperation Treaty.
Regulatory Agency	A regulatory agency in respect of pharmaceutical products. For example, the United States Food and Drug Administration.
Replacement Prospectus	Any replacement prospectus to the Prospectus lodged with ASIC under Chapter 6D of the Corporations Act in connection with the Offer.
Rx	Prescription.
Securities	Shares (including but not limited to ordinary and preference shares), debentures, any legal or equitable right or interest in shares or debentures, options, convertible notes, derivatives, interests in managed investment schemes and other financial products.
Share	A fully paid ordinary share in the capital of Lachesis Biosciences.
Shareholder	A holder of Shares.
Shareholders Agreement	The shareholders agreement between the Existing Shareholders of the Company in relation to the entire issued Share capital of the Company dated 20 July 2016, a copy of which is set out in Appendix C.
Share Registry	Link Market Services.
Special Majority Approval	A vote, resolution or consent of Shareholders who together hold 70% or more of Shares on issue and also approved by the founder shareholder Learmonth Pty Ltd (controlled by Dr Tim Morgan, Managing Director and CEO).
Supplementary Prospectus	Any supplementary prospectus to the Prospectus lodged with ASIC under Chapter 6D of the Corporations Act in connection with the Offer.
TFN	Tax file number.
United States, USA or US	The United States of America, its territories and provinces, and any state of the United States of America.
USPTO	United Sates Patent and Trademark Office.
US Securities Act	United States Securities Act of 1933, as amended.

Appendix B: Significant Accounting Policies

B

Revenue

Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

Interest revenue is recognised when it becomes receivable on a proportional basis taking in to account the interest rates applicable to the financial assets.

All revenue is measured net of the amount of goods and services tax (GST).

Income tax

Current income tax expense or revenue is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities.

Deferred tax assets and liabilities are recognised for temporary differences at the applicable tax rates when the assets are expected to be recovered or liabilities are settled. Deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and at banks, short term deposits with an original maturity of three months or less held at call with financial institutions, and bank overdrafts.

Plant and equipment

Each class of plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and any accumulated impairment losses.

Plant and equipment

Plant and equipment is measured on a cost basis.

Depreciation

The depreciable amount of all plant and equipment is depreciated over their estimated useful lives commencing from the time the asset is held ready for use.

Research and development expenditure

Expenditure on research activities is recognised as an expense when incurred.

Development costs are to be capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the entity is able to use or sell the asset; the entity has sufficient resource; and intent to complete the development and its costs can be measured reliably.

As of 30 June 2016 no development costs have been capitalised.

Goods and services tax (GST)

Revenues, expenses and purchased assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

Class of fixed asset	Depreciation rates	Depreciation basis
Plant and equipment at cost	20 40%	Diminishing value
Office equipment at cost	12%	Diminishing value
Computer equipment at cost	20 40%	Diminishing value

Appendix C: Shareholders Agreement

C

Agreed Terms

1 Date

2 Parties

Name	Lachesis Biosciences Pty Ltd
ACN	115 641 855
Short form name	Company
Notice details	Level 19, 15 William Street Melbourne VIC 3000 Facsimile +61 3 8610 5999 Attention Company Secretary

AND

Each person recorded in the register of members of the Company (each a **Shareholder**, and collectively the **Shareholders**).

3 Objectives

The objectives of the Company are to carry on the Business.

4 Board of Directors

4.1 Board composition

a) Subject to the following provisions, the Directors in office as at the date of this Agreement will continue in office.

b) Shareholders must procure that the composition of the Board consists of:

i) Tim Morgan, who will act as the managing director, chief executive officer and initial Chairman of the Board;

ii) any other Director in office as at the date of this agreement; and

iii) any casual vacancy appointment made by the Board under paragraph (d).

c) The maximum number of Directors (excluding alternate Directors) at any time is 4 (**Director Limit**) provided that the Director Limit may be altered by Special Majority Approval.

d) The Board may determine to appoint an additional Director as a casual vacancy subject to the Director Limit.

e) Subject to paragraphs (a) – (c), a Shareholder or Shareholders together may by Special Majority Approval appoint one Director to the Board (or remove that appointed Director).

f) A Director may appoint an alternate Director to act as Director in his or her absence with the approval of the Board.

g) The Directors must nominate a Director to act as non-executive Chairman.

4.2 Voting

a) At a Board meeting, decisions must be decided by simple majority vote.

b) At a Board meeting, the chairman (if one is appointed) does not have a casting vote in addition to any deliberative vote he or she has.

4.3 Quorum

a) The quorum for a Board meeting is two Directors including Tim Morgan.

b) If a quorum of Directors is not present within 30 minutes after the time appointed for the Board meeting, the meeting stands adjourned to the same time and place three Business Days later.

c) Directors do not have to be physically be present in the same place and may attend Board meetings using any technology that allows each Director to hear proceedings and be heard by the other Directors.

