Notice of Extraordinary General Meeting, Explanatory Statement and Independent Expert Report

Ellex Medical Lasers Limited ACN 007 702 927

To be held at: 3 - 4 Second Avenue, Mawson Lakes SA, Australia
To be held on: 24 April 2020
Commencing: 10:00am (SA time)

This Notice of Meeting, Explanatory Statement and Independent Expert Report should be read in their entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.

The Independent Expert has concluded that the Transaction as set out in the Explanatory Statement and in the enclosed Independent Expert Report is fair and reasonable to the Shareholders and the advantages of the Transaction outweigh the disadvantages.

The Directors unanimously recommend that Shareholders vote in favour of the Resolutions.
Dear Shareholders,

We are pleased to invite you to an Extraordinary General Meeting of Ellex Medical Lasers Limited (Company).

As announced to the market on 24 December 2019, the Company has entered into the Share Sale Agreement for the sale of the Ellex Lasers & Ultrasound Business, as well as the Ellex brand, to Lumibird SA (Lumibird), a diversified laser business based in France and listed on the Euronext. The key terms of the Share Sale Agreement are set out in Schedule 1.

The Board has convened this Extraordinary General Meeting to obtain the approval of Shareholders under ASX Listing Rule 11.2 for the sale of the Ellex Lasers & Ultrasound Business to Lumibird. The sale of the Ellex Lasers & Ultrasound Business has been structured by way of the sale of 100% of the shares in Adele Ellex SPV Pty Ltd, a wholly owned subsidiary of the Company for a cash consideration of A$100 million.

The purchase price of A$100 million represents a 1.5x FY19 revenue multiple and 10.6x FY19 Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) multiple (pre-corporate cost allocation) for the Ellex Lasers & Ultrasound Business. The Board unanimously approved the Share Sale Agreement taking into account these attractive acquisition multiples for the Ellex Lasers & Ultrasound Business, and the fact that the proposed consideration represented a value that was 14% higher than the market capitalisation of the entire Company on 27 November 2019 (being the day prior to the Company placing its securities in voluntary suspension from trading).

The Board proposes to distribute $61 million of the proceeds of the sale of the Ellex Lasers & Ultrasound Business to Shareholders by way of the payment of a dividend and capital return (Equal Capital Reduction), with the balance, after paying income tax (of approximately $12.5 million) on the profit on the sale, being retained by the Company to grow the Continuing Businesses organically and by acquisition and for general working capital. The Company will apply to the ATO for a Class Ruling seeking confirmation of the tax treatment of the Equal Capital Reduction for Australian resident Shareholders who hold their Shares on capital account, which will include consideration of whether the ATO will make a determination to deem all or part of the Equal Capital Reduction to be an unfranked dividend. The Class Ruling is expected to be issued at some time after the Extraordinary General Meeting.

Following Completion of the Transaction, the Company intends to remain an ASX listed company and to operate the Continuing Businesses, with a primary focus on glaucoma disease via the iTrack business (with manufacturing in Fremont California and a sales network across USA, Europe and Asia Pacific). In addition, the Company retains its proprietary 2RT laser technology as a therapy for patients with intermediate age-related macular degeneration (iAMD). The Company proposes to change its name from Ellex Medical Lasers Limited to Nova Eye Medical Limited. Reflecting the ongoing ophthalmic focus of the Company following Completion of the Transaction, the Company has received confirmation from the ASX that, subject to Shareholders approving a name change, the Company’s ASX ticker code will change to “EYE”.

The sale of the Ellex Lasers & Ultrasound Business will see the Company exit a number of mature ophthalmic market segments. Going forward this means the Company can use its proprietary 2RT and iTrack technology platforms to focus exclusively on new ophthalmic markets with significant unmet needs, high entry barriers and high potential for growth. Furthermore, the sale of the Ellex Lasers & Ultrasound Business will result in the Company being bank-debt free and the retention of some cash from the Transaction proceeds will provide a medium term runway for the Continuing Businesses to focus on a number of growth initiatives complementary to iTrack and 2RT.

The Board has engaged the Independent Expert to provide the Independent Expert Report and determine whether the Transaction is fair and reasonable to the Shareholders. The Independent Expert has determined that the Transaction is fair and reasonable, and that the advantages outweigh the disadvantages of the Transaction from the perspective of Shareholders.

Since the announcement of the Transaction, no Superior Proposal has emerged.
The Directors unanimously recommend Shareholders vote in favour of the Resolutions. Each Director who is also a Shareholder and who is not otherwise restricted from voting intends to vote in favour of the Resolutions.

Please read the whole of this booklet carefully as it provides important information on the Extraordinary General Meeting, items of business and the Resolutions that you, as a Shareholder, are being asked to vote on.

Should you wish to discuss the matters in this Notice of Extraordinary General Meeting please do not hesitate to contact Dr Tom Duthy, Investor Relations and Corporate Development on (W) +61 8 7074 8200 or (M)+61 402 493 727 and via email at tduthy@ellex.com.

By order of the Board

Victor Previn

Chairman

Adelaide

Dated: 18 March 2020
## Important dates

<table>
<thead>
<tr>
<th>Event</th>
<th>Date/Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Despatch of Notice of Meeting</td>
<td>25 March 2020</td>
</tr>
<tr>
<td>Record date for voting at Extraordinary General Meeting of Shareholders</td>
<td>7:00pm (SA time) on 22 April 2020</td>
</tr>
<tr>
<td>Deadline for lodgement of Proxy Forms for the Extraordinary General Meeting of Shareholders</td>
<td>10:00am (SA time) on 22 April 2020</td>
</tr>
<tr>
<td>Extraordinary General Meeting of Shareholders</td>
<td>10:00am (SA time) on 24 April 2020</td>
</tr>
<tr>
<td>Company announces the results of the Extraordinary General Meeting</td>
<td>24 April 2020(^3)</td>
</tr>
<tr>
<td>Proposed date of Completion</td>
<td>30 April 2020</td>
</tr>
<tr>
<td>Announcement of effective date for the Capital Return on receipt of final Class Ruling</td>
<td>Estimated 12 May 2020(^2)</td>
</tr>
<tr>
<td>Effective date for the Capital Return</td>
<td>Estimated 13 May 2020(^2)</td>
</tr>
<tr>
<td>Last day for trading of Shares to be entitled to participate in Equal Capital Reduction</td>
<td>Estimated 14 May 2020(^2)</td>
</tr>
<tr>
<td>Shares commence trading on an ‘ex return of capital’ basis (2 business days after receipt of final Class Ruling)</td>
<td>Estimated 15 May 2020(^2)</td>
</tr>
<tr>
<td>Record Date for determining entitlement to participate in the Equal Capital Reduction (3 business days after receipt of final Class Ruling)</td>
<td>Estimated 18 May 2020(^2)</td>
</tr>
<tr>
<td>Distribution Date (if Resolution 3 passed) for payment of capital returns and franked dividends to Shareholders (5 business days after Record Date)</td>
<td>Estimated 25 May 2020(^2)</td>
</tr>
</tbody>
</table>

Notes:
1 Dates are indicative only and subject to change.
2 Estimates only assuming receipt of the Class Ruling by 12 May 2020.
3 All items set out below are subject to the Resolutions being passed at the Extraordinary General Meeting of Shareholders.
<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>$</td>
<td>Australian dollars.</td>
</tr>
<tr>
<td>ASX</td>
<td>Australian Securities Exchange.</td>
</tr>
<tr>
<td>ASX Listing Rules</td>
<td>Listing rules of the ASX.</td>
</tr>
<tr>
<td>ATO</td>
<td>Australian Taxation Office.</td>
</tr>
<tr>
<td>Board</td>
<td>The board of Directors.</td>
</tr>
<tr>
<td>Capital Return</td>
<td>The component of the Distribution which constitutes a return of capital (pursuant to the Equal Capital Reduction) for Australian income tax purposes.</td>
</tr>
<tr>
<td>Chairman</td>
<td>The chairman of the Extraordinary General Meeting.</td>
</tr>
<tr>
<td>Class Ruling</td>
<td>A class ruling issued by the ATO in relation to the Australian income tax implications for Shareholders resulting from the Equal Capital Reduction.</td>
</tr>
<tr>
<td>Company</td>
<td>Ellex Medical Lasers Limited ACN 007 702 927.</td>
</tr>
<tr>
<td>Company Secretary</td>
<td>The company secretary of the Company.</td>
</tr>
<tr>
<td>Completion</td>
<td>Completion of the Transaction in accordance with the Share Sale Agreement.</td>
</tr>
<tr>
<td>Constitution</td>
<td>The constitution of the Company.</td>
</tr>
<tr>
<td>Continuing Businesses</td>
<td>The remaining business and operations of the Company after the Transaction, primarily consisting of Ellex iScience Inc Company No. 46-4216875 (operating the iTrack glaucoma surgical therapy business) and Ellex R&amp;D Pty Ltd ACN 121 627 736 (operating the 2RT retinal rejuvenation therapy business).</td>
</tr>
<tr>
<td>Corporations Act</td>
<td>The Corporations Act 2001 (Cth) for the time being in force together with the regulations of that act.</td>
</tr>
<tr>
<td>Directors</td>
<td>The directors of the Company.</td>
</tr>
<tr>
<td>Distribution</td>
<td>Has the meaning given in section 3.2 of the Explanatory Statement.</td>
</tr>
<tr>
<td>Distribution Date</td>
<td>The distribution date for payment of the Distribution, set out in section 3.3(c) of the Explanatory Statement.</td>
</tr>
<tr>
<td>Ellex Lasers &amp; Ultrasound Business</td>
<td>The business of the manufacture and sale of YAG lasers for capsulotomy, iridotomy, vitreolysis, frequency doubled YAG lasers for selective laser trabecuoplasty, solid state photoagulators, ocular imaging ultrasound and ocular ultrasound biometry systems identified as 'Lasers &amp; Ultrasound', conducted by the Company.</td>
</tr>
<tr>
<td>Equal Capital Reduction</td>
<td>The equal capital reduction of ordinary Shares proposed to be undertaken by the Company the subject of Resolution 3.</td>
</tr>
<tr>
<td>Explanatory Statement</td>
<td>The explanatory statement accompanying the Notice of Meeting and contained in Part D of this booklet.</td>
</tr>
<tr>
<td>Extraordinary General Meeting of Shareholders</td>
<td>The Extraordinary General Meeting of Shareholders to be held on 24 April 2020.</td>
</tr>
<tr>
<td>Glossary</td>
<td>The glossary contained in Part A of this booklet.</td>
</tr>
<tr>
<td>Independent Expert</td>
<td>Grant Thornton Corporate Finance Pty Ltd ABN 59 003 265 987.</td>
</tr>
<tr>
<td><strong>Notice of Meeting</strong></td>
<td>The notice of the Extraordinary General Meeting accompanying the Explanatory Statement for the Extraordinary General Meeting and contained in Part B of this booklet.</td>
</tr>
<tr>
<td><strong>Part</strong></td>
<td>A part of this booklet.</td>
</tr>
<tr>
<td><strong>Proxy Form</strong></td>
<td>The proxy form accompanying this booklet.</td>
</tr>
<tr>
<td><strong>Record Date</strong></td>
<td>The record date for the proposed Equal Capital Reduction, set out in section 3.3(c) of the Explanatory Statement.</td>
</tr>
<tr>
<td><strong>Resolution</strong></td>
<td>A resolution contained in the Notice of Meeting.</td>
</tr>
<tr>
<td><strong>SA time</strong></td>
<td>The time in Adelaide South Australia, being Australian Central Time</td>
</tr>
<tr>
<td><strong>Shareholders</strong></td>
<td>The holders of Shares and Shareholder means any one of them.</td>
</tr>
<tr>
<td><strong>Shares</strong></td>
<td>All of the shares on issue in the share capital of the Company and Share means any one of them.</td>
</tr>
<tr>
<td><strong>Share Sale Agreement</strong></td>
<td>The Share Sale and Purchase Agreement entered into between the Company as seller and Lumibird as buyer, dated 24 December 2019.</td>
</tr>
<tr>
<td><strong>Superior Proposal</strong></td>
<td>A bona fide competing proposal which the Board considers (after taking legal and financial advice) would result in a more favourable outcome for Shareholders than the Transaction and is one that is reasonably capable of being completed.</td>
</tr>
<tr>
<td><strong>Target Entities</strong></td>
<td>Adele Ellex SPV Pty Ltd ACN 638 101 658 and its wholly owned subsidiaries:</td>
</tr>
<tr>
<td></td>
<td>• Ellex Australia Pty Ltd ACN 120 584 170</td>
</tr>
<tr>
<td></td>
<td>• Ellex Medical Pty Limited ACN 008 276 060</td>
</tr>
<tr>
<td></td>
<td>• Ellex Machine Shop Pty Ltd ACN 144 681 247</td>
</tr>
<tr>
<td></td>
<td>• Laserex Medical Pty Ltd ACN 071 485 160</td>
</tr>
<tr>
<td></td>
<td>• Ellex Deutschland GmbH Company No. HRB 169925 B (Germany)</td>
</tr>
<tr>
<td></td>
<td>• Ellex, Inc. (Japan) Company No. 1200-01-108117 (Japan)</td>
</tr>
<tr>
<td></td>
<td>• Ellex Inc. Company No. 41-1809262 (USA)</td>
</tr>
<tr>
<td></td>
<td>• Ellex Services Europe S.A.R.L. Company No. 494 163 090 (France)</td>
</tr>
<tr>
<td><strong>Transaction</strong></td>
<td>The sale of 100% of the shares of Adele Ellex SPV Pty Ltd ACN 638 101 658, a wholly owned subsidiary of the Company.</td>
</tr>
<tr>
<td></td>
<td>The sale of these shares will result in the sale of all of the Target Entities (consisting of Adele Ellex SPV Pty Ltd and its wholly owned subsidiaries).</td>
</tr>
<tr>
<td></td>
<td>The sale also includes ownership of a manufacturing facility located in Mawson Lakes, South Australia.</td>
</tr>
</tbody>
</table>
Part B – Notice of Meeting

Time and place

Notice is hereby given that the Extraordinary General Meeting of the Shareholders of the Company will be held as follows:

• Held at: 3-4 Second Avenue, Mawson Lakes, South Australia
• Commencing at: 10:00am (SA time) on 24 April 2020

Explanatory Statement

The Explanatory Statement which accompanies and forms part of this Notice of Meeting describes the matters to be considered at the Extraordinary General Meeting of Shareholders.

Defined terms

Defined terms used in this Notice of Meeting have the meanings given to them in the Glossary accompanying this Notice of Meeting at Part A.

BUSINESS

1. Agenda Item 1 - Resolutions

Resolution 1: Disposal of main undertaking

To consider and, if thought fit, pass the following resolution, with or without amendment, as an ordinary resolution:

“That, for the purposes of ASX Listing Rule 11.2 and for all other purposes, approval is given for the disposal of the Ellex Lasers & Ultrasound Business, being the main undertaking of the Company, by way of the sale by the Company of all its shares in its subsidiary, Adele Ellex SPV Pty Ltd ACN 638 101 658 to Lumibird SA on the terms and conditions set out in the Share Sale Agreement as further described in the Explanatory Statement.”

The Company will disregard any votes cast in favour of this resolution by Lumibird, (and any person who might obtain a material benefit if the resolution is passed, except a benefit solely in the capacity of a holder of ordinary shares in the Company) and any associate of any of those persons. However, the Company need not disregard a vote cast in favour of the resolution by:

• a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with the directions given to the proxy or attorney on the proxy form; or
• the person chairing the meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction on the proxy form to vote as the chair decides; or
• a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  • the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
  • the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Shareholders should carefully consider the Independent Expert Report prepared by Grant Thornton in respect of Resolution 1. The Independent Expert Report provides a determination on the fairness and reasonableness of the transaction the subject of Resolution 1 to the Shareholders. The Independent Expert has determined that the transaction is fair and reasonable to the Shareholders. This report is set out in Schedule 2 to the Explanatory Statement attached to this Notice.
Resolution 2: Change of Company name

To consider and, if thought fit, pass the following resolution, with or without amendment, as a special resolution:

“Subject to the approval of Resolution 1 by the requisite majority and Completion of the Share Sale Agreement, that, for the purposes of section 157(1) of the Corporations Act and for all other purposes, the Company’s name be changed from ‘Ellex Medical Lasers Limited’ to ‘Nova Eye Medical Limited’ and that for the purposes of section 136(2) of the Corporations Act, the Constitution be amended to reflect the change of the Company’s name by replacing all references to ‘Ellex Medical Lasers Limited’ with references to ‘Nova Eye Medical Limited’.”

A Voting Exclusion Statement is not required for this Resolution.

Resolution 3: Equal Capital Reduction

To consider and, if thought fit, pass the following resolution, with or without amendment, as an ordinary resolution:

“Subject to the approval of Resolution 1 by the requisite majority and Completion of the Share Sale Agreement, that, for the purposes of sections 256B and 256C of the Corporations Act and for all other purposes, the issued share capital of the Company be reduced by up to $41.5 million by returning to Shareholders on a pro-rata basis of approximately $0.29 for each Share held as at the Record Date, on the terms set out in the Explanatory Statement.”

A Voting Exclusion Statement is not required for this Resolution.

The Directors unanimously recommend Shareholders vote in favour of the Resolutions.

Part C – How to vote

If you are entitled to vote at the Extraordinary General Meeting of Shareholders, you may vote by attending the meeting in person or by attorney, proxy or, in the case of corporate shareholders, corporate representative.

2. How to vote

You may vote in one of two ways:

- attending the meeting and voting in person (if a corporate shareholder, by representative); or
- voting by proxy (see below on how to vote by proxy).

3. Your vote is important

The business of the Extraordinary General Meeting of Shareholders affects your shareholding and your vote is important.

4. Corporations

To vote at the Extraordinary General Meeting of Shareholders, a Shareholder that is a corporation must appoint an individual to act as its representative. The appointment must comply with section 250D of the Corporations Act. The representative should bring to the Extraordinary General Meeting of Shareholders evidence of his or her appointment, including any authority under which it is signed.

Alternatively, a corporation may appoint a proxy.
5. **Voting in person**

To vote in person, attend the meeting on the date and at the time and place set out above.

6. **Voting by proxy**

To record a valid proxy vote, Shareholders will need to take the following steps:

- Cast your vote online by visiting www.investorvote.com.au and following the instructions and information provided on the enclosed proxy form; or
- Complete and lodge the Proxy Form (and the power of attorney or other authority, if any under which it is signed, or a certified copy of it) at:
  - the share registry of the Company, Computershare Investor Services Pty Limited, located at GPO Box 242, Melbourne VIC 3001, or by facsimile on 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia); or
  - the registered office of the Company located at 3-4 Second Avenue, Mawson Lakes SA 5095, or by facsimile on (08) 7074 8231 no later than 48 hours before the meeting is held; or
- Custodian voting – for Intermediary Online subscribers only (custodians), please visit www.intermediaryonline.com to submit your voting intentions.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- each Shareholder has a right to appoint a proxy;
- the proxy need not be a Shareholder; and
- a Shareholder who is entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the Shareholder appoints two proxies and the appointment does not specify the proportion or number of the Shareholder’s votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

Shareholders and their proxies should be aware that changes to the Corporations Act made in 2011 mean that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chairman, who must vote the proxies as directed. Further details on these changes are set out below.

**Proxy vote if appointment specifies way to vote**

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, if it does:

- the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (i.e. as directed); and
- if the proxy has two or more appointments that specify different ways to vote on the resolution, the proxy must not vote on a show of hands; and
- if the proxy is the chair of the meeting at which the resolution is voted on, the proxy must vote on a poll, and must vote that way (ie as directed); and
- if the proxy is not the chair, the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (ie as directed).

**Transfer of non-chair proxy to chair in certain circumstances**

Section 250BC of the Corporations Act provides that, if:

- an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company’s members; and
- the appointed proxy is not the chair of the meeting; and
at the meeting, a poll is duly demanded on the resolution; and

• either of the following applies:
  o the proxy is not recorded as attending the meeting; or
  o the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

7. Eligibility to vote

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Extraordinary General Meeting of Shareholders are those that are registered Shareholders at 7:00pm (SA time) on 22 April 2020. If you are not the registered holder of a relevant Share at that time you will not be entitled to vote in respect of that Share.