5 Special Majority Approval

The Company must not do, or commit to do, any of the following without the Special Majority Approval of Shareholders:

a) amend the Company's constitution;

b) stop carrying on or commence any business or operational activity except the Business;

c) effect a sale of all or a substantial part of the Business;

d) take a step to dissolve or wind up the Company;

e) change the balance date or alter the accounting period of the Company;

f) point or remove the Company's auditor; or

g) provide a loan or other financial assistance to a Director or his or her associates or vary the terms of any loan or other financial assistance previously provided to a Director or his or her associates.

6 Issue of Shares

6.1 Pro rata offer

Except in relation to an Excluded Issue, if the Board resolves to issue any Shares the Shares must be offered to all Shareholders in accordance with this clause 6.

6.2 Offer

The Board must offer each Shareholder (regardless of the class of Share held by that Shareholder) the number of Shares calculated in accordance with the following formula (**Offer**):

$$N = \left(\frac{A \times B}{C}\right)$$

where:

N = the number of Shares to be offered for subscription to the Shareholder.

A = the total number of Shares proposed to be issued.

B = the number of Shares held by the Shareholder on the date of the Offer, calculated on the basis and assumption that all Shares held by the Shareholder on the date of the Transfer Notice have been converted into Shares.

C = the total number of Shares on the date of the Offer, calculated on the basis and assumption that all Shares have been converted into Shares.

6.3 Subscription Notice

The Board must make the Offer to each Shareholder by notice in writing (**Subscription Notice**) stating:

a) the total number of Shares available for subscription and the number being offered to each Shareholder;

b) the type of Shares being offered; and

c) the terms of issue of the Shares.

6.4 Response to Offer

Within 10 Business Days after receiving the Offer, each Shareholder must give notice to the Board stating:

a) whether it accepts all or a specified number of Shares contained in its Offer or rejects in full its Offer; and;

b) if it wants to subscribe for a greater number of Shares than the number in its Offer, that it offers to subscribe for a specified number of those Shares not subscribed for by other Shareholders under their Offers.

6.5 Failure to respond

If a Shareholder does not give notice to the Board within the period specified in clause 6.4 of its acceptance or rejection of its Offer, the Shareholder is taken to have rejected its Offer.

6.6 Disposal to third parties

If any Shares are not taken up under the Offers, the Board who may allot, grant options over, or otherwise dispose of those Shares:

a) first, to any Shareholders that have offered to subscribe for more Shares under clause 6.4(b) (and, if there is competition between them, on a pro rata basis to their acceptances under clause 6.4(a)); and

b) secondly, to any person (including a person already holding Shares), at any time within 90 days after the end of the period under clause 6.4 on terms no more favourable than those offered to Shareholders.

6.7 Deed of Accession

The Board may only allot or issue any Shares to a person that is not a Shareholder if the person has executed, and delivered to the Company, a Deed of Accession (except by way of Excluded Issue under clause 6.8(b)).

6.8 Excluded Issue

Clause 6 (except clauses 6.7 and 6.8) does not apply to:

a) an issue of Shares to which Shareholders consent by Special Majority Approval;

b) an issue of Ordinary Shares in an IPO including to a consultant or an underwriter, broker or similar adviser;

c) an issue of Ordinary Shares on conversion of preference shares; or

d) an issue of Shares under a Reorganisation Event.

7 Sale of Shares – pre-emption

7.1 Restriction

A Shareholder must not:

a) Transfer any of its Shares without complying with clause 7; or

b) Encumber any of its Shares,

without the consent of Shareholders by Special Majority Approval.

7.2 Deed of Accession

A Transfer of Shares to a person that is not a Shareholder is void and of no effect unless and until the proposed transferee has executed, and delivered to the Company, a Deed of Accession.

7.3 Transfer Notice

A Shareholder wanting to Transfer any of its Shares (**Seller**) must serve each other Shareholder (**Offeree**) on the same day a notice in writing (**Transfer Notice**) (with a copy to the Board) stating:

a) that the Seller wants to Transfer a specified number (which may be all or some only of its total holding) of Shares (**Sale Securities**);

b) the class or classes of Sale Securities;

c) the cash price per Sale Security (**Specified Price**);

d) the name of the proposed transferee (if known); and

e) any other terms of sale of the Sale Securities.

7.4 Pre-emption

Each Offeree may buy a number of the Sale Securities calculated in accordance with the following formula:

$$N = \left(\frac{A \times B}{C - D}\right)$$

where

N = the number of Sale Securities the Offeree may buy.

A = the total number of Sale Securities.

B = the number of Shares held by the Offeree, calculated on the basis and assumption that all Shares held by that Offeree on the date of the Transfer Notice have been converted into Shares.

C = the total number of issued Shares held by all Shareholders on the date of the Transfer Notice, calculated on the basis and assumption that all Shares held by Shareholders have been converted into Shares.

D = the number of Shares held by the Seller, including the Sale Securities, calculated on the basis and assumption that all Shares held by the Seller have been converted into Shares.