8. Voting procedure

Every question arising at this Extraordinary General Meeting of Shareholders will be decided in the first instance by a show of hands, unless it relates to a resolution under the ASX Listing Rules, in which case it must be decided by a poll in accordance with revised ASX guidance (as is the case with Resolution 1). For questions that do not relate to a resolution under the ASX Listing Rules, a poll may be demanded in accordance with the Constitution. On a show of hands, every Shareholder entitled to vote who is present in person or by proxy, representative or attorney, will have one vote. Upon a poll, every person entitled to vote who is present in person or by proxy, representative or attorney will have one vote for each voting Share held by that person.

The results of the meeting will be provided to the ASX following the conclusion of the meeting.

9. Enquiries

For all enquiries, please contact Dr Tom Duthy, Investor Relations and Corporate Development on (W) +61 8 7074 8200 or (M)+61 402 493 727 and via email at tduthy@ellex.com.
Part D – Explanatory Statement

This Explanatory Statement forms part of the Notice of Meeting convening the Extraordinary General Meeting of Shareholders of the Company to be held at 3-4 Mawson Lakes, South Australia commencing at 10:00am (SA time) on 24 April 2020.

This Explanatory Statement is to be read in conjunction with the Notice of Meeting.

Purpose

The purpose of this Explanatory Statement is to provide information which the Directors believe is material to Shareholders in deciding whether or not to pass the Resolutions to be put forward in the Extraordinary General Meeting of Shareholders.

The Directors recommend Shareholders read the Notice of Meeting and this Explanatory Statement in full before making any decisions relating to the Resolutions contained in the Notice of Meeting.

Independent Expert Report

An IER prepared by Grant Thornton in respect of Resolution 1 is set out in Schedule 2 to this Explanatory Statement. Shareholders should read this Explanatory Statement (including the IER) carefully before deciding how to vote in respect of Resolution 1. The Independent Expert has determined that the Transaction is fair and reasonable to the Shareholders.

Defined terms

Defined terms used in this Explanatory Statement have the meanings given to them in the Glossary accompanying this Explanatory Statement at Part A.

Further information

For all enquiries, please contact Dr Tom Duthy, Investor Relations and Corporate Development on (W) +61 8 7074 8200 or (M)+61 402 493 727 and via email at tduthy@ellex.com.

1. Resolution 1 – Disposal of main undertaking

1.1 Purpose of resolution

Resolution 1 seeks the approval of Shareholders for the purpose of satisfying ASX Listing Rule 11.2 to dispose of the Ellex Lasers & Ultrasound Business by way of the sale of 100% of the shares in the Company’s wholly owned subsidiary, Adele Ellex SPV Pty Ltd to Lumibird.

Resolution 1 is proposed as an ordinary resolution.

1.2 Background

As announced to the market on 24 December 2019, the Company has entered into the Share Sale Agreement for the sale of 100% of the shares in Adele Ellex SPV Pty Ltd to Lumibird. The key terms of the Share Sale Agreement are set out in Schedule 1.

Following Completion of the Transaction, the Company intends to remain an ASX listed company and to operate the Continuing Businesses.

The sale of the Laser and Ultrasound business will see the Company exit a number of mature ophthalmic market segments. Going forward this means the Company will exploit its proprietary 2RT and iTrack technology platforms to focus exclusively on new ophthalmic markets with significant unmet needs, high entry barriers and high potential for growth. The iTrack business with manufacturing in Fremont California and a sales network across USA, Europe and Asia Pacific, will be the primary source of revenue. The sale of the Ellex
Lasers & Ultrasound Business will result in the Company becoming bank-debt free and having a less complex business that requires less corporate overhead support.

If Resolution 1 is passed, the Company will be able to proceed with and complete the Transaction and after taking customary purchase price adjustments into account, the following events will take place:

- approximately $61 million of the proceeds from the Transaction will be returned to Shareholders via a return of capital of up to $41.5 million (approximately $0.29 per Share) (see section 3 of the Explanatory Statement) and a fully franked dividend of approximately $0.14 per Share;
- the Company will pay approximately $12.5 million in income tax on the Transaction;
- in addition, legal and advisory costs associated with the Transaction of $2 million will be paid; and
- the Company will retain approximately $21 million of the proceeds from the Transaction to grow the iTrack business both organically and via acquisition, continue to progress the 2RT technology as a therapy for intermediate age related macular degeneration (iAMD) and for general working capital. Both of the markets being targeted by iTrack and 2RT, namely interventional glaucoma surgery and iAMD management are global markets with significant unmet needs and high entry barriers.

If Resolution 1 is not passed, the Company will not be able to proceed with the Transaction and the Company will continue to operate and grow the three business segments, Laser and Ultrasound, iTrack and 2RT. To do this the Company will be required to raise additional debt or equity funds or divest assets or businesses. In addition, the Company will not be able to proceed with the proposed Capital Return to Shareholders.

1.3 Independent Expert Report

The Board has determined that it is in the best interests of Shareholders to engage Grant Thornton to prepare the Independent Expert Report. As such, the Share Sale Agreement contains a condition precedent that the Company has obtained an independent expert's report concluding that the Transaction is fair and reasonable to Shareholders.

The IER prepared by Grant Thornton in respect of Resolution 1 is set out in Schedule 2 to this Explanatory Statement. It provides a determination on whether the Transaction outlined in Resolution 1 is fair and reasonable to the Shareholders. The IER also contains an assessment of the advantages and disadvantages of the Transaction, which is designed to assist Shareholders in making an informed decision in relation to Resolution 1 contained in this Notice of Meeting.

The Independent Expert has determined that the Transaction is fair and reasonable to the Shareholders.

The Directors unanimously recommend Shareholders vote in favour of the Resolution.

1.4 Impact of the Transaction on the Company

A pro forma balance sheet has been prepared based on the Company’s 31 December 2019 balance sheet and based on the following assumptions:

- Removal of Assets held for Resale of $70.4 million
- Removal of Liabilities held for Resale of $28.9 million
- The including of net proceeds of $100 million from the transaction adjusted for estimated closing adjustments and transaction costs
- The inclusion of an estimate of the income tax liability due on the transaction of $12.5 million
- An estimate of a return of capital to shareholders of $41.5 million
- The payment of a fully franked dividend of $19.5 million
- The retention of $21 million of cash (of which $2 million will be held in escrow by Lumibird for 12 months pursuant to the Share Sale Agreement) to support the growth plans for the Continuing Businesses

<table>
<thead>
<tr>
<th></th>
<th>31 December 2019 Balance Sheet</th>
<th>31 December 2019 Pro-forma Balance Sheet</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$000's</td>
<td>$000's</td>
</tr>
<tr>
<td>Current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>733</td>
<td>34,233</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>2,148</td>
<td>2,148</td>
</tr>
<tr>
<td>Inventories</td>
<td>2,977</td>
<td>2,977</td>
</tr>
<tr>
<td>Other current assets</td>
<td>82</td>
<td>82</td>
</tr>
<tr>
<td>Assets held for sale</td>
<td>70,410</td>
<td>-</td>
</tr>
<tr>
<td>Total current assets</td>
<td>76,350</td>
<td>39,440</td>
</tr>
<tr>
<td>Non-current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>47</td>
<td>47</td>
</tr>
<tr>
<td>Inventories</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>3,186</td>
<td>3,186</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>3,398</td>
<td>3,398</td>
</tr>
<tr>
<td>Capitalised development expenditure</td>
<td>7,086</td>
<td>7,086</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>8,114</td>
<td>2,906</td>
</tr>
<tr>
<td>Total non-current assets</td>
<td>21,831</td>
<td>16,623</td>
</tr>
<tr>
<td>Total assets</td>
<td>98,181</td>
<td>56,063</td>
</tr>
<tr>
<td>Current liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>1,086</td>
<td>1,086</td>
</tr>
<tr>
<td>Borrowings</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Lease liability</td>
<td>351</td>
<td>351</td>
</tr>
<tr>
<td>Provisions</td>
<td>264</td>
<td>264</td>
</tr>
<tr>
<td>Current tax liabilities</td>
<td>-</td>
<td>12,500</td>
</tr>
<tr>
<td>Liabilities held for sale</td>
<td>28,849</td>
<td>-</td>
</tr>
<tr>
<td>Total current liabilities</td>
<td>30,550</td>
<td>14,201</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lease liability</td>
<td>1,606</td>
<td>1,606</td>
</tr>
<tr>
<td>Provisions</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Deferred income</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total non-current liabilities</td>
<td>1,606</td>
<td>1,606</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>32,156</td>
<td>15,807</td>
</tr>
<tr>
<td>Net assets</td>
<td>66,025</td>
<td>40,256</td>
</tr>
<tr>
<td>Equity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issued capital</td>
<td>78,311</td>
<td>36,811</td>
</tr>
<tr>
<td>Reserves</td>
<td>1,553</td>
<td>1,553</td>
</tr>
</tbody>
</table>
Accumulated (losses) |  -13,839  |  1,892  
Total equity     |        |       | 66,025  | 40,256  

1.5 **Advantages and disadvantages**

The Board is of the opinion that the benefits of the Transaction proposed to be undertaken by the Company include:

(a) the revenue and EBITDA multiple is attractive for a capital equipment business operating in a mature ophthalmology market segment;

(b) it allows the Company to focus on the higher growth glaucoma consumable device market with iTrack and to progress the development of 2RT for intermediate age-related macular degeneration (iAMD);

(c) it significantly reduces the capital required to fund working capital, improves overall group gross profit margins and materially lower annual corporate, marketing and employee costs; and

(d) the proposed consideration under the Transaction provides the Shareholders with certainty of a cash return in respect of the sale of the Ellex Lasers & Ultrasound Business in circumstances where:

(i) such a return may not otherwise be available given an active trading market for the Shares may not develop, or if it develops, may not be sustained; and

(ii) Shareholders can retain their participation in the future financial performance of the Continuing Businesses.

Potential disadvantages of the Transaction include that:

(a) the sale of the Ellex Lasers & Ultrasound Business requires a change in Company name that may adversely affect customer sentiment;

(b) the Continuing Businesses may not generate sufficient revenue and cash flows to provide Shareholders with a desired return;

(c) you may not agree with the recommendation by the Directors and the Independent Expert. Notwithstanding the unanimous recommendation of the Directors and the Independent Expert's opinion that the Transaction is fair and reasonable, you may believe that the Transaction is not fair and/or not reasonable, or otherwise not in your best interest or in the best interests of Shareholders as a whole;

(d) you may prefer to participate in the future financial performance of the Ellex Lasers & Ultrasound Business;

(e) you may wish to maintain an interest in a publicly listed investment with the specific characteristics provided by the Ellex Lasers & Ultrasound Business and maintain your investment profile;

(f) you may consider that there is potential for a Superior Proposal for the Ellex Lasers & Ultrasound Business to be made in the foreseeable future; and

(g) the tax consequences of the Transaction may not suit your financial position.

1.6 **Overview of regulatory approval requirements**

ASX Listing Rule 11.2 requires a listed company to obtain the approval of its shareholders to a disposal of its main undertaking. The notice of meeting must include a voting exclusion statement, and must comply with any ASX requirements in relation to such a notice.
The Directors consider that the sale of the Ellex Lasers & Ultrasound Business constitutes a disposal of the Company's main undertaking and therefore, that Shareholder approval is required under ASX Listing Rule 11.2. As such, Resolution 1 seeks the required shareholder approval to the Transaction for the purposes of ASX Listing Rule 11.2. Further, the Share Sale Agreement contains a condition precedent that the Company has obtained Shareholder approval for the Transaction as required by ASX Listing Rule 11.2.

1.7 Other information

(a) ASX compliance

ASX Listing Rule 11.1 provides that, where an entity proposes to make a significant change, either directly or indirectly, to the nature or scale of its activities, it must provide full details to ASX as soon as practicable.

ASX has been notified and kept informed of the full details of the Transaction.

ASX Listing Rule 11.1.3 provides that, where an entity proposes to make a significant change, either directly or indirectly, to the nature or scale of its activities, ASX may require the entity to meet the requirements in chapters 1 and 2 of the ASX Listing Rules as if the entity were applying for admission to the official list.

ASX has given in-principle advice on 20 December 2019 that the Company will not be required to comply with Listing Rule 11.1.3.

(b) Proceeds from Transaction

The purchase price to be received by the Company for the Transaction is $100 million (plus interest of 1.5% per annum for the period between 30 June 2019 and Completion, minus any leakage), of which $2 million will be escrowed and the rest received as immediately available funds in cash.

The $2 million escrowed amount will be released to the Company in two tranches:

- $500,000 will be released three months after the date tax returns are lodged for the Target Entities for the financial year ending 30 June 2020; and
- the remaining amount will be released on the 12 month anniversary of Completion, subject to there being no warranty claims against the Seller under the Share Sale Agreement.

As a result of the Transaction, and after taking customary purchase price adjustments into account, approximately $61 million received at Completion will be distributed to Shareholders, with approximately $19.5 million returned as a franked dividend and up to $41.5 million as a return of capital. Approximately $12.5 million will be due in income tax, and legal and advisory costs directly associated with the Transaction, estimated at $2 million, will also be paid. Further information about the return of capital is set out in section 3 of the Explanatory Statement.

The Board intends to retain $21 million (including $2 million due from Lumibird in the future under the escrow deed) as capital to continue to operate the Continuing Businesses.

(c) Tax implications

The Transaction will give rise to a capital gains tax event which is expected to result in a capital gain to the Company.

The estimated income tax payable on the Transaction is $12.5 million.

(d) Timing
Subject to receipt of Shareholder approval on 24 April 2020 and satisfaction of all other Conditions Precedent, as detailed in Schedule 1 (Key Terms of Share Sale Agreement), it is expected that Completion will occur on or about 30 April 2020.

1.8 Directors’ recommendations and interests

The Directors unanimously recommend that Shareholders vote in favour of Resolution 1.

Each Director who is also a Shareholder and who is not otherwise restricted from voting intends to vote in favour of Resolution 1.

The Chairman of the Extraordinary General Meeting of Shareholders intends to vote undirected proxies in favour of Resolution 1.

2. Resolution 2 – Change of Company name

2.1 Purpose of resolution

Resolution 2 seeks the approval of Shareholders to change the name of the Company from ‘Ellex Medical Lasers Limited’ to ‘Nova Eye Medical Limited’ (and to amend the Constitution to change the Company’s name by replacing all references to ‘Ellex Medical Lasers Limited’ with references to ‘Nova Eye Medical Limited’).

Resolution 2 is proposed as a special resolution.

2.2 Background

The Transaction includes the sale of intellectual property, including trade marks, related to the Ellex Lasers & Ultrasound Business. For this reason the Share Sale Agreement requires the Company to change its name (and the names of any remaining subsidiaries) from Completion to a name that does not include ‘Ellex’ or any other name similar to the intellectual property included in the Transaction.

The Company proposes to change its name to ‘Nova Eye Medical Limited’.

2.3 Overview of regulatory approval requirements

Section 157(1) of the Corporations Act enables a company to change its name by a special resolution passed at a general meeting. Accordingly, subject to the Shareholders approving Resolution 1 by the requisite majority, Resolution 2 seeks Shareholder approval to change the name of the Company from ‘Ellex Medical Lasers Limited’ to ‘Nova Eye Medical Limited’. The proposed new name has been reserved with ASIC.

Changing the Company’s name requires consequential amendments to the Constitution to reflect this change. Accordingly, Resolution 2 also seeks Shareholder approval by way of a special resolution pursuant to section 136(2) of the Corporations Act to amend the Constitution to replace all references to ‘Ellex Medical Lasers Limited’ with references to ‘Nova Eye Medical Limited’.

If this Resolution 2 is passed as a special resolution:

- the change of Company name will take effect when ASIC alters the details of the Company’s registration; and
- the amendment to the Constitution will take effect on the date of this meeting.

Note that a special resolution must be passed by at least 75% of the votes cast by Shareholders entitled to vote on the resolution.

2.4 Other information

The Company is the sole shareholder of Ellex iScience Inc Company No. 46-4216875 (operating the iTrack glaucoma surgical therapy business) and Ellex R&D Pty Ltd ACN 121 627 736 (operating the 2RT retinal rejuvenation therapy business), and can change the names of these companies without Shareholder approval.
Reflecting the ongoing ophthalmic focus of the Company following Completion of the Transaction, the Company has received confirmation from the ASX that, subject to Shareholders approving a name change, the Company’s ASX ticker code will change to “EYE”

2.5 Directors’ recommendations and interests
The Directors unanimously recommend that Shareholders vote in favour of Resolution 2.

Each Director who is also a Shareholder and who is not otherwise restricted from voting intends to vote in favour of Resolution 2.

The Chairman of the Extraordinary General Meeting of Shareholders intends to vote undirected proxies in favour of Resolution 2.

3. Resolution 3 – Equal Capital Reduction

3.1 Purpose of resolution
Resolution 3 seeks the approval of Shareholders to reduce the issued share capital of the Company by up to $41.5 million by returning to Shareholders on a pro-rata basis approximately $0.29 for each Share held as at the Record Date.

Resolution 3 is proposed as an ordinary resolution.

3.2 Background
The Company proposes to distribute approximately $61 million of the purchase price received at Completion to Shareholders, of which up to $41.5 million (approximately $0.29 per Share) will be a return of capital subject to the passing of Resolution 3 and approximately $0.14 per Share will be a franked dividend (Distribution). This is discussed further at section 1.1(b) of the Explanatory Statement.

Following completion of the proposed Distribution, it is estimated that the Company will have net cash reserves of approximately $21 million (including $2 million due under the escrow deed) and 143,601,138 Shares on issue. These remaining funds will be used to exploit markets with significant unmet needs and high entry barriers including:

- to grow the iTrack business both organically and via acquisition, and
- commercialising 2RT technology as a therapy for intermediate age related macular degeneration (iAMD).

The Directors consider the remaining funds will be sufficient to meet the Company's funding requirements during the medium term business planning cycle.

Resolution 3 is subject to:

(a) there being no material changes to the Company's budgeted financial position at the proposed time of the capital return;

(b) the Company obtaining Shareholder approval under Resolution 1; and

(c) the Company satisfying section 256B of the Corporations Act on the payment date of the capital return.

In addition, if Resolution 1 is not passed at the Extraordinary General Meeting, then Resolution 3 will not be proposed. If Resolutions 1 and 3 are passed but Completion of the Share Sale Agreement does not occur, then the Company will not proceed with the Distribution.
The Directors reserve the right not to proceed with the proposed Distribution at any time before the proposed payment date of entitlements to Shareholders, as set out in the timetable in section 3.3(c) of this Explanatory Statement.

The Company will apply to the ATO for a Class Ruling seeking confirmation of the Australian income tax treatment for Australian resident Shareholders of the Equal Capital Reduction who hold their shares in the Company on capital account. The Class Ruling is expected to be issued at some time after the Extraordinary General Meeting.

If the Class Ruling is not issued by the ATO in the form expected, the Company will obtain further financial and legal advice, and undertake further financial analysis to determine a tax effective alternative to the Capital Return for Shareholders. The Company will provide Shareholders with updates in this regard as and when they become available.

3.3 Other information for Shareholders

(a) Entitlement to participate

All Shareholders who are recognised on the Company's share register as at 7:00pm Adelaide time on the Record Date will be entitled to participate in the Distribution.

(b) Amount of entitlement

Each Shareholder who participates in the Distribution will receive a capital return of approximately $0.29 for each Share held as at the Record Date. Entitlements will be rounded up to the nearest cent. The amount of the entitlement is subject to change depending on the Class Ruling and the number of Shares on issue at the Record Date.

The Distribution will be paid to Shareholders via cheque only, posted to the Shareholders’ registered address, the registered address of the joint holder of Shares who is named first on the register of Shareholders, or an address and person nominated by the holder or joint holders of the Shares.

(c) Indicative timetable

The Company has lodged with ASIC a copy of this Notice of Meeting and Explanatory Statement pursuant to section 256C of the Corporations Act.

If Resolution 3 is passed, the Distribution will take effect in accordance with the indicative timetable as follows:

<table>
<thead>
<tr>
<th>Event</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Meeting held</td>
<td>24 April 2020</td>
</tr>
<tr>
<td>Trading in Shares on an 'ex capital return' basis (2 business days after receipt of final Class Ruling)</td>
<td>Estimated 15 May 2020</td>
</tr>
<tr>
<td>Record Date (3 business days after receipt of final Class Ruling)</td>
<td>Estimated 18 May 2020</td>
</tr>
<tr>
<td>Distribution Date (dividend and capital return) paid to Shareholders (5 business days after Record Date)</td>
<td>Estimated 25 May 2020</td>
</tr>
</tbody>
</table>

The dates shown in the table above are indicative only and may vary subject to the Corporations Act and other applicable laws. In particular, the Company reserves the right to vary the date the entitlement will be paid to Shareholders without prior notice. Any variation to the above dates will be published on the Company's website (https://www.ellex.com/investors/).
(d) **Optionholders**

As at the date of this Notice, the Company has on issue 363,636 unlisted options, exercisable at $0.55 per option and expiring on 1 October 2029. Holders of options are not entitled to participate in the Equal Capital Reduction unless they exercise their options and are issued Shares in accordance with the terms of the options.

Should an optionholder wish to participate in, and receive the benefit of the Equal Capital Reduction, they must exercise their options by 20 April 2020. Optionholders wishing to exercise their options should consult their stockbroker, accountant or other professional adviser in relation to the exercise of their options.

### 3.4 Overview of regulatory approval requirements

The capital reduction is an "equal capital reduction" in accordance with section 256B(2) of the Corporations Act as:

(a) it relates only to ordinary Shares in the capital of the Company;

(b) it applies to each holder of ordinary Shares in the same proportion to the number of ordinary Shares they hold in the Company; and

(c) the terms of the reduction are the same for each holder of ordinary Shares in the Company.

Under section 256C(1) of the Corporations Act, an "equal capital reduction" must be approved by an ordinary resolution passed at a general meeting of the Company. Resolution 3 seeks this approval from Shareholders.

Under section 256B of the Corporations Act, the Company must not affect a reduction of capital unless it:

(a) is fair and reasonable to the Shareholders as a whole;

(b) does not materially prejudice the Company's ability to pay its creditors; and

(c) is approved by Shareholders.

### 3.5 Board opinion

The Board is of the opinion that:

(a) the Equal Capital Reduction is fair and reasonable to the Shareholders as a whole as the terms of the capital return are the same for each Shareholder and the Capital Return is on a pro-rata basis;

(b) the Equal Capital Reduction does not materially prejudice the Company's ability to pay its creditors as the Company will have sufficient cash reserves to pay its creditors after the Capital Return; and

(c) the Company will remain solvent following the Distribution.

The Independent Expert has provided its determination on whether the Transaction is fair and reasonable to Shareholders. The Independent Expert Report also considers the value of the Company and the consideration for the Ellex Lasers & Ultrasound Business.

### 3.6 Advantages and disadvantages

The Board is of the opinion that the benefits of the Equal Capital Reduction proposed to be undertaken by the Company include:
(a) enabling the Company to return a sum of money equally to all its Shareholders to reward them for their support of the Company by returning their contributed capital which is in excess to Company requirements following the Transaction; and

(b) conducting the Capital Return in a way that will allow Shareholders to retain the same percentage of ownership in the Company without incurring any costs.

Potential disadvantages of the Equal Capital Reduction include that:

(a) the Company will have a reduced capital base from which to operate;

(b) this may limit the Company’s capacity to fund potential product or company acquisitions to grow its portfolio or to invest significantly into research and development; and

(c) the Company may require additional funding in the future to meet its strategic and corporate objectives, which may otherwise not be the case if the Equal Capital Reduction did not proceed.

3.7 Effect of the proposed Equal Capital Reduction

(a) Effect on the Company

The Equal Capital Reduction will be paid entirely from the purchase price received at Completion. Upon receipt of the purchase price for the Ellex Lasers & Ultrasound Business, the Company's cash resources will significantly increase for a short period of time between Completion and the payment of the Distribution. The effect of the Capital Return is that the Company's cash resources will be reduced by the amount of capital returned to Shareholders (i.e. up to $41.5 million), whilst the paid-up capital will decrease by this amount. As disclosed in section 1 of this Explanatory Statement, following Completion, and the payment of the Distribution, the payment of income tax related to the Transaction, and transaction costs, the Company will have approximately $21 million to be applied towards the Continuing Businesses. The Board is of the opinion that after taking these matters into account, the Company will have sufficient cash resources to meet the Company’s requirements.

The pro-forma balance sheet included at paragraph 1.4 shows the impact of the Equal Capital Reduction

(b) Effect on Shareholders

The effect of the Equal Capital Reduction is that Shareholders will receive approximately $0.29 for each fully paid ordinary Share held on the Record Date (rounded up to the nearest cent). The Capital Return will have no effect on the number of Shares held by Shareholders, the paid amount in relation to Shares held by Shareholders or on their proportionate interests in the share capital of the Company.

(c) Effect on creditors

As a consequence of the matters referred to above, the Company is satisfied that the Equal Capital Reduction will not materially prejudice the Company's ability to pay its creditors, and the Company will remain solvent following completion of the Equal Capital Reduction.

(d) Effect on capital structure

For the purposes of ASX Listing Rule 7.20, the Company provides the following information to Shareholders regarding the effect of the Equal Capital Reduction on its securities.
The Company has 143,601,138 Shares and 363,636 unlisted options (with an exercise price of $0.55 per option and expiry date of 1 October 2029) on issue as at the date of this Notice.

The Company’s share capital will be reduced by approximately $0.29 per Share which at the date of this Notice amounts to a reduction of approximately $41 million, from $78.3 million to $36.8 million.

No Shares will be cancelled and the number of Shares held by Shareholders will not change as a result of the Equal Capital Reduction. All Shares on issue are fully paid.

3.8 Tax implications for Shareholders

This section is general in nature based on taxation advice the Company has received from EY. The particular tax implications will depend on the individual circumstances of each Shareholder. Shareholders are encouraged to seek their own professional advice in relation to their tax position. Neither the Company nor any of its officers, employees or advisers assumes any liability or responsibility for advising Shareholders about the tax consequences from the proposed capital return. The following is a general summary of the Australian income tax implications for Australian resident Shareholders who hold their Shares on capital account. The summary does not apply to Shareholders who:

- are non-residents of Australia for Australian income tax purposes;
- hold their shares as revenue assets, as trading stock, or are subject to the Taxation of Financial Arrangements provisions in Division 230 of the Income Tax Assessment Act 1997 (ITAA 1997); or
- are financial institutions, insurance companies, partnerships, tax exempt organisations, dealers in securities or shareholders who change their tax residency while holding shares, each of which may be subject to specific additional tax rules.

The summary has been prepared on the basis of Australian taxation law and administrative practice as at the date of this Notice. References to Australian resident Shareholders are to Shareholders of the Company who are residents of Australia for Australian income tax purposes and are not tax resident in any other jurisdiction.

(a) Class Ruling

The Company will apply for a Class Ruling from the ATO in relation to the tax treatment of the Equal Capital Reduction for the Australian resident Shareholders who hold their shares in the Company on capital account.

It is anticipated that the views in the Class Ruling should be consistent with the summary in Section 3.8(b) below, although it is possible that the ATO’s views may differ.

Once the Class Ruling has been issued by the ATO, a Shareholder may rely on that Class Ruling when preparing their income tax return. The Class Ruling is expected to be issued at some time after the Extraordinary General Meeting. The Class Ruling will be made available to Shareholders on the ASX company announcements platform and the Company’s website (https://www.ellex.com/investors/).

(b) Return of Capital

(i) Australian capital gains tax (CGT)

The Capital Return should not constitute a dividend for Australian income tax purposes.
The receipt of the Capital Return by a Shareholder who is an Australian tax resident should constitute a CGT event for Australian income tax purposes on the date that the Company distributes the Capital Return to those Shareholders.

Shareholders who hold their Shares on both the Record Date and on the day the Capital Return is distributed should:

- Have the cost base of each of their Shares reduced by the proceeds of the Capital Return per share where the proceeds of the Capital Return per share are less than the cost base of each of their Shares; or
- Make a capital gain if the proceeds of the Capital Return received per share are greater than the cost base of each of their Shares, with the capital gain equal to the excess. The cost base of the Shareholder’s Shares should also be reduced to nil.

Shareholders who hold their Shares on the Record Date but who dispose of their Shares before the Capital Return is distributed should realise a taxable gain equal to the amount of the Capital Return received.

(ii) Capital proceeds

The capital proceeds for the CGT event arising from the receipt of the Capital Return should be the amount of the Capital Return distributed by the Company to the relevant Shareholder.

(iii) Cost base

The cost base and reduced cost base of the Shares should generally include the amount paid to acquire the Shares and the market value of any property given to acquire the Shares, plus any incidental costs of acquisition (e.g. brokerage fees and stamp duty).

(iv) CGT discount

Generally, Australian resident Shareholders who are individuals, trusts or complying superannuation funds that have held their Shares in the Company for at least 12 months at the time of their disposal should be entitled to the CGT discount in calculating the amount of capital gain (if any) on receipt of the Capital Return.

The CGT discount is applied after available capital losses have been offset to reduce the capital gain.

The applicable CGT discount which should reduce a capital gain arising from the disposal of Shares is as follows:

- 50% for individuals and trusts; and
- 33.5% for a complying superannuation entity,

The CGT discount is not available for Australian resident Shareholders who are companies.

(v) Application of capital distribution integrity measures

The ATO has available a number of integrity measures which may be applied to deem certain distributions which may be otherwise capital in nature to be treated as dividends.
The Class Ruling seeks the ATO’s confirmation that none of those integrity measures will be applied in relation the Capital Return.

3.9 Directors’ recommendations and interests

Some of the Directors are Shareholders and accordingly they will be taking part in the Distribution. No Director will receive any payment or benefit of any kind as a consequence of the Distribution, other than as a Shareholder.

The table below sets out the interests of the Directors (held directly or indirectly) in the Company as at the date of this Notice of Meeting, and the cash figure each Director will receive in the Distribution.

<table>
<thead>
<tr>
<th>Director</th>
<th>Number of ordinary Shares held</th>
<th>Expected cash return through Equal Capital Reduction ($)</th>
<th>Expected cash return through franked dividend ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Victor Previn</td>
<td>9,316,031</td>
<td>2,701,649</td>
<td>1,304,244</td>
</tr>
<tr>
<td>Rahmon Coupe</td>
<td>914,400</td>
<td>273,050</td>
<td>114,300</td>
</tr>
<tr>
<td>Alex Sundich</td>
<td>6,300,000</td>
<td>1,881,250</td>
<td>787,500</td>
</tr>
<tr>
<td>Michael Southard</td>
<td>20,000</td>
<td>5,972</td>
<td>2,500</td>
</tr>
<tr>
<td>Michael Mangano</td>
<td>50,000</td>
<td>14,931</td>
<td>6,250</td>
</tr>
</tbody>
</table>

The Directors unanimously recommend that Shareholders vote in favour of Resolution 3.

Each Director who is also a Shareholder and who is not otherwise restricted from voting intends to vote in favour of Resolution 3.

The Chairman of the Extraordinary General Meeting of Shareholders intends to vote undirected proxies in favour of Resolution 3.
## Schedule 1

### Key Terms of Share Sale Agreement

| Parties | Ellex Medical Lasers Limited (Ellex)
Lumibird SA (Lumibird) |
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase Price</td>
<td>A$100 million, adjusted for iTrack, 2RT and corporate costs at Completion and subject to customary &quot;locked box&quot; provisions.</td>
</tr>
</tbody>
</table>
| Conditions Precedent | **Restructure** Execution of the Restructure Documents and completion of the Restructure by Ellex on the Restructure Date, on terms reasonably satisfactory to the Buyer.  
**FIRB Approval** If required, the Treasurer of the Commonwealth of Australia:  
(a) gives (either personally or through a delegate) an approval under the *Foreign Acquisition Takeovers Act 1975* (Cth) (FATA) to the Buyer acquiring the Shares, and that approval is not subject to conditions, or is subject only to conditions that the Buyer reasonably considers to be acceptable;  
(b) provides (either personally or through a delegate) written advice or confirmation that there is no objection to the Buyer acquiring the Shares under the FATA or the foreign investment policy of the Australian Government, and that advice or confirmation is not subject to conditions, or is subject only to conditions that the Buyer reasonably considers to be acceptable; or  
(c) ceases to be empowered to make any order under Part II of the FATA in respect of the Buyer acquiring the Shares.  
**ACCC Approval** If required, the Transaction receiving clearance by the Australian Competition and Consumer Commission and any other relevant anti-trust regulators.  
**Independent Expert Report** Ellex obtaining an Independent Expert's Report which concludes that the Transaction is fair and reasonable to Ellex shareholders.  
**Shareholder Approval** Ellex obtaining the shareholder approvals required for the transactions contemplated by this Agreement, including the approval of its shareholders for the sale of the Shares and Business for all purposes, including ASX Listing Rules 11.1 and 11.2.  
**ANZ Facility** Written lender consent in respect of the transactions contemplated by this Agreement is obtained under the ANZ Facility.  
**Deed of Cross Guarantee** the each Target Group Member is released from the Deed of Cross Guarantee with effect from Completion.  
**Environmental certificate** an Environment Protection Authority certificate relating to the Owned Property under Section 7 of the *Land and Business (Sale and Conveyancing) Act 1994* is received on terms reasonably satisfactory to the Buyer.  
At the date of this Notice of Meeting, the FIRB condition and the Environmental Certificate condition have been satisfied. |
| Exclusivity | **Company** means Adele Ellex SPV Pty Ltd.  
Adele Ellex SPV Pty Ltd is the special purpose vehicle established by Ellex to facilitate the restructure and the sale to Lumibird of the required Ellex subsidiaries. |

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**Competing Proposal** means any expression of interest or intent, proposal, offer, transaction, agreement or arrangement which:

(a) if entered into or completed in accordance with its terms, would result in a third party (either alone or together with one or more other parties) directly or indirectly:

(i) acquiring Control of Ellex (other than on the basis that any acquisition of Control of Ellex would take place following completion of the Transaction);

(ii) acquiring an interest (including an economic interest by way of an equity swap, contract for difference or similar transaction or arrangement) or a Relevant Interest in 15% or more of the shares in Ellex; or

(iii) acquiring, becoming the holder of or having a right to acquire or an economic interest in all or a substantial part of the Business, or any of the Business Assets,

whether by way of takeover bid, members’ or creditors’ scheme of arrangement, shareholder approved acquisition, capital reduction, buy-back, sale or purchase of shares, other securities or assets, assignment of assets and liabilities, incorporated or unincorporated joint venture, dual-listed company (or other synthetic merger), deed of company arrangement, any debt for equity arrangement or other transaction or arrangement; or

(b) if entered into with one or more members of Ellex Group would require the abandonment of, or otherwise result in the failure to proceed with, the Transaction;

**Completion** means completion of the sale and purchase of the Shares.

**Completion Date** means the date on which Completion occurs, being the first month end date after satisfaction or waiver of the final Condition, or such other date as agreed by the Parties in writing in accordance with the provisions of this Agreement.

**Shares** means all of the shares in the capital of the Company.

**No-shop**

Until Completion, Ellex must not, and must ensure that its Representatives do not, except with the prior written consent of the Buyer:

directly or indirectly solicit, initiate or invite enquiries, discussions or proposals in relation to, or which may reasonably be expected to lead to, a Competing Proposal; or

communicate to any person any intention to do any of the things referred above

**No-talk**

Subject to a fiduciary exception, until Completion, Ellex must not, and must ensure that its Representatives do not, except with the prior written consent of the Buyer:

(a) directly or indirectly participate in or continue any discussions or negotiations in relation to, or which may reasonably be expected to lead to, a Competing Proposal;

(b) provide or make available to any third party any non-public information relating to any member of Ellex Group in connection with such third
party formulating, developing or finalising, or assisting in the formulation, development or finalisation of, a Competing Proposal; or

(c) communicate to any person any intention to do any of the things referred to above

**No due diligence**

Until Completion, Ellex must not, except with the prior written consent of the Buyer:

(a) solicit, initiate, facilitate or encourage any party (other than the Buyer or its Representatives) to undertake due diligence on Ellex or any member of Ellex Group for the purposes of enabling that person to make or assess a Competing Proposal; or

(b) subject to a fiduciary exception, make available to any other person (other than the Buyer or its Representatives) or permit such person to receive any non-public information relating to Ellex or any member of Ellex Group for the purposes of enabling that person to make or assess a Competing Proposal.

This does not prevent Ellex from providing information to ASX, ASIC or Ellex’s auditors and advisers in the ordinary course of business, in compliance with its continuous disclosure obligations or to otherwise effect the negotiation and entry into this Agreement.

**Notification obligation**

Until Completion, Ellex must notify the Buyer in writing if it is approached, or if any of its Representatives are approached, by any person in relation to an actual or potential Competing Proposal, and that notice must include details of the terms of the actual or potential Competing Proposal including the identity of the proponent(s) of any Competing Proposal.

Such notice is to be provided by Ellex within 48 hours after the approach.

**Fiduciary exception**

In respect of a bona fide Competing Proposal received by Ellex or a potential or proposed Competing Proposal, which in each case was not brought about as a result of any breach by Ellex of its obligations Ellex may undertake any action that would otherwise be prohibited by the No-talk and No due diligence clauses if (and only to the extent that) Ellex Board determines, acting in good faith after receiving advice from its financial and legal advisers, that:

(a) where there is a Competing Proposal, that the Competing Proposal is, or may reasonably be expected to lead to, a Superior Proposal; and

(b) not taking that act would be likely to constitute a breach of the fiduciary or statutory duties owed by any Ellex Director.

**Matching right**

Ellex must procure that no Seller Director publicly recommends a Competing Proposal, and must not enter into any agreement or arrangement in relation to or in connection with the implementation of a Competing Proposal, unless:

(a) the Competing Proposal is a Superior Proposal;

(b) Ellex has given the Buyer written notice (Matching Right Notice) of the key terms of the Competing Proposal (including the identity of the person(s) who made the Competing Proposal); and

(c) the Buyer does not, within 5 Business Days after Ellex gives the Matching Right Notice, make a written proposal to Ellex to alter the Transaction that Ellex Board determines, acting in good faith, would
produce an outcome for Seller shareholders that is at least as favourable to them as the outcome that would be produced by the Competing Proposal.

**Presentations and other disclosures**

Nothing in the Exclusivity clause will prevent Ellex from:

(a) providing information to its Representatives acting in that capacity in connection with the Transaction;

(b) providing information to ASX or any other Government Agency; or

(c) providing information to its auditors, advisers, customers, and suppliers acting in that capacity in the ordinary course of business.

### Shareholder Approval

Ellex Medical will seek shareholder approval for the Transaction at an Extraordinary General Meeting.

### Break Fee

Ellex has agreement to pay Lumibird a break fee of A$1,000,000.

No reverse break fee is payable by Lumibird to Ellex.

Ellex must pay Lumibird the Break Fee, without set-off or withholding and within 5 Business Days after receipt of a written demand from the Buyer, if at any time after the date of this deed:

(a) a Competing Proposal is made or announced by a third party before Completion (whether or not such proposal is stated to be subject to any preconditions) and within 12 months thereafter:

   (i) the third party proposing the Competing Proposal or any associate of that third party completes the Competing Proposal in the same or substantially the same form as made or announced (disregarding any differences in consideration or structure); or

   (ii) another third party acquires Control of Ellex or the Business;

(b) Ellex enters into any agreement with a third party in respect of a Competing Proposal; or

(c) any Ellex Director publicly:

   (i) withdraws or adversely changes their Recommendation or Voting Intention, unless permitted to do so

   (ii) recommends a Competing Proposal

and this Agreement is terminated or the Transaction does not proceed.