7.5 Response to Transfer Notice

a) Within 20 Business Days after receiving a Transfer Notice (**Day 20**), each Offeree must give notice to the Seller (with a copy to the Board) stating:

i) whether it accepts all or a specified number of Sale Securities contained in the offer made to it in the Transfer Notice or rejects in full the offer made to it in the Transfer Notice; and

ii) if it wants to buy a greater number of Sale Securities if the other Offerees do not accept in full the offer made to them.

iii) For the avoidance of doubt, each Offeree may only specify a number of Sale Securities under 7.5(a)

ii) up to the total number of Sale Securities minus the number of Sale Securities the subject of the Offeree's acceptance under 7.5(a)(i).

b) Offerees that give notice under clause 7.5(a)(ii) may buy (on a pro rata basis to their acceptances under clause 7.5(a)(i)) Sale Securities that are not agreed to be purchased under clause 7.5(a)(i).

7.6 Completion

If the Offerees agree to buy all Sale Securities the subject of the Transfer Notices, completion of the sale must occur on the third Business Day after Day 20 (**Day 23**), when each Offeree must buy and the Seller must sell the Sale Securities the subject of the Transfer Notice at the Specified Price and (unless otherwise agreed between the Offerees) in the proportions calculated under clause 7.4 adjusted, as applicable, under clause 7.5(a)(ii).

7.7 If Offerees do not agree to buy all Sale Securities

If the Offerees do not agree to buy all Sale Securities under clause 7.6 the Seller must within five Business Days after Day 20 (Day 25), give notice to the Offerees:

a) withdrawing all offers contained in the Transfer Notice; or

b) advising that the Seller wants to proceed with the sale to accepting Offerees of that number of Sale Securities for which acceptances have been received, in which case each accepting Offeree must buy and the Seller must sell, within five Business Days after the Offerees receive the notice, at the Specified Price the number of Sale Securities agreed to buy under clause 7.5(a)(i) plus the number of Sale Securities the accepting Offeree agreed to, and is entitled to, buy under clause 7.5(a)(ii).

7.8 Completion

At completion of the sale of any Shares under this clause 7:

a) each buyer must pay the purchase price to each Seller for the Shares that it has agreed to buy from that Seller; and

b) each Seller must Transfer title to the Shares it is selling to the buyer free from Encumbrances.

7.9 No revocation

Subject to clause 7.7(a), a Shareholder may only revoke or withdraw a Transfer Notice once served if all other Shareholders consent to the revocation or withdrawal.

7.10 Attorney

Each Shareholder severally and irrevocably appoints any two Directors jointly as its agent and attorney with power to complete the sale as contemplated in clause 7, including the power for any two Directors together to execute all necessary documents to complete the sale on behalf of that Shareholder.

7.11 Permitted Transfers

Clause 7 (except clauses 7.2 and 7.11) does not apply to:

a) a Transfer by a Shareholder under an offer for sale of Shares in conjunction with an IPO;

b) a Transfer by a Shareholder to an Affiliate of the Shareholder; or

c) a Transfer from an Affiliate of a Shareholder to another Affiliate of the Shareholder.

8 Confidentiality and announcements

8.1 Confidentiality obligations

Each party must:

a) use the Confidential Information only for the purposes of the Business or to make decisions regarding its investment in the Company;

b) keep the Confidential Information confidential and not disclose it or allow it to be disclosed to a third party except:

i) with the prior written approval of the other parties; or

ii) to officers, employees and consultants or advisers of the party (or its related bodies corporate) who have a need to know (and only to the extent that each has a need to know) and are aware that the Confidential Information must be kept confidential; and

c) take or cause to be taken reasonable precautions necessary to maintain the secrecy and confidentiality of the Confidential Information.

8.2 Announcements

No announcement, press release or other communication of any kind relating to the negotiations of the parties or the subject matter or terms of this agreement must be made or authorised by or on behalf of a party without the prior written approval of each other party unless that announcement, press release or communication is required to be made by law or any order of any court, tribunal, authority or regulatory body.

8.3 Exceptions

The obligations of confidentiality under this agreement do not extend to information (whether before or after this agreement is executed):

a) disclosed to a party, but at the time of disclosure is rightfully known to or in the possession or control of the party and not subject to an obligation of confidentiality on the party;

b) that is public knowledge (except because of a breach of this agreement or any other obligation of confidence);

c) required to be disclosed by law or any order of any court, tribunal, authority or regulatory body or in connection with the enforcement of this agreement or by the rules of a Stock Exchange; or

d) a Shareholder wishes to disclose to an adviser of the Shareholder if the disclosure is made on a confidential basis.

9 Third party offers

9.1 Drag along

If a person acting at arm's length (**Offeror**):

a) offers, agrees or contracts to acquire Shares for a cash amount with no collateral benefit passing to any Shareholder or Related Party or Affiliate of any Shareholder except under the terms of the offer (**Offer**);

b) extends the Offer to any or all other Shareholders (**Remaining Shareholders**), with all necessary changes, on the same terms and at the same price determined; and

c) Shareholders by Special Majority Approval request that Shareholders accept that Offer,

all Remaining Shareholders must accept the Offer on those terms and all purchase moneys payable under the Offer must be paid and distributed in accordance with clause 9.6

9.2 Notice to Remaining Shareholders

If the Offer is extended as set out in clause 9.1(b) and if within 20 Business Days of making that Offer the Remaining Shareholders have not accepted it, the Board must give written notice to the Remaining Shareholders requiring each of them to do so. On giving the notice both of the following will apply to the Remaining Shareholders:

a) they are deemed to have accepted the Offer in respect of all their Shares in accordance with the terms of the Offer; and

b) they must deliver up to the Offeror a signed transfer of their Shares and the relevant certificates.

9.3 Execution on behalf of Remaining Shareholder

If any Remaining Shareholder has not, within 10 Business Days of becoming required to do so, signed a transfer in respect of their Shares in favour of the Offeror when required to do so, the Board is entitled to and must authorise and instruct any person it thinks fit to execute the necessary transfers on that Remaining Shareholder's behalf. On receipt by the Company of the purchase moneys payable for the Shares, it must deliver these transfers to the Offeror (or its agents).

9.4 Tag along – Shareholders

Subject to clause 7, if Shareholders receive and wish to accept an Offer to sell more than 70% of the issued Shares in aggregate (**Offeree**) and the Offeror does not extend the Offer to all other Shareholders (**Remaining Shareholders**) within 20 Business Days of making the Offer to the Oferee, the Offeree must procure that the Offeror gives a written notice (**Offer Notic**e) to the Remaining Shareholders which must specify the cash price payable for each Share and any other terms of the proposed sale. If the Offeree cannot procure the Offereor to give the Offer Notice in accordance with clause 9.4 within 15 Business Days of receipt of an Offer, the Offeree must not accept the Offer.

9.5 Shareholder election

If an Offer Notice is given, within 10 Business Days following receipt of the Offer Notice, any Shareholder can by written notice require the Offeree to procure that the Shareholder's Shares are purchased by

the Offeror (**Tag Along Notice**) at the same price and otherwise on the same terms specified in the Offer Notice. The Offeree must then procure the simultaneous sale of that Shareholder's Shares on the terms and conditions referred to in the Offer Notice and must immediately deliver to the Offeree the certificates in respect of its Shares which are to be sold together with a duly executed share transfer form to effect the transfer.

9.6 Purchase moneys

All purchase moneys payable under any Offer must be paid to the Company to be held on trust for the Shareholders.

10 IPO

10.1 Co-operation

In the event of an IPO approved by the Board, the Company must act in accordance with the direction by the Board including the appointment of an investment bank, stockbroker or other qualified person (**Financial Adviser**) to act on behalf of the Company to advise on the IPO, and to manage the preparation and implementation of the IPO.

10.2 Obligations

While the Company is pursuing an IPO under this clause 10, the parties must:

a) take all action to facilitate the IPO (including if required by providing warranties as to title to their Shares);

b) not take any action or refrain from taking action which would prevent, hinder or delay the IPO;

10.3 Transfer right suspended

While the Company is pursuing an IPO under this clause, no person may serve a Transfer Notice under clause 7 unless approved by the Board.

10.4 Escrow

The Shareholders undertake to comply with any restrictions on the transfer and encumbrance of their Shares that the Financial Adviser determines are appropriate for an IPO conducted in accordance with this clause.

10.5 Attorney

Each Shareholder and the Company severally and irrevocably and unconditionally appoints (for valuable consideration) any two Directors jointly as its agent and attorney with power to complete an IPO as contemplated in this clause (including the power for any two Directors together to execute all necessary documentation to complete the sale on behalf of that Shareholder or the Company (as the case may be)).

11 Termination

11.1 Subject to clause 10.2, this agreement terminates automatically:

a) if all parties agree;

b) for a Shareholder, when it stops holding, directly or indirectly, any Shares, at which time the Shareholder has no further rights or obligations (except under clause 8 under this agreement;

c) when the Company is wound up by an order of a Court;

d) on the day the shares offered in an IPO are allotted or transferred (or both); or

e) on the day an agreement to sell all of the Shares is completed.

11.2 Termination of this agreement is without prejudice to any accrued rights of the parties.

12 Notices

12.1 A notice, demand, consent or communication under this agreement (**Notice**) takes effect when received (or at a later time specified in it), and is taken to be received:

a) if hand delivered, on delivery;

b) if sent by prepaid post, three Business Days after the date of posting (or seven Business Days after the date of posting if posted to or from outside Australia);

c) if sent by email, when sent by the sender unless the sender receives a delivery failure notification indicating that the email has not been delivered to the addressee.

but if the delivery, receipt or transmission is not on a Business Day or after 5.00pm on a Business Day, the notice is taken to be received at 9.00am on the Business Day after that delivery, receipt or transmission.

13 Agreement is paramount

This agreement prevails over any inconsistent clause in the Company's constitution. The Shareholders must amend the constitution to remove the inconsistency as soon as they become aware of it.