### Restraint

Ellex has agreed to not, either directly or indirectly

(a) engage in a business or an activity that is:

   (i) the same or similar to the Business or any material part of the Business; and

   (ii) in competition with the Business or any part of the Business;

(b) solicit, canvass, approach or accept an approach from a person who was at any time during the 24 months ending on the Completion Date a customer or client of the Business with a view to obtaining their custom in a business that is the same or similar to the Business and is in competition with the Business;

(c) interfere with the relationship between the Business and its customers, clients, employees or suppliers; or
| Locked Box | Ellex has agreed to a locked box arrangement with Lumibird from the period commencing 30 June 2019 to the Completion Date. The locked box arrangement allows for an interest rate adjustment on the purchase price and adjustments for iTrack, 2RT and certain other corporate expenditure commencing 30 June 2019 until the Completion Date. Similarly, Ellex indemnifies the Buyer if any of a customary list of prescribed ‘leakages’ occur in the relevant period. |
| Specific Indemnities | Ellex has agreed to provide specific indemnities that reflect a transaction of this nature for the implementation of the restructure necessary to complete the Transaction. |
| Warranties & Indemnities | Ellex has agreed to a package of warranties and indemnities, with associated limitation of liability provisions that reflect a transaction of this nature. Lumibird has package of warranties and indemnities, with associated limitation of liability provisions that reflect a transaction of this nature and include Lumibird having sufficient debt and/or cash to pay the Purchase Price. |
| Transitional Service Arrangement | The parties have agreed a Transitional Services Agreement will be prepared based on the following key commercial points and otherwise will be prepared on terms reasonably acceptable to the parties in their discretion:  
(a) Assets related to 2RT will be owned by Ellex R&D Pty Ltd.  
(b) The Target Group will supply quality, regulatory and factory service systems at cost plus a margin to be agreed between the Parties.  
(c) Direct material costs for 2RT will be at cost plus 10% administrative mark up.  
(d) The parties have agreed in principle that manufacturing will have a per unit price, with indexed price increases accounting for inflation (CPI).  
(e) The Target Group will supply product development services on a quote and approval basis, as agreed from time to time.  
(f) All transitional services to be provided at a service level no greater than that which was maintained between entities within the Ellex Group in the 12 months prior to Completion. |

(d) induce or help to induce an employee of the Group to leave their employment. The restraint is global and lasts for a period of up to three years. Lumibird has agreed to not, either directly or indirectly engage in the use of nanopulse lasers to treat the retina and neural tissue, which is necessary to protect the goodwill and value of the excluded businesses, specifically 2RT.
Schedule 2

Independent Expert Report

Please see over page.
Ellex Medical Lasers Limited
Independent Expert's Report and Financial Services Guide

18 March 2020
Dear Directors

Introduction

Ellex Medical Lasers Limited (“Ellex” or “ELX” or the “Company”) designs, manufactures and sells ophthalmic lasers and devices to treat glaucoma, retinal disease primarily caused by diabetes, secondary cataract and vitreous opacities as well as age-related macular degeneration. The Company has manufacturing facilities in Adelaide, Australia and Fremont, California. Ellex is listed on the Australian Securities Exchanges (“ASX”) with a market capitalisation of A$1191 million as at 19 February 2020. Ellex operates and reports under three business segments as outlined below:

- **Lasers and Ultrasound division (“L&U Business” or the “Division”)** – It offers laser therapies to treat a variety of eye diseases as well as a portfolio of diagnostic ultrasound devices. It is the largest segment of the Company and it generated circa A$65 million in revenue and A$9.5 million EBITDA2 before allocation of corporate costs in FY19.

- **iTrack division** – The iTrack device is used for minimal invasive glaucoma surgery (“MIGS”) to surgically treat glaucoma. The manufacturing facility is based in Fremont, California and it generated A$14.3 million revenue and an EBITDA loss before corporate costs of A$5.1 million in FY19.

- **2RT division** – It offers retinal rejuvenation therapy based on Ellex’s proprietary technology which targets intermediate Age-related Macular Degeneration (“AMD”). This product and technology is still in its infancy and Ellex is working to establish a regulatory pathway in the USA with the FDA3.

The manufacturing facility (“the Facility”) in Adelaide, Australia is used to design and manufacture the products of the L&U and 2RT divisions.

Lumibird Group SA (“Lumibird”) designs, manufactures and distributes high-performance lasers for scientific laboratories, industrial and medical markets. Lumibird has more than 500 employees and over €100 million in revenue and it operates in Europe, America and Asia. Lumibird is listed on the Euronext Paris Stock Exchange with a market capitalisation of €232 as at 19 February 2019.4

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1 Based on a share price of A$0.83 as at 19 February 2020 and 143,601,138 shares outstanding.
2 Earnings before interest, tax, depreciation and amortisation.
3 Food and Drug Administration is a federal agency of the US Department of Health.
4 Based on a share price of €12.58 as at 18 February 2020 and 18,409,344 shares. Equivalent to A$374 million based on an exchange rate of €1.61:A$ as at 19 February 2020.
On 28 November 2019 (“Initial Suspension Date”), the securities of ELX (“ELX Shares”) were suspended from the official quotation on the ASX at request of the Company pending an announcement regarding a proposed sale of a key business segment. Subsequently, on 24 December 2019, ELX announced that it had entered into a Share Sale and Purchase Agreement (“SSPA”) with Lumibird for the sale of the L&U Business for a purchase price of A$100 million cash (“Purchase Price”) subject to certain adjustments as discussed below (“Proposed Transaction”).

In order to effect the Proposed Transaction, Ellex is in the process of completing a restructure (“Restructure”) of its group of companies which will result in the creation of a newly incorporate entity called Adele Ellex SPV Pty Ltd (“Adele”). Upon completion of the Restructure, Adele will own a 100% interest in all the subsidiaries which carry the L&U Business. It will also own directly or indirectly the Ellex brand, all the intellectual property (“IP”) related to the L&U Business’s existing devices and products in development and the manufacturing facility in Adelaide, Australia5.

If the Proposed Transaction completes, ELX will retain the listed company and the iTrack and 2RT business segments. All the employees will be transferred to Lumibird with the exception of approximately 50 employees, mainly located in USA and some in Australia, working in the iTrack and 2RT divisions. The board of Directors (“Board”) and the other listed entity costs are already incurred by the holding company which is not part of the group of companies acquired by Lumibird.

We have set out below the other key terms of the Proposed Transaction.

- **Locked-Box** – the Proposed Transaction is assumed to be effective from 1 July 2019 and accordingly the Purchase Price will be grossed by an interest amount calculated at 1.5% per annum for the period between 30 June 2019 and completion. The interest payment has been estimated at circa A$1.5 million assuming the Proposed Transaction will complete on or around 30 April 2020.

- **Leakage** – the Purchase Price will be reduced for the costs of operating the 2RT and iTrack businesses between 1 July 2019 and completion and for the corporate costs incurred by the Company over the same period above A$1.5 million. The Company has estimated that the reduction of the Purchase Price due to Leakage is expected to be circa A$4.0 million, however this can only be estimate with accuracy closer to the completion date.

- **Transitional Services Agreement (“TSA”)** – The design, manufacturing and R&D for the 2RT division are carried out at the Facility, which will be sold to Lumibird together with the L&U Business and related employees. Consequentially, Ellex and Lumibird are currently negotiating the TSA for the L&U Business to provide engineering, manufacturing, regulatory, quality and associated services for the 2RT division after completion of the Proposed Transaction. Management has estimated that the annual fee payable by Ellex to Lumibird is between A$200K and A$300K based on the current level of operations of 2RT.

- **Net debt** – As at 31 December 2019, Ellex had A$11.9 million in cash and A$15.7 million in bank debt and lease liabilities6. Based on the terms of the SSPA and the ANZ Banking Agreement7, Ellex will use the cash available to repay the bank debt before completion with any shortfall borne by

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5 The Facility is used to manufacture the products of the L&U and 2RT divisions. The iTrack products are manufactured in the USA facility.
6 A$4 million in lease liabilities and A$11.7 million in bank debt. Of the total net debt, A$2.6 million will be transferred together with the L&U Business and A$1.2 million will be retained by Ellex.
7 Agreement between Ellex and Australian and New Zealand Banking Group (“ANZ”) to provide to the Company a combination of working capital facilities, trade finance, overdraft and cash advance (“ANZ Facility”).
Lumibird. Accordingly, following completion of the Proposed Transaction, Ellex will be debt free with only A$2 million in lease liabilities associated with the iTrack factory lease in Fremont, California.

- **Break fee** – Under certain circumstances, Ellex has agreed to pay Lumibird a break-fee of A$1 million. No reverse break fee is payable by Lumibird to Ellex.

- Escrow amount – A$2 million will be held in escrow for a period of up to 12 months after completion of the Proposed Transaction.

- The Proposed Transaction is subject to customary conditions precedent including approval by Ellex Shareholders, FIRB and ACCC approvals (if required).

The Directors of the Company, who do not have an interest in the outcome of the Proposed Transaction, unanimously recommend Ellex Shareholders to vote in favour of the Proposed Transaction subject to no superior proposal emerging and an Independent Expert concluding that the Proposed Transaction is fair and reasonable to ELX Shareholders.

Following completion of the Proposed Transaction, we note the following:

- Ellex will change its name into Nova Eye Medical Limited, given that the rights to use the Ellex brand are transferred to Lumibird on completion.

- It will remain a listed ASX entity focussed on glaucoma disease via the iTrack business and the clinical and commercial development of 2RT for intermediate age-related macular degeneration.

- The Ellex Directors have made a determination to retain A$21 million as capital to continue to operate the iTrack and 2RT businesses with the remaining A$61 million of the funds received (net of tax and transaction costs) returned to ELX Shareholders via a mix of capital return and franked dividend (collectively “Capital Return”).

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8 A$0.5 million will be released 3 months after the tax returns of the group of companies acquired by Lumibird are lodged and the remaining amount 12 month after completion of the Proposed Transaction.
Purpose of the report

Whilst there is no legal requirement for the commissioning of an Independent Expert’s Report in conjunction with the Proposed Transaction, the Directors have engaged Grant Thornton Corporate Finance Pty Ltd to opine whether or not the Proposed Transaction is fair and reasonable to ELX Shareholders.

For the avoidance of the doubt, we have not been engaged to form an opinion and we have not formed an opinion on the value and the benefits accruing to ELX Shareholders in conjunction with the Capital Return.

Summary of opinion

Grant Thornton Corporate Finance has concluded that the Proposed Transaction is FAIR AND REASONABLE to ELX Shareholders.

In forming its opinion, Grant Thornton Corporate Finance has considered whether the Proposed Transaction is fair and reasonable to the ELX Shareholders and other quantitative and qualitative considerations.

We note that since the beginning of March 2020, the financial markets around the world have been experiencing significant downward movements and high level of volatility due to the uncertainties associated with the socio-economic impact of COVID-19.

The potential impact of the COVID-19 it is not reflected in our assessment of the fair market value of the L&U Business. However, the outbreak of COVID-19 is a further incentive for the shareholders to approve the Proposed Transaction which provides certainty of value and support for the Ellex share price.

Fairness assessment

In accordance with the requirements of the Australian Securities and Investment Commission (“ASIC”) Regulatory Guide 111 Contents of expert reports (“RG 111”), in forming its opinion in relation to the fairness of the Proposed Transaction to Ellex Shareholders, Grant Thornton Corporate Finance has compared the Purchase Price to the fair market value of L&U Business on a control basis.

The following table summarises our fairness assessment:

<table>
<thead>
<tr>
<th>Fairness assessment</th>
<th>Section Reference</th>
<th>Low</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fair market value of L&amp;U Business before the Proposed Transaction</td>
<td>6.1</td>
<td>84,441</td>
<td>105,941</td>
</tr>
<tr>
<td>Purchase Price</td>
<td>1</td>
<td>100,000</td>
<td>100,000</td>
</tr>
<tr>
<td>Premium/(discount)</td>
<td>15,559</td>
<td>(5,941)</td>
<td></td>
</tr>
<tr>
<td>Premium/(discount) (%)</td>
<td>18%</td>
<td>(6%)</td>
<td></td>
</tr>
</tbody>
</table>

FAIRNESS ASSESSMENT FAIR

Source: GTCF analysis

The Purchase Price of A$100 million is within the range of our assessed value of the L&U Business. Accordingly, we conclude that the Proposed Transaction is FAIR to ELX Shareholders.
We note that our valuation assessment of the L&U Business is based on the concept of fair market value and accordingly, we have not included any special/unique value which may accrue to Lumibird as a result of the Proposed Transaction.

**Reasonableness assessment**

Given the Proposed Transaction is fair, it is also reasonable. Notwithstanding this, we have also considered the following likely advantages, disadvantages and other factors associated with the Proposed Transaction.

**Advantages**

*Market capitalisation before the announcement of the Proposed Transaction*

Upon announcement of the Proposed Transaction, the closing share price of Ellex increased from A$0.61 per share (equivalent to a market capitalisation of A$87.2 million) before the Initial Suspension Date to A$0.84 (equivalent to a market cap of A$120.6 million) on 24 December 2019 and it has since traded in the band between A$0.74 and A$0.85.

Based on the terms of the Proposed Transaction, the Company is selling the L&U Business for the Purchase Price of A$100 million, which is materially greater than the market capitalisation before the announcement of the Proposed Transaction, but the Company is also retaining the fast growing iTrack business and the 2RT business. We have set out in the graph below the market capitalisation of Ellex over the last 12 months (before the Proposed Transaction) compared with the Purchase Price. We note that the market capitalisation of Ellex reflects the value of the three operating businesses of ELX whilst the Purchase Price is only for the L&U Business.

**Ellex market capitalisation over the last 12 months**

We are of the opinion that in the absence of the Proposed Transaction, the share price of Ellex is likely to fall from the levels observed after the announcement and it may not trade, at least in the short term, above these levels.
Certainty of the cash consideration

If the Proposed Transaction is completed, Ellex shareholders will no longer be exposed to the ongoing risks associated with the L&U Business which are summarised below in a non-exhaustive manner:

- The growth of the L&U Business has stalled in the last three years with revenue substantially flat on or around A$65 million between FY17 and FY19. In addition, the half year performance of FY20 has also been subdued with revenues in line with 1H FY19 but EBITDA before corporate costs significantly lower than the previous corresponding period. In the absence of the Proposed Transaction, the share price of Ellex may be adversely affected if the performance of the L&U Business remains subdued.

- Some of the L&U Business’ competitors have significant larger scale of operations and a more diversified business. Accordingly, they have access to larger resources, cheaper funding and economies of scale. This may pose a risk for the L&U Business going forward in particular considering the fast pace of development and innovation of the industry, and the working capital and capital expenditure requirements to continue to innovate and remain relevant on a global scale.

- In the last few years, the growth in the industry revenue have been adversely affected by new and cheaper lasers supply from China and other Asian countries. The market positioning of the laser devices manufactured by the L&U Business has always been of premium products. This market dynamic may have a negative impact on the margins and markets share of the business going forward.

- The L&U Business is a capital intensive business with significant investments required in R&D and working capital. We note that the Company always carries a large inventory balance (A$26 million as at 30 June 2019) which represents a substantial drag to further grow the business, in particular for a small company like Ellex. In addition, the business model of the L&U Business relies on selling one-off capital equipment with a prolonged life-cycle with limited maintenance opportunities. Accordingly, the L&U Business does not benefit from a recurring customer base and continued investments are needed in marketing and sales force given the one-off nature of the sales and the global footprint of the revenue base.

Strong balance sheet

Following completion of the Proposed Transaction, Ellex will have no net debt which will strengthen the capital structure of the Company and it will allow it to focus on the growth of the iTrack business and the opportunities which may arise from the 2RT commercialisation. In this regard, the Directors have indicated that they will retain A$21 million from the Purchase Price to fund the growth opportunities of the remaining businesses.

In the absence of the Proposed Transaction, ELX may be required to raise equity in order to fund the growth and commercialisation of the iTrack and 2RT businesses.

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9 Over the financial year 2019, revenues from maintenance services accounted for 7% of the total L&U Business turnover while the balance was from the sales on new lasers.
Capital Return

The Ellex Directors have made a determination that the majority of the funds received after tax and transaction costs, circa A$61 million, will be returned to ELX Shareholders. The Capital Return is structured as follows:

- A$41.5 million will be distributed as return of capital on a pro rata basis of approximately A$0.29 for each ELX share held as at the Record Date. This return of capital will occur via an equal reduction of the issued share capital of circa A$41.5 million (“Equal Capital Reduction”). The Equal Capital Reduction is subject to the approval of the ELX Shareholders as per section 256C(1) of the Corporations Act.

- The balance of A$19.5 million will be returned as a franked dividend equal to A$0.14 per ELX Share as at the Record Date.

Focus on the iTrack and 2RT businesses.

Based on discussions with Management, we understand that the limited resources in terms of both Management bandwidth and capital have historically hindered the growth of the iTrack business. The sale of the L&U Business will allow Management to fully focus on the growth of iTrack and commercialisation of 2RT which may create additional value for the Ellex Shareholders.

TSA for the 2RT business

The manufacturing and R&D for the 2RT division are located at the Facility, which will be sold to Lumibird together with the L&U Business. As part of the Proposed Transaction, Ellex has been able to secure the TSA to ensure that the L&U Business will continue to provide engineering, manufacturing, regulatory, quality and associated services for the 2RT division after completion of the Proposed Transaction. We are of the opinion that the TSA is critical to ensure that there is no disruption for the 2RT business as a result of the Proposed Transaction.

Disadvantages

Shareholders will not be able to participate in the future upside of the L&U Business

If the Proposed Transaction completes, Ellex Shareholders will forgo the opportunity to participate in the future upside potential of the L&U Division and any uplift in current market conditions, which may arise from the following:

- **SLT** growth opportunity – SLT is a type of laser treatment for the glaucoma. Usually, eye drop medications have been preferred to SLT for glaucoma treatments since physicians considered them superior from an efficacy and cost perspectives. However, in March 2019, the results of a study called LiGHT in relation to the SLT treatment were published in the renowned medical journal The Lancet. LiGHT demonstrated that SLT is safe and effective as the first line of treatment since it provides superior results to drops and at a lower cost. Accordingly, the study result is expected to materially enhance the clinician interest for SLT in markets such as the UK where eye-drops are recommended.

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10 As set out in the Explanatory Memorandum section 3.3.
11 Selective Laser Trabecuoplasty
as first-line therapy, Ellex has a larger suite of products that are expected to benefit from greater penetration from SLT procedures. Among these products, Solo is single function SLT product which is expected to be commercialised shortly to leverage-off the growth opportunities in the SLT market.

- **Launch Eye Prime** – The Company has recently launched the Eye Prime devices. Eye Prime is a next generation ultrasound device for diagnostic purpose that when paired with Ellex’s proprietary Reflex Technology offers a solution for the visualisation and treatment of eye floaters. The product is expected to support and enhance the diagnostic products’ offer of Ellex which over FY19 faced a decrease in revenues.

- **Market drivers** – The macro trends in the market are conducive of growth expected in the ophthalmic market

  - **Aging population** – The human eyes present an age-related decline in performance primarily due to the loss of elasticity in the lens as well as potential aging changes in eye structures which causes varied effects including common eye diseases. The population over 65 is expected to increase from circa 700 million in 2019 to circa 1.5 billion in 2050. Overall, the increase in the over 65 population is expected to have a positive effect for the market in which the L&U Business operates which is expected to lead to an increase in the ophthalmic-related medical procedures.

  - **China opportunity** – Rapid growth in the aging population segment coupled with a surge in dietary change-related eye diseases\(^\text{12}\) has significantly increase demand for ophthalmic care in China\(^\text{13}\). In 2018, Market Scope did forecast that China’s $2.6 billion ophthalmic market will grow at a compound annual rate of 11.3% percent over the next 5 years to $4.5 billion in 2023\(^\text{14}\).

  - **Eye diseases** – Population affected by cataract, glaucoma and diabetic retinopathy are expected to increase by 2.8%, 2.6% and 3.6% respectively between 2018 and 2023

**Distribution Network**

The direct distribution salesforce associated with the L&U Business will be transferred to Lumibird. Accordingly, after completion of the Proposed Transaction, Ellex may be required to fund and re-establish a broader distribution network and strategy for iTrack business outside the USA.

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\(^{12}\) In 2018, the WHO reported that dietary patterns of the Chinese citizen are shifting to fatter and high-protein foods, which increase the possibility of obesity and diabetic conditions in the population.

\(^{13}\) Eyewire article “Market Scope: China’s Ophthalmic Market to grow 11.3% to US$4.5 billion in 2023”, 24 April 2018.

\(^{14}\) Market Scope “2018 China Ophthalmic Market Report”. 
Exchange rate risk

Following completion of the Proposed Transaction, the revenue of the Company will be concentrated in the USA whilst ELX reports in A$. Whilst this may increase the volatility of the financial performance due to movements in the exchange rate, we note that ELX has a natural hedge given that the manufacturing of iTrack products is also based in the USA.

Size of ELX after the Proposed Transaction

Following completion of the Proposed Transaction and the Capital Return, the market capitalisation of ELX is expected to reduce materially. This may have a material adverse impact on the liquidity of the shares on the ASX which is already limited. Under these circumstances, the ability of ELX Shareholders to sell their shares at a price representative of market value may diminish.

Ellex Brand

Following completion of the Proposed Transaction, iTrack and 2RT will be prevented from using the Ellex brand which is well known in the ophthalmic sector. However, in Management’s opinion, the downside is mitigated by the fact that iTrack products are not marketed with emphasis on the Ellex brand and 2RT is still establishing a path to commercialisation.

Other factors

Share price after the announcement

The announcement of the Proposed Transaction has been well received by the market with the stock price increasing significantly as set out in the graph below\(^\text{15}\)

Trading price between 1 January 2019 and 14 February 2020

\[\begin{align*}
\text{Sources:} & \quad \text{S&P Global, GTCF analysis} \\
\text{Notes:} & \quad (1) \text{Computed up to 14 February 2020}; (2) \text{Computed up to 28 November 2019, last trading day before Ellex entered in trading halt.}
\end{align*}\]

\[^{15}\text{We note that our analysis does not reflect the high volatility experienced by the market since March 2020 due to the spread of the COVID-19}\]
In the absence of the Proposed Transaction, all other things being equal, it is likely that ELX shares will trade at prices below the level achieved after the announcement of the Proposed Transaction, at least in the short-term.

**Value of the L&U Business for Lumibird**

If the Proposed Transaction is completed, Lumibird will become the world leader for laser and ultrasound devices for the diagnosis and treatment of ocular diseases and it will be able to realise significant synergies and cost savings as summarised below in a non-exhaustive way:

- **Sales force** – The L&U Business generated circa 75% of FY19 revenue via its direct sales force whereas Lumibird utilises mainly distributors. Lumibird will be able to realise significant cross selling opportunities by integrating Ellex’s direct salesforce into its group.

- **Geographic footprint** – The geographic footprint of the two businesses is highly complementary with the L&U Business leading market positioning in USA and Japan whereas Lumibird is stronger in Europe.

- **Product development** – Lumibird will be able to leverage-off the cutting hedge manufacturing facility of the L&U Business to realise product synergies and cost savings given the products of the two companies have complementary features in terms of pathologies addressed.

- **Overheads** – In the announcement of the Proposed Transaction, Lumibird has estimated the corporate costs of the L&U Business at 75% of the corporate cost incurred by Ellex in FY19. Once integration of the L&U Business into Lumibird is completed, Lumibird should be able to realise some cost savings in the corporate costs.

We are of the opinion that most of the above synergies, cost savings and growth opportunities are difficult to quantify, however our valuation assessment of the L&U Business on a control basis reflects a component of the synergies and cost savings available to a pool of potential purchasers.

**Prospects of a superior offer**

To date no superior proposal to the Proposed Transaction has emerged. Whilst Ellex has agreed not to solicit any competing proposals or, subject to a fiduciary exception, to participate in discussions or negotiations in relation to any competing proposals, there are no material impediments to an alternative proposal being submitted by potentially interested parties. The transaction process may act as a catalyst for other interested parties and it will provide significant additional information in the Notice of Meeting, Explanatory Memorandum and Independent Expert’s Report to enable such potential acquirers to assess the merits of potential alternative transactions. If a superior proposal emerges before Ellex Shareholders cast their vote on the Proposed Transaction, the extra ordinary general meeting may be adjourned or Ellex Shareholders may vote against it.

**Implications if the Proposed Transaction is not implemented**

If the Proposed Transaction is not completed, it would be the current Directors’ intention to continue operating Ellex in line with its stated strategy and objectives. However, in the absence of the Proposed Transaction or an alternative transaction, all other things being equal, it is likely that Ellex Shares will trade
at prices below the trading prices after the announcement of the Proposed Transaction, at least in the short-term.

*Break fee*

In the event that a competing superior proposal is announced and completed or the Directors withdraw their recommendation of the Proposed Transaction, Ellex will pay, subject to certain exceptions, to Lumibird a break-fee of A$1 million plus GST. The break fee may also become payable under other circumstances as set out in the SSPA.

*Tax implications*

The Proposed Transaction will crystallise a capital gains tax liability for Ellex in relation to the sale of the L&U Business. In addition, the taxation consequences of the Potential Capital Return for Ellex Shareholders will vary according to their individual circumstances and will be impacted by various factors. Ellex Shareholders should read the overview of tax implications of the Explanatory Memorandum and also seek independent financial and tax advice.

*Directors’ recommendations and intentions*

As set out in the Notice of Meeting and Explanatory Memorandum, as at the date of this Report, the Directors of Ellex, who do not have an interest in the outcome of the Proposed Transaction, have recommended that Ellex Shareholders to vote in favour of the Proposed Transaction subject to the independent expert concluding that the Proposed Transaction is fair and reasonable to Ellex Shareholders. The Directors also intend to vote the shares they hold or control in favour of the Proposed Transaction.

*Coronavirus disease (COVID-19)*

COVID-19 is a new strain of coronavirus\(^\text{16}\) that has not been previously identified in humans. It was first identified in December 2019 in Wuhan, Hubei Province, China, where it has caused a large and ongoing outbreak. Cases have since been identified in several other countries such as South Korea, Europe and USA. Over the first two weeks of March 2020 the situation escalated and on 11 March 2020, the World Health Organisation (“WHO”) declared the COVID-19 outbreak to be characterised as pandemic\(^\text{17}\).

Since the beginning of March 2020, the financial markets around the world have been experiencing significant downward movements and high level of volatility due to the uncertainties associated with the socio-economic impact of COVID-19.

We note that the potential impact of the COVID-19 it is not reflected in our assessment of the fair market value of the L&U Business. However, the outbreak of COVID-19 is a further incentive for the shareholders to approve the Proposed Transaction.

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\(^\text{16}\) Coronaviruses are a large family of viruses which may cause illness in animals or humans. In humans, several coronaviruses are known to cause respiratory infections ranging from the common cold to more severe diseases such as Middle East Respiratory Syndrome (MERS) and Severe Acute Respiratory Syndrome (SARS).

\(^\text{17}\) Adjective that defines a worldwide spread of a new disease.
Reasonableness conclusion

Based on the qualitative factors identified above, it is our opinion that the Proposed Transaction is REASONABLE to ELX Shareholders.

Overall conclusion

After considering the abovementioned quantitative and qualitative factors, Grant Thornton Corporate Finance has concluded that the Proposed Transaction is FAIR AND REASONABLE to ELX Shareholders in the absence of a superior alternative proposal emerging.

Other matters

Grant Thornton Corporate Finance has prepared a Financial Services Guide in accordance with the Corporations Act. The Financial Services Guide is set out in the following section.

The decision of whether or not to vote in favour of the Proposed Transaction is a matter for each ELX Shareholder to decide based on their own views of the value of the L&U Business and expectations about future market conditions, the L&U Business’s performance, risk profile and investment strategy. If ELX Shareholders are in doubt about the action they should take in relation to the Proposed Transaction, they should seek their own professional advice.

Yours faithfully,
GRANT THORNTON CORPORATE FINANCE PTY LTD

[Signatures]

ANDREA DE CIAN
Partner

JANNAYA JAMES
Partner
Financial Services Guide

1 Grant Thornton Corporate Finance Pty Ltd

Grant Thornton Corporate Finance carries on a business, and has a registered office, at Level 17, 383 Kent Street, Sydney NSW 2000. Grant Thornton Corporate Finance holds Australian Financial Services Licence No 247140 authorising it to provide financial product advice in relation to securities and superannuation funds to wholesale and retail clients.

Grant Thornton Corporate Finance has been engaged by ELX to provide general financial product advice in the form of an Independent Expert’s Report in relation to the Proposed Transaction. This report is included in ELX’s notice of meeting.

2 Financial Services Guide

This Financial Services Guide (“FSG”) has been prepared in accordance with the Corporations Act, 2001 and provides important information to help retail clients make a decision as to their use of general financial product advice in a report, the services we offer, information about us, our dispute resolution process and how we are remunerated.

3 General financial product advice

In our report we provide general financial product advice. The advice in our report does not take into account your personal objectives, financial situation or needs.

Grant Thornton Corporate Finance does not accept instructions from retail clients. Grant Thornton Corporate Finance provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Grant Thornton Corporate Finance does not provide any personal retail financial product advice directly to retail investors nor does it provide market-related advice directly to retail investors.

4 Remuneration

When providing the report, Grant Thornton Corporate Finance’s client is the Company. Grant Thornton Corporate Finance receives its remuneration from the Company. In respect of the report, Grant Thornton Corporate Finance will receive fees from ELX in the order of A$60,000 plus GST, which is based on commercial rate plus reimbursement of out-of-pocket expenses for the preparation of the report. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority.

Except for the fees referred to above, no related body corporate of Grant Thornton Corporate Finance, or any of the directors or employees of Grant Thornton Corporate Finance or any of those related bodies or any associate receives any other remuneration or other benefit attributable to the preparation of and provision of this report.
5 Independence

Grant Thornton Corporate Finance (a 100% subsidiary of Grant Thornton Australia) is required to be independent of ELX and the L&U Business in order to provide this report. The guidelines for independence in the preparation of an independent expert’s report are set out in Regulatory Guide 112 Independence of expert issued by the Australian Securities and Investments Commission (“ASIC”) (“RG 112”). The following information in relation to the independence of Grant Thornton Corporate Finance is stated below.

“Grant Thornton Corporate Finance and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with ELX or the L&U Business (and associated entities) that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation the Proposed Transaction.

Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the transaction, other than the preparation of this report.

Grant Thornton Corporate Finance will receive a fee based on commercial rates for the preparation of this report. This fee is not contingent on the outcome of the transaction. Grant Thornton Corporate Finance’s out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Thornton Corporate Finance will receive no other benefit for the preparation of this report.

Grant Thornton Corporate Finance considers itself to be independent in terms of Regulatory Guide 112 “Independence of expert” issued by the ASIC.”

We note that Grant Thornton Audit Pty Ltd (a 100% subsidiary of Grant Thornton Australia) acted as the auditor of Ellex for the financial years from 2014 to 2018. However, the relationship between Grant Thornton Audit Pty Limited and Ellex terminated in 2018 after the conclusion of auditing procedures for Ellex's FY18 annual financial results.

6 Complaints process

Grant Thornton Corporate Finance has an internal complaint handling mechanism and is a member of the Financial Ombudsman Service (membership no. 11800). All complaints must be in writing and addressed to the Chief Executive Officer at Grant Thornton Corporate Finance. We will endeavour to resolve all complaints within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Ombudsman Service who can be contacted at:

PO Box 579 – Collins Street West
Melbourne, VIC 8007
Telephone: 1800 335 405

Grant Thornton Corporate Finance is only responsible for this report and FSG. Complaints or questions about the Target’s Statement should not be directed to Grant Thornton Corporate Finance. Grant Thornton Corporate Finance will not respond in any way that might involve any provision of financial product advice to any retail investor.

7 Compensation arrangements

Grant Thornton Corporate Finance has professional indemnity insurance cover under its professional indemnity insurance policy. This policy meets the compensation arrangement requirements of section 912B of the Corporations Act 2001.
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1 Overview of the Proposed Transaction

1.1 Restructure

The Restructure will be implemented by Ellex incorporating an interposed holding company (Adele Ellex SPV Pty Ltd) between Ellex and its subsidiaries which will own 100% interest in all the subsidiaries which carry the L&U Business. ELX will retain 100% interest in the assets and the subsidiaries undertaking the iTrack and 2RT businesses. We have set out below the current group structure:

Current group structure of Ellex

Indicates the entities not included in the Proposed Transaction.

Indicates the entities to be incorporate in Adele Ellex SPV Pty Ltd and sold to Lumibird.

Source: Management

Notes: (1) Ellex Medical Lasers Limited contains board costs only, which are excluded from the Proposed Transaction; (2) Ellex R&D Pty Ltd is the entity responsible for the 2RT business; (3) Ellex iScience Inc. is the entity responsible for the iTrack business.

The Restructure will involve the following steps:\(^9\):

1. ELX will incorporate an interposed holding company (Adele Ellex SPV Pty Ltd).

2. Ellex Medical Pty Limited will sell the shares in Ellex R&D Pty Ltd (2RT Business) and Ellex iScience Inc. (iTrack Business) to ELX. All the loans between the above entities will be settled before the sale.

3. Transfer to the L&U Business of all the bank accounts, including all cash held, other than the bank account of Ellex iScience\(^10\) and transfer of the ANZ Facility\(^11\) to Lumibird. However, we note that based on the terms of the SSPA, before completion Ellex can use the cash available to repay the bank debt on completion with any shortfall borne by Lumibird.

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\(^9\) We note that these steps represent a summary of the actual legal steps that the Restructure will envisage and they aim to provide ELX Shareholders with simplified overview of the commercial mechanics of the Restructure.

\(^10\) As completion it is expected to hold approximately A$0.2 million.

\(^11\) The ANZ Facility is a combination of working capital facilities, trade finance, overdraft and cash advance. As at 31 December 2019 the ANZ Facility amounted to A$11.7 million.
4. All the employees to be allocated between Ellex Medical Pty Limited, Ellex and Ellex iScience Inc. without triggering any redundancies. Based on discussion with the Management, we understand the approximately 8 employees of Ellex Medical Limited, who are involved with iTrack and 2RT businesses, will became employees of Ellex following the Restructuring. In addition, the existing 42 employees of Ellex iScience Inc. involved in the iTrack business, will remain employee of Ellex iScience Inc. and accordingly retained by Ellex.

We note that Ellex has indemnified Lumibird for all losses that Lumibird may incur in connection with the implementation of the Restructure.

1.2 Transitional Services Agreement

We note that the 2RT Business will continue to use the Facility as its manufacturing site. Accordingly, the parties have entered into the TSA in order for the L&U Business to provide manufacturing, regulatory, quality and associated services for the 2RT Business.

The key terms of the TSA are outlined below:

- The L&U Business will supply manufacturing, quality, regulatory and service systems.
- The parties have agreed a price per 2RT unit with annual price increase linked to inflation and with a minimum annual fee arrangement of A$140k per year.
- The L&U Business will supply product development services on a quote and approval basis.

1.3 Corporate costs

Upon the completion of the Proposed Transaction, all the work force associated with the L&U Business will be transferred Lumibird. This will result in the transfer of the majority of the corporate costs (“Corporate Costs”)*22 to the acquirer. In the announcement of the Proposed Transaction, Lumibird has indicated that it expects 75% of the corporate costs incurred by Ellex in FY19 (circa A$5.2 million) to be transferred to Lumibird.

We understand that certain employees, who are at the moment formally part of the L&U Business, will be retained by the iTrack and 2RT divisions as discussed above.

*22 Corporate Costs indicates all the head office administration costs captured by the following cost centres: finance, IT, Corporate (excluding the Board costs), HR and Corporate (related to the Board costs).
2 Purpose and scope of the report

2.1 Purpose

Whilst there is no legal requirement for the commissioning of an Independent Expert’s Report in conjunction with the Proposed Transaction, the Directors have engaged Grant Thornton Corporate Finance Pty Limited to opine whether or not the Proposed Transaction is fair and reasonable to ELX Shareholders.

For the avoidance of the doubt, we have not been engaged to form an opinion and we have not formed an opinion on the value and the benefits accruing to ELX Shareholders in conjunction with the Potential Capital Return.

2.2 Basis of assessment

The Corporations Act does not define the meaning of “fair and reasonable”. In preparing this report, Grant Thornton Corporate Finance has had regard to Regulatory Guide 111 Content of expert reports (“RG 111”) which contains certain guidelines in respect of independent expert’s reports prepared for the purposes of the Corporations Act. RG 111 is framed largely in relation to reports prepared pursuant to section 640 of the Corporations Act and comments on the meaning of “fair and reasonable” are in the context of a takeover offer. RG 111 also regulates independent expert’s reports prepared in relation to the disposal of a material assets to related party transactions in clauses 52 to 63.

RG 111 provides the following guidelines in relation to reports prepared pursuant to section 640 of the Corporations Act:

- An offer is considered fair if the value of the offer price or consideration is equal to or greater than the value of the securities that are subject to the offer. The comparison should be made assuming 100% ownership of the target company and irrespective of whether the consideration offered is script or cash and without consideration of the percentage holding of the offeror or its associates in the target company.

- An offer is considered reasonable if it is fair. If the offer is not fair it may still be reasonable after considering other significant factors which justify the acceptance of the offer in the absence of a higher bid. ASIC has identified the following factors which an expert might consider when determining whether an offer is reasonable:
  - The offeror’s pre-existing entitlement, if any, in the shares of the target company.
  - Other significant shareholding blocks in the target company.
  - The liquidity of the market in the target company’s securities.
  - Taxation losses, cash flow or other benefits through achieving 100% ownership of the target company.
  - Any special value of the target company to the offeror, such as particular technology or the potential to write off outstanding loans from the target company.
  - The likely market price if the offer is unsuccessful.
The value to an alternative offeror and likelihood of an alternative offer being made.

Grant Thornton Corporate Finance has determined whether the Proposed Transaction is fair to ELX Shareholders by comparing the fair market value range of the L&U Business on a 100% basis with the Net Purchase Price.

In considering whether the Proposed Transaction is reasonable to the ELX Shareholders, we have considered a number of factors, including:

- Whether the Proposed Transaction is fair.
- The implications to ELX and ELX Shareholders if the Proposed Transaction is not approved.
- The reaction of the market to the announcement of the Proposed Transaction.
- Other likely advantages and disadvantages associated with the Proposed Transaction as required by RG111.
- Other costs and risks associated with the Proposed Transaction that could potentially affect the ELX Shareholders.
- For avoidance of the doubt, we note that we have not considered in our reasonableness considerations the intentions of the ELX Directors in relation to the net proceeds received from the sale of the B&U Business.

2.3 Independence

Prior to accepting this engagement, Grant Thornton Corporate Finance (a 100% subsidiary of Grant Thornton Australia Limited) considered its independence with respect to the Proposed Transaction with reference to the RG112.

Grant Thornton Corporate Finance has no involvement with, or interest in, the outcome of the approval of the Proposed Transaction other than that of an independent expert. Grant Thornton Corporate Finance is entitled to receive a fee based on commercial rates and including reimbursement of out-of-pocket expenses for the preparation of this report.

Except for these fees, Grant Thornton Corporate Finance will not be entitled to any other pecuniary or other benefit, whether direct or indirect, in connection with the issuing of this report. The payment of this fee is in no way contingent upon the success or failure of the Proposed Transaction.

We note that Grant Thornton Audit Pty Ltd (a 100% subsidiary of Grant Thornton Australia) acted as the auditor of Ellex for the financial years from 2014 to 2018. However, the relationship between Grant Thornton Audit Pty Limited and Ellex terminated in 2018 after the conclusion of auditing procedures for Ellex's FY18 annual financial results.
2.4 Consent and other matters

Our report is to be read in conjunction with the Notice of Meeting dated on or around 20 February 2020 in which this report is included, and is prepared for the exclusive purpose of assisting the ELX Shareholders in their consideration of the Proposed Transaction. This report should not be used for any other purpose.

Grant Thornton Corporate Finance consents to the issue of this report in its form and context and consents to its inclusion in the Notice of Meeting.