14 Miscellaneous

14.1 This agreement may only be altered by Special Majority Approval of Shareholders.

14.2 Except where this agreement expressly states otherwise, a party may, in its discretion, give conditionally or unconditionally or withhold any approval or consent under this agreement.

14.3 A party may only assign this agreement or a right under this agreement with the prior written consent of each other party.

14.4 This agreement may be executed in counterparts. All executed counterparts constitute one document.

14.5 This agreement, together with the other Transaction Documents, constitutes the entire agreement between the parties in connection with its subject matter and supersedes all previous agreements or understandings between the parties in connection with its subject matter.

14.6 Each party must do, at its own expense, everything reasonably necessary (including executing documents) to give full effect to this agreement and transactions contemplated by it.

14.7 Part or all of a provision of this agreement that is illegal or unenforceable may be severed from this agreement and the remaining parts of the provision or provisions of this agreement continue in force.

14.8 A party does not waive a right, power or remedy if it fails to exercise or delays in exercising the right, power or remedy. A single or partial exercise of a right, power or remedy does not prevent another or further exercise of that or another right, power or remedy. A waiver of a right, power or remedy must be in writing and signed by the party giving the waiver.

14.9 This agreement is governed by the law of Victoria and each party irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of Victoria.

15 Defined terms & interpretation

15.1 In this agreement:

Affiliate in relation to a Shareholder means:

a) a director of the Shareholder or a company in which the Shareholder beneficially owns not less than 50% of the Shares;

b) a related body corporate of the Shareholder or a company in which the Shareholder beneficially owns not less than 50% of the Shares;

c) a trust (whether a unit trust, investment trust or other form of trust) of which the Shareholder is the beneficiary and from which the Shareholder has received 50% or more of the distributions made from that trust in the last three years before the date of the share transfer that the Shareholder proposes to make to that trust under clause 7;

d) a trust (whether a unit trust, investment trust or other form of trust) of which a related body corporate of the Shareholder is the responsible entity, trustee, manager or investment adviser of the trust; or

e) here the Shareholder is an individual, the spouse, former spouse, mother, father, brother, sister or child over the age of 18 of the Shareholder.

Board means the board of directors of the Company as constituted from time to time.

Business means:

a) to research, develop and commercialise healthcare-related technology; and

b) any other activities which, subject to clause 5, the Board decides from time to time will be carried on by the Company.

Business Day means:

a) for receiving a notice under clause 12, a day that is not a Saturday, Sunday, public holiday or bank holiday in the place where the notice is sent; and

b) for all other purposes, a day that is not a Saturday, Sunday, bank holiday or public holiday in Victoria, Australia.

Business Hours means from 9.00am to 5.00pm on a Business Day.

Confidential Information means any of the following which is not in the public domain:

a) information concerning the contents of the Transaction Documents or any transaction undertaken under the Transaction Documents;

b) all data bases, source codes, methodologies, manuals, artwork, advertising manuals, trade secrets and all financial, accounting, marketing and technical information, patents and other intellectual property, customer and supplier lists, know-how, technology, operating procedures and other information, used by or relating to the Group and its transactions and affairs;

c) all notes and reports incorporating or derived from information referred to in paragraph (a) or (b); and

d) all copies of the information, notes and reports referred to in paragraphs (a) to (c).

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

Deed of Accession means a deed of accession in such form approved by the Directors, which may include any form of online accession facility.

Director means a director of the Company from time to time.

Encumber means to mortgage, pledge, charge, assign as security or otherwise encumber.

Excluded Issue means an issue of Shares referred to in clause 6.8.

Financial Year means 12 months from 1 July to 30 June each year (or other dates as the Board approves).

Founder Shareholder means Learmonth Pty Ltd (ACN 115 639 935).

Group means the Company and all Subsidiaries from time to time.

Group Company means any one of the Company or a Subsidiary.

IPO means an initial public offering of Ordinary Shares made under a prospectus stating that the Company has or will apply, in conjunction with the offering, for quotation of the Shares on a Stock Exchange.

Ordinary Shares means ordinary shares in the capital of the Company.

Permitted Transfer means a transfer of Shares permitted under clause 7.11.

Proportionate Interest means the percentage of the issued Share Capital held by a Shareholder.

Reorganisation Event means:

a) a bonus issue of Shares;

b) a sub-division or consolidation of Shares;

c) another reorganisation or reconstruction of share capital where the Company neither pays nor receives cash.

Share Capital means all of the Shares on issue.

Shares means Ordinary Shares and any preference shares, options, convertible notes, warrants or other securities convertible into Shares.

Shareholder means a person who holds a Share and is a party to this agreement.

Special Majority Approval means vote, resolution or consent of Shareholders who together hold 70% or more of the Ordinary Shares on issue and also approved by the Founder Shareholder.

Stock Exchange means Australian Securities Exchange or another stock exchange approved by the Board.

Subsidiary means any subsidiary of the Company at any time.

Transaction Documents means:

a) this agreement; and

b) the Company's constitution.

Transfer means to sell, assign, transfer, convey or otherwise dispose of a legal or beneficial interest.