This report constitutes general financial product advice only and in undertaking our assessment, we have considered the likely impact of the Proposed Transaction to the ELX Shareholders as a whole. We have not considered the potential impact of the Proposed Transaction on individual shareholders. Individual shareholders have different financial circumstances and it is neither practicable nor possible to consider the implications of the Proposed Transaction on individual shareholders.

The decision of whether or not to vote in favour of the Proposed Transaction is a matter for each ELX Shareholder based on their own views of the value of ELX and expectations about future market conditions, ELX’s performance, and their individual risk profile and investment strategy. If shareholders are in doubt about the action they should take in relation to the Proposed Transaction, they should seek their own professional advice.
## 3 Ophthalmology Industry Sector Profile

Ophthalmology is a segment of medical science associated with the study of anatomy, physiology and diseases of the human eye as well as with the development of various therapeutic methods to treat eye diseases. Some of the major eye conditions, such as macular degeneration, cataract, ocular hypertension (glaucoma), and refractive errors, are either age-related or caused by chronic disorders.

We have set out below a brief overview of key demand drivers of the Ophthalmic Lasers & Ultrasound (altogether “Ophthalmic L&U”) industry in which the L&U Business operates as well as a description of the two industries.

### 3.1 Value Driver of the L&U Business

#### 3.1.1 Aging Population

The human eyes present an age-related decline in performance primarily due to the loss of elasticity in the lens as well as potential aging changes in eye structures which causes varied effects including common eye diseases. These eyes’ age-related decline in performance commences to presents symptoms in individuals aged from around 40 years old onwards.

The United Nations forecasts that the population aged over 65 years old (“Over 65”) to more than double, reaching c.1.5 billion by 2050 as a result of longer life expectancy. The Over 65 accounted for circa 9% of global population in 2019 and it is projected to increase to 16% in 2050. We have set out below the distribution of Over 65 globally by regions:

**Over 65 population by region 2019**

- Africa: 61
- Central and Southern Asia: 197
- Latin America: 56
- Eastern and Southeast Asia: 261
- Europe and North America: 200
- Oceania: 5

**Total 703 million**

**Over 65 population by region 2050**

- Africa: 100
- Central and Southern Asia: 328
- Latin America: 145
- Eastern and Southeast Asia: 573
- Europe and North America: 296
- Oceania: 10

**Total 1.5 billion**

*Source: United Nations – World Population Ageing 2019*

Overall, the increase in the Over 65 population is expected to have a positive effect for the market in which the L&U Business operates which is expected to lead to an increase in the ophthalmic-related medical procedures.

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23 The International Agency for the Prevention of Blindness, *Ageing and the Eye*
3.1.2 Diffusion of eye diseases

Eye diseases are common across the world. In October 2019, the World Health Organisation released a report (“WHO Report”) indicating that the population with visual impairment or blindness worldwide has reached 2.2 billion.

The leading causes of vision impairment are uncorrected refractive errors and cataracts. However, there is some variation in the causes across countries. The proportion of vision impairment attributable to cataract is higher in low- and middle-income countries, whereas diseases such as diabetic retinopathy, glaucoma and age-related macular degeneration are more common in high-income countries. In the USA, glaucoma is the leading cause of blindness, with more than three million people living with glaucoma.

Overall, cataract, diabetic retinopathy and glaucoma are the most common age-related diffused medical diseases leading to blindness. The graph below shows the worldwide population affected by these diseases.

Most common eye diseases leading to blindness

The increase in the Over 65 population drives the increase of cases of these age-related eye diseases. In section 3.2 we have provided a detailed overview of these diseases and their treatments.

3.1.3 Health care insurance coverage for eye disease treatments

The costs of attending eye care services pose a significant barrier to access therapeutic treatments for individuals and their families\(^24\). As a result, private health insurance or public systems Medicare could

\(^24\) WHO Report.
significantly affect the number of candidates to undergo optical treatments and surgeries, and accordingly the number of clinical practitioners utilising ophthalmic equipment.

We have briefly discussed below the framework in the USA and the United Kingdom due to their relevance for L&U Business operations.

**United States of America**

For people age 65 or older and certain low-income populations, certain eye-related medical treatments due to chronic eye conditions such as cataracts and glaucoma are covered under the Medicare and Medicaid which are the only public health plans fund by the USA Government. Individuals outside those plans will have to rely on their private health care insurance options, which under the Affordable Care Act must cover eyes diseases such as glaucoma, reducing the out-pocket-expense for the patients. However, we note that these private health insurance plans, despite of their full or partial coverage, are comparatively expensive.

**United Kingdom**

In the UK there are four independent public healthcare providers which are collectively referred to as the National Health Service (“NHS”). The National Institute for Health and Care Excellence (“NICE”) is in charge to decide which treatments, medicines and procedures are covered by NHS in England and Wales while NHS in Scotland and Northern Ireland are self-regulated. The general guideline to determine which medical treatments needs to be NHS founded is based on a cost-effectiveness analysis.

NHS covers most of the eye care medical requirements. Laser surgery is available on the NHS for eye conditions that can lead to loss of visions without treatment. Nevertheless, it’s not available for conditions that can be treated successfully in other ways, such as short or long-sightedness, which can be treated with glasses. This policy is particularly relevant for the treatment of glaucoma, for which NHS currently suggests eye-drop as the first line of treatment.

**3.1.4 The opportunity in China**

Rapid growth in the aging population segment coupled with a surge in dietary change-related eye diseases has significantly increase demand for ophthalmic care in China. In 2018, Market Scope did forecast that China’s $2.6 billion ophthalmic market will grow at a compound annual rate of 11.3% percent over the next 5 years to $4.5 billion in 2023.

China is home to circa one-third of the world’s blind people and approximately half are blind from cataracts and the number of people with glaucoma or retinal disease is rising. In revenue terms, the two largest submarkets are retina disease and cataract surgery. In fact, with an estimated 2.1 million procedures

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25 Medicare is a health insurance option for people age 65 or older, or under the age 65 with certain disabilities.
26 Medicaid is a welfare program for certain low-income populations, providing medical and long-term care to more than 16% of the population.
27 Accordingly to OECD data on health spending, in 2018 Americans an average of US$10,586 per capita on health, more than any other OECD country.
28 Each of the UK constituent countries (England, Scotland, Wales and Northern Ireland) have their own NHS.
29 Economic evaluations are carried out within a health technology assessment framework to compare the cost-effectiveness of alternative activities and to consider the opportunity cost associated with their decisions.
30 In 2018, the WHO reported that dietary patterns of the Chinese citizen are shifting to fatter and high-protein foods, which increase the possibility of obesity and diabetic conditions in the population.
31 Eyewire article “Market Scope: China’s Ophthalmic Market to grow 11.3% to US4.5 billion in 2023”, 24 April 2018.
32 Market Scope “2018 China Ophthalmic Market Report”.
performed in 2018, cataract is the largest surgical submarket in China while retina is largely a pharmaceutical market.

Significant changes came to the retina pharmaceutical market in 2017 and 2018. The central government added two drugs Lumipect (conbercept) and Lucentis (ranibizumab) to the essential medicines list for wet AMD and extended insurance coverage to the use of those drugs, and approved another drug for the treatment of diabetic macular edema. In addition, in 2017, the China Food and Drug Administration approved a new high intensity focused ultrasound treatment of glaucoma.

In addition to the prevalence of eye diseases, future growth opportunities in the country are also linked to the Chinese government policies on eye health. The 13th Five-Year plan, which was published in 2015 for the period 2016-2020, included policies to strengthen the country-level control of eye diseases which is signalling a favourable market opportunity for ophthalmic eye care.

### 3.2 Ophthalmic Lasers Industry

In the ophthalmic industry, lasers are used to treat various diseases and conditions but primarily for retinal diseases, glaucoma and a common cataract surgery complication. Laser devices have been used for more than 25 years and nowadays are a fundamental part of many standard eye therapies. In 2018, the demand for ophthalmic lasers generated revenue US$413 million. The graph below illustrates the actual and forecast demand for lasers by geographic region as well as by type of eye diseases treated.

Concerning the graph above, global revenues for ophthalmic lasers, including maintenance services, accessories and endoprobes, are expected to reach circa US$434 million in 2023. The revenues growth

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33 Luminit (conbercept) and Lucentis (ranibizumab).
34 Ophthalmic lasers for retina, glaucoma and secondary cataract.
rate is limited given that the favourable revenue drivers discussed in the previous sections are mostly offset by the increasing competition from Asian countries, which generate an adverse impact on pricing.

In analysing the revenues’ geographic split, we can note that the demand for lasers is flat in the USA and Western Europe as well as in Japan and other developed nations, which altogether account for more than 50% of the worldwide demand. In those countries, the growth rate is expected to range from -0.4% to 0.5% between 2018 and 2023. The material drivers of the growth of the ophthalmic laser market are therefore the emerging markets such as China, India, and Latin America. However, new lower-cost laser manufactures dominate these markets and the average sale price is falling, mitigating the impact of the growth in demand.

As shown in the graph below, the sales for new lasers accounted 60% of the revenues in 2018.

**Ophthalmic Laser Revenues in 2018 by sources**

![Pie chart showing 62% New Lasers Sales, 11% Endoprobes, 23% Maintenance, 4% Accessories](source: Market Scope "2018 Ophthalmic Laser Report"

The opportunity to grow maintenance services is limited since several ophthalmologists opt to assume the risk of paying out-of-pocket for repairs rather than paying for extended service plans. In addition, although ophthalmic lasers have a long life span, in certain cases up to 15 years, new technology will often make an older design obsolete long before the end of its useful life.

In respect to the supply side of the industry, eight manufacturers dominate the market and they account for more than 75% of the 2018 global ophthalmic laser demand.

**Ophthalmic laser industry key players**
3.3 Application of ophthalmic devices

Based on the applications, the ophthalmology market is segmented into cataract, glaucoma, age-related macular degeneration, diabetic retinopathy and others (refractive errors, amblyopia, and strabismus). In the following sections we have provided an overview of glaucoma, secondary cataract and diabetic retina market segments, which are the ones where L&U Business operates.

3.3.1 Glaucoma

Glaucoma identifies a group of eye diseases where vision is lost due to damage to the optic nerve, which usually happens when fluid builds up in the front part of the eye generating elevate or unstable intraocular pressure (“IOP”) that damages the optic nerve. The most common type of glaucoma is the open-angle glaucoma (“OAG”), which in 2018 affected approximately 61 million people worldwide. We have set out in the graph below the number of people affected by glaucoma by region and type in 2018 and 2023.

Global forecast for all glaucoma and ocular hypertension

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35 Doctors have identified several types of glaucoma, however the most relevant is the OAG and the angle-closure glaucoma (“ACG”). The term angle refers to the angle between the iris and sclera.

36 Market Scope “2018 Ophthalmic Laser Report”.

Note: 1 Quantel is an operating subsidiary of Lumbird
Note: Ocular Hypertension is a risk factor that could lead to glaucoma. Accordingly, the individual affected by ocular hypertension have been included as potential candidates.

The available treatments range between eye drops, laser procedures, or surgeries. IOP-lowering medication eye drops are typically the first-line treatment for glaucoma, while surgery, due to complications rates and efficacy, has been considered an alternative only.

Different types of laser treatments exist, however for the treatment of OAG, the most used types are the SLT, the argon laser trabeculoplasty (“ALT”) and the micro-pulse laser trabeculoplasty (“MLT”). Among the three mentioned lasers, SLT has gained major traction.

We note that in March 2019, the results of a study denominated LiGHT in relation to the SLT treatment were published in the renowned medical journal The Lancet. LiGHT has been the first clinical trial to compare the eye-drops therapies with SLT therapies in terms of health-related quality life, clinical, and cost-effectiveness outcomes. The multicentre randomised trial involved a total of 718 patients who were randomly assigned to SLT treatment group or eye drop group over 36 months. The intraocular pressure was proved better in the laser-first arm, with a lower number of glaucoma medications required and none of the SLT patients’ disease progressed to a stage that required surgical intervention. Also, the laser-first approach was determined to be more cost-effective with overall cost savings of £451 per patient.

Overall, LiGHT demonstrated that SLT is safe and effective as the first line of treatment since it provides superior IOP to drops, at a lower cost and it allows almost three-quarter of patients to be successfully controlled without drops for at least three years after starting the treatment.

Accordingly, the study’s result is expected to materially enhance the clinician interest for SLT in the markets such as the UK where eye-drops are recommended as first-line therapy.

Taking in consideration the different types of glaucoma and related lasers, the market is dominated by the SLT lasers\(^{37}\). The aggregated revenue of SLT and 810nm\(^{38}\) lasers including probes, maintenance, and accessories was circa US$72 million in 2018 and is expected to increase at 2.8% CAGR to US$82.8 million in 2023. The graph below illustrates the revenue split and growth for the glaucoma laser treatments.

\textbf{Global glaucoma laser revenues 2018 – 2023}

\(^{37}\) Other lasers include 532nm laser and Nd:YAG laser, which are commonly used for cataract treatment and diabetic retinopathy respectively. These lasers are described in sections 3.2.3 and 3.2.4.

\(^{38}\) 810nm laser is a type of laser that primarily used for treatment of glaucoma, however it can also be used for photocoagulation.
The revenue of glaucoma treatment lasers segment is highly concentrated with a few dominant players. L&U Business has a market share of circa 37% for SLT lasers, while its direct competitors, Lumenis and Quantel, are at 14.7% and 22.3% respectively. In the market for 810nm lasers, Iridex is the market leader with an estimated market share of circa 53% with Beaver Visitec following at circa 40% of revenue.

Source: Market Scope "2018 Ophthalmic Laser Report"

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39 A subsidiary of Lumibird.
40 The market share statistics are retrieved from Market Scope.
### 3.3.2 Secondary Cataract

Cataract is a clouding or loss of transparency in the eye’s natural crystalline lens, due to aging conditions, which leads to a decrease in vision. Cataract surgery, which consists of removing the clouded natural lens and replacing it with an implanted intraocular lens (“IOL”), is one of the most commonly performed surgical procedures. We have summarised below the number of cataract surgeries worldwide, as well as the associated lasers revenue.

#### Cataract surgeries by country 2018 – 2023

While lasers do not cover a significant position among the medical equipment for cataract surgery, they are mostly used to cure a common complication of cataract surgery called posterior capsular opacification (“PCO”) or secondary cataract. PCO causes vision disturbance very similar to those of cataracts such as cloudy vision, glare and halos. Those symptoms could form over time, and this can happen in a few months or over several years after the cataracts surgery.

Regarding the current industry participants, the market is dominated by five companies which hold circa 70% of the market. L&U Business is the market leader, holding circa 27.5% market share, closely followed by Carl Zeiss Meditec with 23.1%. The remaining two players, Nidex and Lumenis hold circa 10% each.

### 3.3.3 Diabetic retinopathy

Among all the different retinal diseases, diabetic retinopathy (“DR”) is a serious and widespread ocular complication of diabetes that degrades vision and can potentially lead to blindness. DR is caused by damage to the blood vessels of the retina. Diabetic retinopathy could be divided into three stages: non-proliferative DR, proliferative DR (“PDR”) and diabetic macular edema (“DME”). The graph below illustrates the diffusion of different DR across the world.

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42 Retina is a thin layer of tissue that lines the back of the eye on the inside. The purpose of the retina is to receive light that the lens has focused, convert the light into neural signals, and send these signals on to the brain for visual recognition.
Increase in diabetic disease is the driver of the DR diffusion, which is projected to stably increase over the next five years. China and India are expected to account for around 32% of the global population of diabetic retinopathy.

In relation to the lasers industry, while patients presenting non-proliferative DR are not subject to any treatment\(^{43}\), PDR and DME cases have been historically treated with laser photoacoagulation as the first line of treatment.

However, the diabetic retina disease market is facing a shift in the first line treatment for PDR and DME from laser photoacoagulation to anti-VEGF\(^{44}\), which is a medication approach. Anti-VEGF therapy was already shown to be better than lasers for DME in several studies\(^{45}\), and the leading opinion of retina surgeons is inclined to primarily adopt it also for PDR. However, Anti-VEGF strategies generally require more intensive treatment plans than laser photoacoagulation and overall the decision on which treatment to adopt is largely based on the patient compliance\(^{46}\) with the treatment.

### 3.4 Diagnostic ultrasound industry

L&U Business also offers diagnostic ultrasound devices, generating circa 7% of the FY19 turnover of L&U.

The diagnostic ultrasound industry acts as a supporting tool that provides detailed imaging and visualisation services to detect and manage eye care. Ultrasound equipment in this segment is commonly used for visualisation of ocular flow for glaucoma therapy, diagnosis of vitreous opacities, detection of retinal disorders, as well as the determination of corrective lens.

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43 Those patients are closely monitored to check for the progression of the disease and in case proceed with the treatment.
44 Anti-vascular endothelial growth factor therapy delivered through injections of specific drugs.
46 Patient compliance is related to a patient’s general health status, social network, and available transportation to the clinic as well as the patient’s intrinsic motivation to be compliant.
Ophthalmic diagnostic equipment is one of the most diverse and complex ophthalmic market segments. The segment includes 620 individual products that range from small hand-held devices to large desktop units with multiple modular options.

Given this diversity of products, more than 90 companies manufacture ophthalmic diagnostic equipment. Several are multinational companies with manufacturing sites in multiple countries. Ophthalmic equipment is sold directly or through distributor networks, and manufacturers range in size from single-product companies with a handful of employees to large multinational firms with thousands of employees. We have summarised below the key market players in the market.

### Ophthalmic ultrasound diagnostic industry key players

<table>
<thead>
<tr>
<th>Company</th>
<th>Market Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nidek</td>
<td>34.4%</td>
</tr>
<tr>
<td>Accutome</td>
<td>20.3%</td>
</tr>
<tr>
<td>Quantel (Lumibird)</td>
<td>17.0%</td>
</tr>
<tr>
<td>Sonomed</td>
<td>8.9%</td>
</tr>
<tr>
<td>Tomey</td>
<td>8.1%</td>
</tr>
<tr>
<td>L&amp;U Business</td>
<td>5.7%</td>
</tr>
<tr>
<td>DGH</td>
<td>5.7%</td>
</tr>
</tbody>
</table>

Source: Management

Note: (1) Quantel is an operating subsidiary of Lumibird
4 Profile of Ellex

4.1 Brief overview of Ellex

Ellex has been manufacturing ophthalmic lasers since 1988. The Company operates and reports under three business segments as outlined below:

- **L&U Business** – This is the subject of the Proposed Transaction. Refer to section 4.2 for a detailed overview.

- **iTrack** – This product is used in MIGS to treat canal based glaucoma restoring the eye’s natural outflow pathway to reduce intraocular pressure. iTrack includes two systems, the iTrack catheter used in the ABIC47 procedure and the Visconinjector. ABIC is comprehensive minimally invasive glaucoma surgery procedure that flushes out the natural outflow channels without damaging tissue, and without leaving behind a stent or shunt. The Visconinjector is operated at the end of the ABIC procedure to complete the MIGS. The manufacturing facility is based in California, USA. As at 30 June 2019, more than 108,000 iTrack consumable devices have been sold to treat glaucoma. In FY19, sales in the USA continued to perform strongly with units sold up 30% on FY18. Unit sales in China were also up 42%, however revenues were adversely affected by import tariffs. China remains a key growth opportunity for the business given that Ellex iTrack continues to be the only MIGS device approved in the Chinese market. Sales in the other countries were down 9% in FY19 compared with FY18.

- **2RT** – Retinal rejuvenation therapy based on Ellex’s proprietary technology. This product and technology is still in its infancy and Ellex recorded sales of A$1.8 million in FY19 with sales mainly concentrated in the US where 2RT is FDA approved for clinically significant macular edema but not for AMD. Ellex is working to establish a regulatory pathway for 2RT in AMD with the FDA.

4.2 Profile of the L&U Business

4.2.1 Introduction

The L&U Business sells a variety of lasers and diagnostic devices to treat and diagnose a number of common eye diseases. The product range is focussed on laser devices for the treatment of glaucoma, secondary cataract and diabetic retinopathy which altogether generated 94% of Ellex revenues in FY19. As shown in section 3, the L&U is one of the major players in the ophthalmic laser market. In addition the L&U Business manufactures and sell ultrasound devices for the diagnosis and management of the different eye’s conditions. The L&U Business is vertically integrated through concept design, engineering and manufacturing which is all undertaken at the Facility.