15.2 In this agreement, unless the context otherwise requires:

a) the singular includes the plural and vice versa, and a gender includes other genders;

b) another grammatical form of a defined word or expression has a corresponding meanings;

c) a reference to a clause, paragraph, schedule or annexure is to a clause or paragraph of, or schedule or annexure to, this agreement, and a reference to this agreement includes any schedules and annexures;

d) a reference to a document or instrument includes the document or instrument as novated, altered, supplemented or replaced from time to time;

e) a reference to party to this agreement, and a reference to a party to a document includes the party's executors, administrators, successors and permitted assigns and substitutes;

f) a reference to a person includes a natural person, partnership, body corporate, association, governmental or local authority or agency or other entity;

g) a reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re enactments or replacements of any of them;

h) a word or expression defined in the Corporations Act has the meaning given to it in the Corporations Act;

i) the meaning of general words is not limited by specific examples introduced by **including, for example** or similar expressions;

j) if a day on or by which an obligation must be performed or an event must occur is not a Business Day, the obligation must be performed of the event must occur on or by the next Business Day;

k) a reference to the Company includes each Subsidiary from time to time and all rights and obligations of the parties apply to each Subsidiary as if a reference to the Company is also to the Subsidiary; and

l) if any calculation relating to the issue or transfer of Shares results in a number that is, or includes, a fraction, the fraction is rounded down to the nearest whole number.

14.3 Headings are for ease of reference only and do not affect interpretation.

Appendix D: Foreign Offer Selling Restrictions

D

This document does not constitute an offer of New Shares in the Company in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the New Shares may not be offered or sold, in any country outside Australia except to the extent permitted below.

Hong Kong

WARNING: This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the "SFO"). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the New Shares have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO).

No advertisement, invitation or document relating to the New Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to New Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors (as defined in the SFO and any rules made under that ordinance). No person allotted New Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

New Zealand

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (the "FMC Act"). The New Shares are not being offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) other than to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

Singapore

This document and any other materials relating to the New Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of New Shares, may not be issued, circulated or distributed, nor may the New Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are (i) an existing holder of the Company's shares, (ii) an "institutional investor" (as defined in the SFA) or (iii) a "relevant person" (as defined in section 275(2) of the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the New Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire New Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

Lachesis Biosciences Limited ACN 115 641 855

SUPPLEMENTARY PROSPECTUS

This supplementary prospectus is dated 9 August 2016 (**Supplementary Prospectus**) and is issued by Lachesis Biosciences Limited ACN 115 641 855 (**Company**). This Supplementary Prospectus is supplementary to the Company's replacement prospectus dated 1 August 2016 relating to an offer to the public of up to 6,000,000 New Shares in the Company at an issue price of $1.00 per New Share (**Prospectus**) and should be read in conjunction with that Prospectus.

A copy of this Supplementary Prospectus was lodged with the Australian Securities and Investments Commission (**ASIC**) under section 719(1) of the *Corporations Act 2001* (Cth) (**Corporations Act**) on 9 August 2016. ASIC and its officers take no responsibility for the content of this Supplementary Prospectus.

Terms and abbreviations defined in the Prospectus have the same meaning in this Supplementary Prospectus, unless stated otherwise. If there is a conflict between the Prospectus and this Supplementary Prospectus, this Supplementary Prospectus will prevail.

Prospective investors should read the entire Prospectus and Supplementary Prospectus before making any decision to apply for New Shares in the Company.

Potential application of takeover provisions of the Corporations Act

The takeover provisions in Chapter 6 of the Corporations Act (**Takeover Provisions**) prohibit a person from acquiring a 'relevant interest' in voting shares in a company with more than 50 members where that person's voting power in the company increases to more than 20% unless one of various exceptions apply (**20% threshold**). The Company currently has 12 Existing Shareholders and is therefore not subject to the Takeover Provisions. However, it is possible that on completion of the Offer the Company will have more than 50 Shareholders and if it did it would therefore be subject to the Takeover Provisions including the 20% threshold.

Existing Shareholders have a relevant interest in 100% of issued Shares by having the benefit of the pre-emptive and drag along rights under the Shareholders Agreement. On completion of the Offer, all Shareholders (including Applicants) will have the same 100% relevant interest due to these provisions.

Under the Shareholders Agreement, Shareholders wishing to transfer their Shares must first offer their Shares to other Shareholders before offering them to a third party (pre-emptive rights). As all Shareholders hold a relevant interest in 100% of Shares, there will be no Takeover Provisions implications if one Shareholder transfers to another Shareholder or its associates. However, in the unlikely event that Shares offered by a selling Shareholder are not taken up by other Shareholders and if the Company has more than 50 shareholders at the relevant time, Shareholder approval may be required in accordance with the Takeovers Provisions because the voting power of the acquiring party will exceed the 20% threshold regardless of whether the number of Shares sold exceeds the 20% threshold, by reason of the pre-emptive and drag along rights (ie any third party obtaining even a small parcel of Shares would immediately obtain voting power of 100% thereby exceeding the 20% threshold). Although the Company does not foresee any reason why Shareholder approval would not be given in the circumstances of such a technical anomaly, there is no guarantee of such approval. As an alternative to Shareholder approval, the Company expects that there will be two other avenues to practically address this unlikely scenario so as to remove any Takeover Provisions implications (and assuming the Shares being acquired did not exceed 20% of issued Shares).