The Facility

The manufacturing facility at Mawson Lakes in South Australia has been instrumental for the success and growth of the Division and of the Company generally. The Facility occupies a total land area of 21,830 sqm and it includes two main building, a three level office building, including clean rooms for lasers cavity manufacture and a single story machine shop built in 2017 for machined parts. The machine shop is critical in providing Ellex with manufacturing capability for key parts of its products.

47 AB Interno Canaloplasty.
Ellex manufactures its own laser cavities and its products are considered of premium quality in particular to those products where the manufacturing of the laser cavities is outsourced to cheaper jurisdictions in Asia. The higher quality coupled with its unique IP and its well-known and trusted brand allow Ellex to price its products at a premium to the key competitors.

L&U Operations

L&U has a number of patents in place related to its lasers and ultrasound products as well as products in development. In particular, the proprietary Reflex technology used for visualising and then for treating the vitreous opacities or floaters through the True Coaxial Illumination technology ("TCI"). TCI allows for visualisations beyond the posterior capsule, while on-axis mode allows for greater visualisation of floaters located in the middle and posterior vitreous, and the off-axis mode enables greater visualisation of anterior vitreous floaters. As a result, the Reflex technology ensures the achievement of ideal therapeutic effect, by minimising the risk of under-dosing or over-dosing the energy. Further, the Reflex technology has been recognised by stock market analysts as a 'differentiator' for Ellex's core lasers since it adds vitreous floater removal capabilities to its secondary cataract and glaucoma laser treatment systems.

Revenue of the Division are primarily related to the sale of capital equipment. Services and sale of spare parts only represented circa 10% of revenue in FY19. The Division’s key customers are ophthalmologists who work in medical centres, hospitals, private clinics or research institutions. The installed lasers base was circa 35,000 devices as at 30 June 2019.

The L&U Business has direct sales teams in the USA, Japan, France Germany and Australia plus circa 50 distributors in over 100 countries. Overall, the USA represents the largest market for the Division and it generated circa 40% of total revenue in FY19, followed by Europe (23%), Japan (16%), Australia (11%), Asia (7%) and Latina America (1%).

We have set out in the graph below the revenue and EBITDA (before allocation of corporate costs) generated by the Division over the financial years ended 30 June 2017 ("FY17"), 30 June 2018 ("FY18"), 30 June 2019 ("FY19"), and first half of 2020 ("1H FY20").

Ellex Revenue and EBITDA FY17 to FY19

Sources: Company annual and semi-annual financial reports, Management
Note: (1) The EBITDA figures are before allocation of corporate costs
4.2.2 Products offering

The Division sells different types of laser to treat a variety of eye diseases plus a portfolio of diagnostic ultrasound devices. An outline of the products and conditions treated is set out below.

<table>
<thead>
<tr>
<th>Product</th>
<th>Description</th>
<th>Conditions treated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tango</td>
<td>Tango incorporates Ellex’s proprietary SLT technology and has the ability to treat glaucoma or perform capsulotomy procedures.</td>
<td>Glaucoma primary therapy, iridotomy and secondary cataracts</td>
</tr>
<tr>
<td>Tango Reflex</td>
<td>Tango Reflex offers 4 different treatment modalities in a single laser combination of SLT/YAG. It is also capable of full range of anterior and posterior YAG laser procedures. Treatment options comprise of SLT, LFT, capsulotomy, and iridotomy.</td>
<td>Glaucoma primary therapy, vitreous opacities (floaters) iridotomy and secondary cataracts</td>
</tr>
<tr>
<td>UltraQ</td>
<td>UltraQ is incorporated with cavity design and custom power supply to perform capsulotomy and iridotomy procedures at low and efficient power levels.</td>
<td>Iridotomy and secondary cataracts</td>
</tr>
<tr>
<td>UltraQ Reflex</td>
<td>UltraQ Reflex is a microsurgical YAG laser incorporated with proprietary cavity and a custom power supply, which enables LFT, capsulotomy, and iridotomy procedures. It also has True Coaxial Illumination (TCI) technology provides a full view from the cornea to the retina.</td>
<td>Vitreous opacities (floaters) iridotomy and secondary cataracts</td>
</tr>
<tr>
<td>Integre Pro</td>
<td>Integre Pro delivers uniform energy distribution across the full spot diameter while eliminating hotspots and achieving optimal, homogenous burns. Its high power, yellow-red configuration offers the full treatment spectrum of a traditional 3-color photo coagulator.</td>
<td>Diabetic disease of retina</td>
</tr>
<tr>
<td>Integre Pro Scan</td>
<td>Integre Pro Scan combines multi-colour photocoagulation with a precise computer-controlled pattern scanning laser in an ergonomically advanced all-in-one laser/slit lamp design. It also has proprietary dual-mode laser cavity.</td>
<td>Diabetic disease of retina</td>
</tr>
<tr>
<td>Eye Prime</td>
<td>Eye Prime features six-ring phased annular array ultrasound technology to provide real-time control of focus which provides for significantly clearer images to diagnose a wider range of ocular conditions.</td>
<td>Diagnostic ultrasound for high resolution visualisation of ocular structures</td>
</tr>
<tr>
<td>Eye Cubed</td>
<td>Eye Cubed covers patient diagnostic ultrasound needs for both the posterior and anterior segments.</td>
<td>Diagnostic ultrasound</td>
</tr>
<tr>
<td>Eye One</td>
<td>Small footprint ultrasound device combines the capabilities of Eye Cubed with a slim-line compact design.</td>
<td>Diagnostic ultrasound</td>
</tr>
</tbody>
</table>

Source: Management

In addition to the above, we have set out below some new products development:

- **SOLO** – Single function SLT product which is expected to leverage-off the growth opportunities in the SLT market following the publication of the LiGHT study in The Lancet in March 2019 which highlighted the benefit of SLT versus eye drops for first glaucoma treatment.

- **Ellex Eye Prime** – Next generation of ultrasound platform which was launched at the end of 2019. It is used for the visualisation and treatment of symptomatic floaters, and equipped with the Reflex technology.

Tango and Tango Reflex are the main contributor to revenue and historical growth of the division given they accounted for circa 50% of FY19 revenue. The contributions of the other products to the historical revenue has been decreasing or remained substantially flat.
4.2.3 Financial performance of the L&U Business

The pro-forma financial performance of the L&U Business over the last three financial years and for 1HFY19 and 1HFY20 is presented below. We note that the financial performance is an abstract from the segment reporting and the EBITDA is presented before allocation of corporate costs. We note that the financial performance is presented in an abbreviated form for confidentiality reasons.

Sources: Company annual and semi-annual financial reports, Management

With regard to the above, we note the following:

- FY19 Revenue declined slightly due to subdued performance in the second half of the financial year, however the gross margin increased driven by favourable exchange rate movements and a greater proportion of sales being derived by higher margin products.

- SLT lasers revenue (Tango and Tango Reflex) increased by circa 10% to A$32.5 million which continued the strong growth trajectory experienced since FY17. The CAGR of SLT revenue is 21% over the three years to FY19.

- Sales of cataract and vitreous opacities lasers (UltraQ and Ultra Q Reflex) reduced from circa A$16.4 million in FY18 to circa A$12.6 million in FY19 mainly due to a degree of product cannibalisation from Tango Reflex and pricing pressure from more conventional alternative products.

- Sales of diagnostic ultrasound products almost halved from A$7 million in FY18 to A$4 million in FY19. We have been advised that this is mainly due to the launch of Ellex Eye Prime in May 2019 which led several customers to put on hold orders for the old devices.

- Notwithstanding the reduction in revenue, the FY19 EBITDA before allocation of corporate costs increased materially as a result of higher gross profit and a prudent approach to sales and marketing costs.

- We note that in FY19 there was a one-off restructuring charge of A$0.3 million, while similarly in FY17 there were currency fluctuations of A$1.2 million and non-recurring move costs of A$0.4 million that impacted the underlying EBITDA.

- In 1HFY20, the currency exchange rates46 drove the slight increase in revenues of 1.4% on the prior comparative period. However, the EBITDA for 1HFY20 decreased significantly, by circa 15%, from 1HFY19. The underperformance was driven by the reduction in gross margin due to the higher foreign

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46 Australian dollar traded at a lower exchange to US dollar, Euro and Yen.
import costs associated with the lower trading of the Australian dollar and price competition in the Japanese market. In addition, over 1HFY20, the L&U Business incurred a non-recurring legal cost of A$340K.

We have set out below the pro-forma balance of the L&U Business based on the reviewed accounts as at 31 December 2019.

<table>
<thead>
<tr>
<th>Consolidated statements of financial position as at Dec-19</th>
<th>Pro-forma</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>11,153</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>14,188</td>
</tr>
<tr>
<td>Inventories</td>
<td>20,869</td>
</tr>
<tr>
<td>Other current assets</td>
<td>532</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>13,188</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>1,361</td>
</tr>
<tr>
<td>Capitalised development expenditure</td>
<td>8,198</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>921</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>70,410</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>70,410</td>
</tr>
<tr>
<td><strong>Current liabilities</strong></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>6,864</td>
</tr>
<tr>
<td>Borrowings</td>
<td>13,712</td>
</tr>
<tr>
<td>Provisions</td>
<td>3,667</td>
</tr>
<tr>
<td>Deferred income</td>
<td>4,581</td>
</tr>
<tr>
<td>Current tax liability</td>
<td>25</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>28,849</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>28,849</td>
</tr>
<tr>
<td><strong>Net assets</strong></td>
<td>41,561</td>
</tr>
</tbody>
</table>

Sources: Company semi-annual financial report, Management

The pro-forma balance sheet has been prepared based on the principles agreed for the Restructure which are outlined below:

- All the assets and liabilities related to iTrack and 2RT businesses have been stripped out.

- The L&U Business will retain the current cash balance and the A$11.7 million of bank debt related to the ANZ Facility and A$2 million of finance leases. The net debt as at 31 December 2019 for L&U business is c. A$2.6 million.

- The property plant and equipment, totalling A$13 million, includes the Facility that is recorded at cost less accumulated depreciation which results in a carry value of circa A$6 million as at 31 December 2019. We note that the market value of the Facility is higher than the carry value reported.

- As a result of the adoption of AABS 16, circa A$2 million of right of use assets are recognised among the property plant and equipment.

- The Ellex brand, copyrights and IP related to the L&U Business will be transferred to Lumibird, however the marked value of these assets is not fully reflected on the balance sheet.
4.3 **Pro-forma financial performance of Ellex after the Proposed Transaction**

We have set out below the pro-forma profit and loss and balance of the Ellex following completion of the Proposed Transaction but before the Potential Capital Return based on the reviewed accounts as at 31 December 2019.

<table>
<thead>
<tr>
<th>Pro-forma P&amp;L after the Proposed Transaction</th>
<th>1H FY20 A$ '000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>7,427</td>
</tr>
<tr>
<td>Other income</td>
<td>37</td>
</tr>
<tr>
<td>Changes in inventories and WIP</td>
<td>294</td>
</tr>
<tr>
<td>Cost of revenue</td>
<td>(2,020)</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>5,738</td>
</tr>
<tr>
<td>Employee benefits expense</td>
<td>(5,526)</td>
</tr>
<tr>
<td>Facilities expense</td>
<td>(50)</td>
</tr>
<tr>
<td>Legal expense</td>
<td>(79)</td>
</tr>
<tr>
<td>Advertising and marketing expense</td>
<td>(504)</td>
</tr>
<tr>
<td>Travel expense</td>
<td>(577)</td>
</tr>
<tr>
<td>Consulting fees</td>
<td>(1,292)</td>
</tr>
<tr>
<td>Other expense</td>
<td>(560)</td>
</tr>
<tr>
<td><strong>EBITDA</strong></td>
<td>(2,850)</td>
</tr>
<tr>
<td>Depreciation and amortisation expense</td>
<td>(719)</td>
</tr>
<tr>
<td><strong>EBIT</strong></td>
<td>(3,569)</td>
</tr>
<tr>
<td>Finance costs</td>
<td>(31)</td>
</tr>
<tr>
<td>Foreign exchange gain/loss realised</td>
<td>(17)</td>
</tr>
<tr>
<td><strong>Profit/ (loss) before tax</strong></td>
<td>(3,617)</td>
</tr>
<tr>
<td>Income tax benefit / (expense)</td>
<td>687</td>
</tr>
<tr>
<td><strong>Profit/ (loss) after tax</strong></td>
<td>(2,930)</td>
</tr>
</tbody>
</table>

Sources: Company semi-annual financial report, Management

We note that the main driver of revenue for the Company post the Proposed Transaction will be sales from iTrace, which forms circa 89% of total sales.
Regarding the above we note:

- Cash and cash equivalents include the A$21 million retained by the Company from the circa 100 million\(^{49}\) of net cash proceeds associated with the Proposed Transaction. We note that the above pro-forma balance sheet assumes that circa A$61 million from the net cash proceeds of the Proposed Transaction will be return to the Shareholders as a Capital Return.

- The current tax liability of A$12.5 million is related to the estimated income tax liability associated with the Proposed Transaction cash proceeds.

- The L&U Business related assets and liabilities have been removed. Total L&U’s assets amounted to A$70.4 million and liabilities to A$28.9 million including all borrowings associated with the ANZ Facility.

\(^{49}\) Adjusted for estimated closing adjustments and transactions costs.


### 4.4 Share capital structure

As at the date of this report, Ellex has 143,601,138 fully paid ordinary shares on issue which are held by more than 4,000 individual shareholders. The Company does not have other securities on issue.

We have provided in the table below, the substantial shareholders of Ellex as at 3 February 2020:

<table>
<thead>
<tr>
<th>Top 5 shareholders as at 3 February 2020</th>
<th>No. of shares</th>
<th>Interest (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australian Ethical Investment Ltd</td>
<td>13,760,672</td>
<td>9.6%</td>
</tr>
<tr>
<td>Jencay Capital Pty Ltd</td>
<td>9,565,041</td>
<td>6.7%</td>
</tr>
<tr>
<td>Victor Previn</td>
<td>9,316,031</td>
<td>6.5%</td>
</tr>
<tr>
<td>Investors Mutual Limited</td>
<td>8,932,315</td>
<td>6.2%</td>
</tr>
<tr>
<td>Alexander M. Sundich</td>
<td>6,300,000</td>
<td>4.4%</td>
</tr>
</tbody>
</table>

**Top 5 shareholders total** 47,874,059 33.3%

**Remaining shareholders** 95,727,079 66.7%

**Total ordinary shares outstanding** 143,601,138 100.0%

Sources: ASX Company’s announcements, S&P Global.

### 4.4.1 Share price analysis

The following is a chart showing the movements in Ellex’s share price and volume traded since 1 January 2019.

**Historical share price and volume for Ellex**

<table>
<thead>
<tr>
<th>Event</th>
<th>Date</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Feb-19</td>
<td>Ellex disclosed the performance of consolidated group by announcing the half year account for FY19:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Revenues of A$41.6 million, representing a 9% increase compared to the prior corresponding period (“pcp”) and a four-year CAGR of 8%.</td>
</tr>
</tbody>
</table>

Sources: S&P Global, GTCF analysis

The following is a brief description of the key movements in the share price during the year.
<table>
<thead>
<tr>
<th>Event</th>
<th>Date</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td>- Gross margin of 62.4%, representing c.6.8% increase compared to the pcp. In particular to the Lasers &amp; Ultrasound segment, Ellex announced that:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- The segment presented A$33.9 million in revenues and an upgraded gross margin of 58.9%.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Segment EBITDA of A$5.9 million before allocation of corporate costs, representing a 53% increase versus pcp.</td>
</tr>
<tr>
<td>2</td>
<td>Mar-19</td>
<td>Ellex announced results from a recent LiGHT study, which demonstrated that SLT is safe and effective as the first line of treatment since it provides superior IOP to drops, at a lower cost and it allows almost three-quarter of patients to be successfully controlled without drops for at least three years after starting the treatment.</td>
</tr>
<tr>
<td>3</td>
<td>Mar-19</td>
<td>Ellex announced the appointment of Mr. Gerard Wallace as the Company’s Chief Executive Officer (CEO) and the resignation of the current CEO, Mr Tom Spurling, who would continue to contribute to Ellex as a consultant as part of 2RT market development team.</td>
</tr>
<tr>
<td>4</td>
<td>Jul-19</td>
<td>Ellex announced favourable results of the four years patient follow up from the LEAD clinical trial, relating to the use of Ellex 2RT Retinal Rejuvenation Therapy in the treatment of intermediate AMD. The results indicate that Ellex 2RT offers the potential to intervene earlier in the disease process to improve retinal function and slow the rate of progression of AMD.</td>
</tr>
<tr>
<td>5</td>
<td>Jul-19</td>
<td>Ellex announced the appointment of Ms. Maria Maieli as the Company’s Interim CEO, effective 19 July 2019. The Current CEO Mr. Gerard Wallace has informed the Board of his decision to resign.</td>
</tr>
<tr>
<td>6</td>
<td>Aug-19</td>
<td>Ellex announced the full year FY19 results:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Group revenues of A$81.6 million, indicating a 3% increase on pcp basis while 6% down on a constant currency basis.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Underlying EBITDA loss of A$0.7 million and reported EBITDA loss of 1.0 million, representing a 3% increase on pcp.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>In particular to L&amp;U segment, Ellex announced that:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Segment revenues was down 3% to A$65.5 million while gross margin went up by 5% to 59% before the allocation of labour costs.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Segment EBITDA before corporate costs of A$9.5 million, representing 5% increase versus pcp.</td>
</tr>
<tr>
<td>7</td>
<td>Nov-19</td>
<td>Ellex announced the Initial Suspension, pending the release of an announcement regarding a proposed sale of its L&amp;U Business segment.</td>
</tr>
<tr>
<td>8</td>
<td>Dec-19</td>
<td>Ellex announced the Proposed Transaction with Lumibird.</td>
</tr>
</tbody>
</table>

Sources: ASX Company’s announcement, GTCF analysis

The monthly share price performance of Ellex since January 2019 as well as the weekly share price performance over the last 16 weeks are summarised below:
<table>
<thead>
<tr>
<th>Month ended</th>
<th>Share Price</th>
<th>Average weekly volume</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan 2019</td>
<td>0.687</td>
<td>0.600</td>
</tr>
<tr>
<td>Feb 2019</td>
<td>0.645</td>
<td>0.550</td>
</tr>
<tr>
<td>Mar 2019</td>
<td>0.660</td>
<td>0.610</td>
</tr>
<tr>
<td>Apr 2019</td>
<td>0.650</td>
<td>0.590</td>
</tr>
<tr>
<td>May 2019</td>
<td>0.610</td>
<td>0.585</td>
</tr>
<tr>
<td>Jun 2019</td>
<td>0.575</td>
<td>0.530</td>
</tr>
<tr>
<td>Jul 2019</td>
<td>0.640</td>
<td>0.625</td>
</tr>
<tr>
<td>Aug 2019</td>
<td>0.630</td>
<td>0.590</td>
</tr>
<tr>
<td>Sep 2019</td>
<td>0.590</td>
<td>0.550</td>
</tr>
<tr>
<td>Oct 2019</td>
<td>0.580</td>
<td>0.570</td>
</tr>
<tr>
<td>Nov 2019</td>
<td>0.815</td>
<td>0.610</td>
</tr>
<tr>
<td>Dec 2019</td>
<td>0.800</td>
<td>0.775</td>
</tr>
<tr>
<td>Jan 2020</td>
<td>0.870</td>
<td>0.850</td>
</tr>
<tr>
<td>Week ended</td>
<td></td>
<td></td>
</tr>
<tr>
<td>18 Oct 2019</td>
<td>0.580</td>
<td>0.570</td>
</tr>
<tr>
<td>25 Oct 2019</td>
<td>0.580</td>
<td>0.575</td>
</tr>
<tr>
<td>1 Nov 2019</td>
<td>0.585</td>
<td>0.585</td>
</tr>
<tr>
<td>8 Nov 2019</td>
<td>0.615</td>
<td>0.585</td>
</tr>
<tr>
<td>15 Nov 2019</td>
<td>0.590</td>
<td>0.585</td>
</tr>
<tr>
<td>22 Nov 2019</td>
<td>0.595</td>
<td>0.580</td>
</tr>
<tr>
<td>29 Nov 2019</td>
<td>0.610</td>
<td>0.610</td>
</tr>
<tr>
<td>6 Dec 2019</td>
<td>-</td>
<td>0.610</td>
</tr>
<tr>
<td>13 Dec 2019</td>
<td>-</td>
<td>0.610</td>
</tr>
<tr>
<td>20 Dec 2019</td>
<td>-</td>
<td>0.610</td>
</tr>
<tr>
<td>27 Dec 2019</td>
<td>0.800</td>
<td>0.735</td>
</tr>
<tr>
<td>3 Jan 2020</td>
<td>0.815</td>
<td>0.795</td>
</tr>
<tr>
<td>10 Jan 2020</td>
<td>0.810</td>
<td>0.805</td>
</tr>
<tr>
<td>17 Jan 2020</td>
<td>0.810</td>
<td>0.750</td>
</tr>
<tr>
<td>24 Jan 2020</td>
<td>0.765</td>
<td>0.750</td>
</tr>
<tr>
<td>31 Jan 2020</td>
<td>0.870</td>
<td>0.850</td>
</tr>
</tbody>
</table>

Sources: S&P Global, GTCF analysis
5 Valuation methodologies

5.1 Introduction

In accordance with our basis of assessment set out in Section 2, our fairness assessment involves comparing the Purchase Price with the fair market value of the L&U Business on a control basis.