First, the Company may exercise its' discretion to require the acquiring party to accede to the Shareholders Agreement on terms that do not include the benefit of the pre-emptive or drag along rights provisions.

Second, the Company could seek an amendment to the Shareholders Agreement to allow the acquiring party to be excluded from the pre-emptive and drag along rights regimes.

Under either of the above two avenues, the prospective Shareholder would not obtain a relevant interest over Shares of other Shareholders and Shareholder approval under the Takeovers Provisions would not be required.

Authorisation of Directors

In accordance with section 720 of the Corporations Act, each Director of the Company has consented to the lodgement of this Supplementary Prospectus with ASIC.

Signed for the purposes of section 351 of the Corporations Act 2001 (Cth) by Dr Timothy Morgan, Director, Lachesis Biosciences Limited

Broker Code

Adviser Code

ACN 115 641 855

General Offer Application Form

This is an Application Form for Shares in Lachesis Biosciences Limited (**Company**) on the terms set out in the Replacement Prospectus dated 1 August 2016 and the Supplementary Prospectus dated 9 August 2016 (**Prospectus**). You may apply for a minimum of 5,000 Shares ($5,000) Shares and multiples of 1,000 Shares ($1,000) thereafter. This Application Form and your cheque or bank draft must be received by **5:00pm (AEST) on 7 September 2016.**

Accession to Shareholders Agreement

By completing this Application Form, you agree to be bound by the Shareholders Agreement in respect of the Company, the full form of which is set out in Appendix C to the Prospectus (**Shareholders Agreement**). This Application Form constitutes a valid and binding 'Deed of Accession' as defined in the Shareholders Agreement. As such and in consideration of the Company's acceptance of your Application Form, you covenant in favour of the Company and all of its Shareholders (whether original Shareholders or Shareholders by accession in the past, present or future) that you will, on and from the date on which any Shares are first issued to you, comply with, perform and observe all provisions of the Shareholders Agreement with the intent that such provisions will bind you fully and in the same manner and to the same extent as if you had personally executed the Shareholders Agreement. You acknowledge that you have read in full and understood the terms of the Shareholders Agreement. You also agree to be bound by the Constitution of the Company.

If you are in doubt as to how to deal with this Application Form, please contact your accountant, lawyer, stockbroker or other professional adviser. The Prospectus contains information relevant to a decision to invest in Shares and you should read the entire Prospectus carefully before applying for Shares.

A Shares applied for , , at Price per Share **A$1.00**

B Application Monies **A$** , , .

(minimum 5,000 Shares ($5,000), thereafter in multiples of 1,000 Shares ($1,000))

PLEASE COMPLETE YOUR DETAILS BELOW (refer overleaf for correct forms of registrable names)

C

Applicant #1 – Surname/Company Name

Title | First Name | Middle Name

Joint Applicant #2 – Surname

Title | First Name | Middle Name

Designated account e.g. <Super Fund> (or Joint Applicant #3)

D

TFN/ABN/Exemption Code – First Applicant | Joint Applicant #2 | Joint Applicant #3

TFN/ABN type – if NOT an individual, please mark the appropriate box ☐ Company ☐ Partnership ☐ Trust ☐ Super Fund

PLEASE COMPLETE ADDRESS DETAILS

E

PO Box/RMB/Locked Bag/Care of (c/-)/Property name/Building name (if applicable)

Unit Number/Level | Street Number | Street Name

Suburb/City or Town | State | Postcode

Email address (only for purpose of electronic communication of shareholder information)

F

Telephone Number where you can be contacted during Business Hours ( ) | Contact Name (PRINT)

Cheques or bank drafts should be made payable to **"Lachesis Biosciences IPO Account"** in Australian currency and crossed "Not Negotiable".

G

Cheque or Bank Draft Number | BSB - | Account Number

Total Amount A$, , .

LODGEMENT INSTRUCTIONS

You must return your application so it is received before 5:00pm (AEST) on 7 September 2016 to:
Link Market Services Limited, Locked Bag A14, Sydney South NSW 1235.

LBIO IPO001

Your Guide to the Application Form

Please complete all relevant white sections of the Application Form in BLOCK LETTERS, using black or blue ink. These instructions are cross-referenced to each section of the form.

The Shares to which this Application Form relates are Lachesis Biosciences Limited ("Lachesis Biosciences") Shares. Further details about the shares are contained in the Replacement Prospectus dated 1 August 2016 and the Supplementary Prospectus dated 9 August 2016 (**Prospectus**). issued by Lachesis Biosciences. The Prospectus will expire on 22 October 2016. While the Prospectus is current, Lachesis Biosciences will send paper copies of the Prospectus, any supplementary document and the Application Form, free of charge on request.

The Australian Securities and Investments Commission requires that a person who provides access to an electronic application form must provide access, by the same means and at the same time, to the relevant Prospectus. This Application Form is included in the Prospectus.

The Prospectus contains important information about investing in the Shares. You should read the Prospectus before applying for Shares.

A Insert the number of Shares you wish to apply for. The Application must be for a minimum of 5,000 Shares ($5,000) Shares and thereafter in multiples of 1,000 Shares ($1,000). You may be issued all of the Shares applied for or a lesser number.

B Insert the relevant amount of Application Monies. To calculate your Application Monies, multiply the number of Shares applied for by the issue price. Amounts should be in Australian dollars. Please make sure the amount of your cheque or bank draft equals this amount.

C Write the full name you wish to appear on the register of Shares. This must be either your own name or the name of a company. Up to three joint Applicants may register. You should refer to the table below for the correct registrable title.

D Enter your Tax File Number (TFN) or exemption category. Business enterprises may alternatively quote their Australian Business Number (ABN). Where applicable, please enter the TFN or ABN for each joint Applicant. Collection of TFN(s) and ABN(s) is authorised by taxation laws. Quotation of TFN(s) and ABN(s) is not compulsory and will not affect your Application. However, if these are not provided, Lachesis Biosciences Limited will be required to deduct tax at the highest marginal rate of tax (including the Medicare Levy) from payments.

E Please enter your postal address for all correspondence. All communications to you from Lachesis Biosciences and the Share Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.

F Please enter your telephone number(s), area code and contact name in case we need to contact you in relation to your Application.

G Please complete the details of your cheque or bank draft in this section. The total amount of your cheque or bank draft should agree with the amount shown in section B.
Make your cheque or bank draft payable to **"Lachesis Biosciences IPO Account"** in Australian currency and cross it "Not Negotiable". Your cheque or bank draft must be drawn on an Australian bank. Sufficient cleared funds should be held in your account, as cheques returned unpaid are likely to result in your Application being rejected.
If you receive a firm allocation of Shares from your Broker make your cheque payable to your Broker in accordance with their instructions.

LODGEMENT INSTRUCTIONS

This Application Form and your cheque or bank draft must be mailed or delivered so that it is received before 5:00pm (AEST) on 7 September 2016 at:

Mailing Address
Lachesis Biosciences Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235

Hand Delivery
Lachesis Biosciences Limited
C/- Link Market Services Limited
1A Homebush Bay Drive
Rhodes NSW 2138
(do not use this address for mailing purposes)

PERSONAL INFORMATION COLLECTION NOTIFICATION STATEMENT

Personal information about you is held on the public register in accordance with Chapter 2C of the *Corporations Act 2001.* For details about Link Group's personal information handling practices including collection, use and disclosure, how you may access and correct your personal information and raise privacy concerns, visit our website at www.linkmarketservices.com.au for a copy of the Link Group condensed privacy statement, or contact us by phone on +61 1800 502 355 (free call within Australia) 9am–5pm (Sydney time) Monday to Friday (excluding public holidays) to request a copy of our complete privacy policy.

CORRECT FORMS OF REGISTRABLE NAMES

Note that ONLY legal entities are allowed to hold Shares. Applications must be in the name(s) of natural persons or companies. At least one full given name and the surname is required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual Use given names in full, not initials	Mrs Katherine Clare Edwards	K C Edwards
Company Use Company's full title, not abbreviations	Liz Biz Pty Ltd	Liz Biz P/L or Liz Biz Co.
Joint Holdings Use full and complete names	Mr Peter Paul Tranche & Ms Mary Orlando Tranche	Peter Paul & Mary Tranche
Trusts Use the trustee(s) personal name(s)	Mrs Alessandra Herbert Smith <Alessandra Smith A/C>	Alessandra Smith Family Trust
Deceased Estates Use the executor(s) personal name(s)	Ms Sophia Garnet Post & Mr Alexander Traverse Post <Est Harold Post A/C>	Estate of late Harold Post or Harold Post Deceased
Minor (a person under the age of 18 years) Use the name of a responsible adult with an appropriate designation	Mrs Sally Hamilton <Henry Hamilton>	Master Henry Hamilton
Partnerships Use the partners' personal names	Mr Frederick Samuel Smith & Mr Samuel Lawrence Smith <Fred Smith & Son A/C>	Fred Smith & Son
Long Names	Mr Hugh Adrian John Smith-Jones	Mr Hugh A J Smith Jones
Clubs/Unincorporated Bodies/Business Names Use office bearer(s) personal name(s)	Mr Alistair Edward Lilley <Vintage Wine Club A/C>	Vintage Wine Club
Superannuation Funds Use the name of the trustee of the fund	XYZ Pty Ltd <Super Fund A/C>	XYZ Pty Ltd Superannuation Fund

Put the name(s) of any joint Applicant(s) and/or account description using < > as indicated above in designated spaces at section C on the Application Form.