Grant Thornton Corporate Finance has assessed value using the concept of fair market value. Fair market value is commonly defined as:

"the price that would be negotiated in an open and unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller acting at arm’s length."

Fair market value excludes any special value. Special value is the value that may accrue to a particular purchaser. In a competitive bidding situation, potential purchasers may be prepared to pay part, or all, of the special value that they expect to realise from the acquisition to the seller.

We note, RG111 requires the fairness assessment to be made assuming 100% ownership of the target company and irrespective of whether the consideration offered is scrip or cash and without consideration of the percentage holding of the offer or its associates in the target company.

5.2 Valuation methodologies

RG 111 outlines the appropriate methodologies that a valuer should generally consider when valuing assets or securities for the purposes of, amongst other things, share buy-backs, selective capital reductions, schemes of arrangement, takeovers and prospectuses. These include:

- Application of earnings multiples to the estimated future maintainable earnings or cash flows of the entity added to the estimated realisable value of any surplus assets ("FME Method").

- Discounted cash flow method and the estimated realisable value of any surplus assets ("DCF Method").

- The Amount available for distribution to security holders on an orderly realisation of assets ("NAV Method").

- Quoted price for listed securities, when there is a liquid and active market ("Quoted Security Price Method").

- Any recent genuine offers received by the target for any business units or assets as a basis for valuation of those business units or assets.

Further details on these methodologies are set out in Appendix A to this report. Each of these methodologies is appropriate in certain circumstances.

RG111 does not prescribe the above methodologies as the method(s) that an expert should use in preparing their report. The decision as to which methodology to use lies with the expert based on the expert’s skill and judgement and after considering the unique circumstances of the entity or asset being valued. In general, an expert would have regard to valuation theory, the accepted and most common market practice in valuing the entity or asset in question and the availability of relevant information.
5.3 **Methodologies selected**

In our assessment of the fair market value of the L&U Business, Grant Thornton Corporate Finance has relied on a number of valuation methodologies as outlined below:

- **EBITDA Multiple Method** – Grant Thornton Corporate Finance has selected the EBITDA capitalisation approach to assess the fair market value of L&U Business. We have adopted the EBITDA Multiple Approach due to the following key considerations:
  - This methodology is suitable for businesses that have been trading profitably for a number of years and have relatively stable operations of earnings
  - EBITDA is a frequently used valuation metric to assess the value of a company as it is not affected by differences in earnings caused by varying capital structures and depreciation and amortisation policies.

The EBITDA Multiple Method involves the following key processes:

  - Selecting an appropriate level of EBITDA, having regard to the historical and budgeted operating results after adjusting for non-recurring items of income and expenditure, and other known factors likely to affect the future operating performance of the business.
  - Determining appropriate EV/EBITDA multiples having regard to the trading multiples of comparable companies and comparable transaction evidence, and the specific circumstances of L&U Business.

We have cross-checked our assessed fair value by computing the revenues multiple implied by our valuation under the EBITDA Multiple approach and benchmarked it against the revenue multiple of comparable listed peers. We have also undertaken a high level desktop discounted cash flows method (“Desktop DCF”).

- **DCF Method** – For the purpose of our valuation assessment, we have undertaken a high-level desktop DCF analysis of the L&U Business based on historical financial performance and the high-level budget information provided by Management. Grant Thornton Corporate Finance has built a valuation model (“GT Model”) based on the cash flow projection prepared by the Management until June 2020 at which point we have calculate a terminal value at that point in time.

We note that our assessment of the fair market value of the L&U Business does not take into account any impact that could results from the outbreak of the COVID-19.
6 Valuation assessment of the L&U Business

6.1 Valuation summary

As discussed in Section 5, we have assessed the fair market value of L&U Business on a control basis using the EBITDA Multiple. Set out below is a summary of our valuation assessment.

<table>
<thead>
<tr>
<th>EBITDA Multiple Method - Valuation summary</th>
<th>Section</th>
<th>Low</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assessed maintainable EBITDA before corporate costs</td>
<td>6.1.1</td>
<td>9,500</td>
<td>10,000</td>
</tr>
<tr>
<td>Corporate cost allocated to L&amp;U</td>
<td></td>
<td>(3,500)</td>
<td>(3,000)</td>
</tr>
<tr>
<td>Assessed maintainable EBITDA after corporate costs</td>
<td>6.1.1</td>
<td>6,000</td>
<td>7,000</td>
</tr>
<tr>
<td>Assessed EBITDA Multiple (on a control basis)</td>
<td>6.1.2</td>
<td>14.5x</td>
<td>15.5x</td>
</tr>
<tr>
<td>Enterprise value (control basis)</td>
<td></td>
<td>87,000</td>
<td>108,500</td>
</tr>
<tr>
<td>Less: Net debt 31 December 2019</td>
<td>4.2.3</td>
<td>(2,559)</td>
<td>(2,559)</td>
</tr>
<tr>
<td>Equity value (control basis)</td>
<td></td>
<td>84,441</td>
<td>105,941</td>
</tr>
</tbody>
</table>

Source: GTCF analysis

6.1.1 EBITDA of L&U Business

For the purpose of our valuation assessment of the L&U Business utilising the EBITDA Multiple method, Grant Thornton Corporate Finance has estimated a normalised EBITDA of the L&U Business taking into account the following:

- Historical financial performance of L&U Business from FY17 to 1HFY20 as set out and discussed in section 4.2.
- We note that the Company reports the EBITDA for each segment before the allocation of certain corporate costs. Consequently, we have performed a detail analysis and we held discussion with Management to ascertain a maintainable level of corporate cost for L&U Business. Our assessment of the corporate costs is consistent with the terms of the SSPA and TSA. We note that in the announcement of the Proposed Transaction, Lumibird has indicated that they expect 75% of the corporate costs of A$5.2 million incurred by Ellex in FY19 to be allocated to the L&U Business.
- Management’s projections for FY20 (“FY20 Budget”) and forecast based on the YTD results (“FY20 Forecast”)[50].
- TSA agreement between Lumibird and Ellex in order to estimate the amount receivable by the L&U Business going forward for providing quality and assurance services[51] to 2RT.

We have set out below our assessment of the historical normalised EBITDA of the L&U Business on a stand-alone basis, for the last three financial years up to FY19, and for the 1H FY20 performances as well as two previous corresponding periods (1HFY18 and 1HFY19). We note that the financial performance below includes an allocation of corporate costs estimated by Grant Thornton Corporate Finance based on discussions with Management of Ellex and a review of the information available.

[50] Details of Ellex’s Management projections in relation to L&U Business are not disclosed due to confidentiality and commercial sensitivity factors and because they do not meet the disclosure requirements under ASIC Regulatory Guide 170 “Prospective Financial Information” (“RG170”).
[51] We note that the design and manufacturing costs of 2RT, which going forward will be paid to the L&U Business are already captured in the EBITDA of 2RT before corporate costs.
Note 1 – From 1 July 2019, the Company has begun the adoption of the new accounting standard AASB 16 “Operating Leases” which has only impacted the 1HFY20 accounts. As a result of the new standard, the EBITDA of companies having operating leases will materially increase as rental repayments are replaced with amortisation and interest expense. The impact for the 1HFY20 was a total of A$257k EBITDA increase. Accordingly, we have normalised this amount in order to ensure consistency with the previous periods.

Note 2 – We have been instructed that based on the current draft of the TSA, the L&U Business is expected to receive an annual payment between A$200k and A$300k for the services to be provided to the 2RT business in the first year of operations.

Note 3 – In our valuation of the normalised EBITDA of the L&U Business, we have undertaken an assessment of the corporate costs to be allocated to this division having regard to the terms of the SSPA, TSA and the structure of the operations of the Company. The following table summarises the historical corporate costs incurred by the company.

| Source: Annual and semi-annual financial reports, Management, GTCF analysis |

<table>
<thead>
<tr>
<th>Corporate costs for Ellex</th>
<th>FY17</th>
<th>FY18</th>
<th>FY19</th>
<th>1HFY19</th>
<th>1HFY20</th>
</tr>
</thead>
<tbody>
<tr>
<td>A$</td>
<td>Actual</td>
<td>Actual</td>
<td>Actual</td>
<td>Actual</td>
<td>Actual</td>
</tr>
<tr>
<td>Reported unallocated corporate costs</td>
<td>4,082,874</td>
<td>3,817,972</td>
<td>5,263,083</td>
<td>2,748,094</td>
<td>3,454,648</td>
</tr>
<tr>
<td>One-off expenses</td>
<td>(400,000)</td>
<td>-</td>
<td>(300,000)</td>
<td>(150,000)</td>
<td>(560,000)</td>
</tr>
<tr>
<td>Normalised unallocated corporate costs</td>
<td>3,682,874</td>
<td>3,817,972</td>
<td>4,963,083</td>
<td>2,598,094</td>
<td>2,894,648</td>
</tr>
</tbody>
</table>

| Sources: Company financial reports, Management, GTCF analysis |
| Note: Minor differences with amounts reported in annual and semi-annual reports due to rounding |

In allocating the corporate costs to the L&U Business, we had regard to the following:

- The one-off expenses historically incurred by the L&U Business refer to the following:

  - FY17 – A$400k for the expansion and relocation of the production facilities from central Adelaide to northern Adelaide.
- FY19 – A$300k as restructuring charges
- 1H FY20 – A$560k in legal and redundancy costs.

- The SSPA states that all the current workforce\(^5\) of L&U Business, including those employees employed in the central corporate function, will be transferred to Lumibird except 8 selected individuals who are involved with the iTrack and 2RT businesses.

- In addition to the above, we have removed from the corporate costs listing fees, directors’ fees and historical consulting to the Board which will not be passed to Lumibird. We have also assumed that the audit fees and insurance cost currently incurred by Ellex will be streamlined by Lumibird as part of its global operations.

- In the announcement related to the Proposed Transaction, Lumibird stated that following the completion of the Proposed Transaction, it is expected to retain 75% (A$3.9 million) of the A$5.2 million of unallocated corporate costs incurred by the company in FY19.

Overall, we have estimated the normalised corporate costs to be retained by Lumibird between A$3.0 million and A$3.5 million. We note that it is not unreasonable to assume that Lumibird will achieve some cost savings in the corporate costs department once integration of the L&U Business is completed.

Based on the above, we have assessed a future maintainable EBITDA after corporate costs between A$6.0 and A$7.0 million. In reaching our conclusion we have also considered the following:

- *The L&U Business is a mature company with a strong portfolio of well-recognised products* – The L&U Business is a mature business with a global customer base and a portfolio of differentiated niche products which has allowed the Company to become a world leader and maintain a meaningful share in the ophthalmic industry, despite the competitive pressure from larger and more diversified companies.

- *Growth from the sale of the L&U Business products* – Whilst the L&U Business’s financial performance has been relatively stable over the last two years, the release of the LIGHT Study providing empirical evidence of the superiority of the SLT treatment compared to eye drops has created the basis for an increased take-up of SLT procedures.

- *Synergies expected to be realised by L&U Business* – Subsequently to the completion of the Proposed Transaction, Lumibird should be able to realise certain cost savings and sale synergies as a result of the L&U Business reaching economies of scale by relying on the larger business structure of the acquirer. We are of the opinion that most of the above synergies, cost synergies and growth opportunities are difficult to quantify, however the selected EBITDA multiple on a control basis reflects a component of the synergies and cost savings available to a pool of potential purchasers. Accordingly, we have not accounted for the synergies separately in the assessment of the maintainable EBITDA.

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\(^5\) The existing 42 employees of Ellex iScience Inc., the iTrack business, will remain employee of Ellex iScience Inc.
6.1.2 EV/EBITDA Multiple

The selection of an appropriate EV/EBITDA multiple is a matter of judgement and involves consideration of a number of factors including:

- The stability and quality of earnings.
- The nature and size of the business.
- The quality of the management team.
- Future prospects of the business.
- Cyclical nature of the industry.

For the purpose of assessing an appropriate EV/EBITDA multiple range to value the L&U Business, we have had regard to the following:

- The multiples implied by recent transactions involving capital medical equipment providers. We note that all the comparable transactions occurred before the adopting of AASB16 and accordingly, no normalisations are required in relation to this accounting policy.

- The trading EBITDA multiples of listed comparable companies. We note that the level of comparability of listed peers is limited due to being more diversified business structures as well as the greater scale of their operations. Accordingly, we have put limited reliance on them.

Transaction multiples

In selecting our comparable transactions we had regard to:

- Targets that operate in the health care sector as manufacturers and providers of energy-based medical equipment specifically to the ophthalmic sector. We have considered a capital good type of equipment such as surgical or diagnostic devices and excluded the providers of disposables or pharmaceutical medications.

- Targets that operate at an international level and have relevant operations in USA, Europe and as well as in Asia.

We have divided our selected transactions into two Tiers. Tier 1 includes transactions involving target operating specifically in the ophthalmic sector as equipment providers, while Tier 2 relates to general health care medical equipment (energy-based) providers operating in other segments.

In relation to the EBITDA multiple implied by comparable transactions, we note that:

- The implied transaction multiples may incorporate various levels of control premium and special values paid for by the acquirers.

- The multiples may reflect synergies paid by the acquirer which may be unique to the acquirers.

- The transactions observed took place during the period between January 2015 and January 2020.
Economic and market factors, including competition dynamics and consumer confidence, may be materially different from those as at the valuation date. These factors may influence the amounts paid by the acquirers for these businesses.

- The transaction multiples are calculated based on the historical EBITDA of the acquired companies (unless otherwise stated) which typically tends to provide a higher multiple due to the growth expectations typically included in forecast financial performance.

The following table summarises the EBITDA multiples implied by these transactions.

<table>
<thead>
<tr>
<th>Transaction analysis</th>
<th>Enterprise value</th>
<th>Stake</th>
<th>EBITDA Multiples</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Tier 1: Ophthalmic capital equipment providers</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nov-19 Lumenis Ltd.</td>
<td>Baring Private Equity Asia</td>
<td>1,465</td>
<td>100%</td>
</tr>
<tr>
<td>Aug-19 Avedro, Inc.</td>
<td>Glaukos Corporation</td>
<td>790</td>
<td>100%</td>
</tr>
<tr>
<td>Apr-19 CenterVue SpA</td>
<td>Revenio Group Oyj</td>
<td>95</td>
<td>100%</td>
</tr>
<tr>
<td>Mar-19 Dutch Ophthalmic Research Center International B.V.</td>
<td>Eurazeo SE; Eurazeo Capital IV</td>
<td>687</td>
<td>100%</td>
</tr>
<tr>
<td>Jul-16 Clarity Medical Systems, Inc., Portfolio of RetCam Imaging Systems</td>
<td>Natus Medical Incorporated</td>
<td>14</td>
<td>100%</td>
</tr>
<tr>
<td>Dec-15 Visionscience, S.L. and Visual Performance Diagnostics, Inc.</td>
<td>Halma plc</td>
<td>132</td>
<td>100%</td>
</tr>
<tr>
<td>Sep-15 Synergetics USA, Inc.</td>
<td>Valeant Pharmaceuticals International Inc.</td>
<td>264</td>
<td>100%</td>
</tr>
<tr>
<td>Jun-15 Lumenis Ltd.</td>
<td>XIO Group</td>
<td>586</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Tier 1 - Average</strong></td>
<td></td>
<td></td>
<td>15.8 x</td>
</tr>
<tr>
<td><strong>Tier 1 - Median</strong></td>
<td></td>
<td></td>
<td>15.2 x</td>
</tr>
<tr>
<td><strong>Tier 2: Other health care (energy based) equipment providers</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nov-19 Cynosure, Inc.</td>
<td>Clayton, Dubilier &amp; Rice, LLC</td>
<td>203</td>
<td>100%</td>
</tr>
<tr>
<td>Sep-19 Amplitude Laser Group SAS</td>
<td>L-GAM Advisers LLP</td>
<td>162</td>
<td>100%</td>
</tr>
<tr>
<td>Jun-19 LAP GmbH Laser Applikationen</td>
<td>IK Investment Partners; IK VII</td>
<td>295</td>
<td>100%</td>
</tr>
<tr>
<td>Jun-17 WOM World of Medicine AG</td>
<td>Novanta Europe GmbH</td>
<td>172</td>
<td>100%</td>
</tr>
<tr>
<td>Feb-17 Cynosure, Inc.</td>
<td>Hologic, Inc.</td>
<td>1,937</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Tier 2 - Average</strong></td>
<td></td>
<td></td>
<td>16.8 x</td>
</tr>
<tr>
<td><strong>Tier 2 - Median</strong></td>
<td></td>
<td></td>
<td>10.0 x</td>
</tr>
<tr>
<td><strong>Tier 1 &amp; 2 - Average</strong></td>
<td></td>
<td></td>
<td>16.2 x</td>
</tr>
<tr>
<td><strong>Tier 1 &amp; 2 - Median</strong></td>
<td></td>
<td></td>
<td>15.1 x</td>
</tr>
</tbody>
</table>

Sources: Mergermarket, S&P Global, GTCF analysis
Note: (1) The revenues multiple is computed using the forecast revenues amount for FY17.

Among the transactions in the Tier 1, we note the following:

- **CenterVue SpA** – CenterVue develops and manufactures a complete portfolio of high-technological diagnostic systems for the early detection and management of sight-threatening pathologies such as glaucoma, diabetic retinopathy and macular degeneration. Whilst CenterVue products’ offer is slightly different from L&U Business since it is focused on the diagnostic side while the L&U focuses treatment devices, we highlight the following relevant similarities:

  - Both companies focus on the same eye diseases such as glaucoma and diabetic retinopathy.
Accompanied, the companies share exposure to the same ophthalmic industry trends. We note that Ellex acts as a USA distributor of certain CenterVue’s products.

- The companies have similar geographic footprint in the USA, Europe, Australia, and Asia. Therefore, they are subject to similar regulatory environments.

- Revenio indicated that some of the key rationales for the acquisition were the highly complementary nature of the two businesses, the strategic fit in terms of operations and significant sales and operational synergies. All factors that characterised also the acquisition of L&U Business by Lumibird.

- Both L&U and CenterVue are relatively mature businesses with a long and proved experience and a fully developed set of devices covered by patents.

Notwithstanding the above similarities, we note that one of the key differences is that CenterVue outsourced its production at the time of the transaction, whilst the L&U Business is vertically integrated from concept design through manufacture and distribution.

- **Lumenis Ltd ("Lumenis")** – We are referring here to the Lumenis acquisition by XIO Group occurred in June 2015. As outlined in the table above, Lumenis was sold again in November 2019, however publicly available information on the EBITDA multiple is not available. In addition, the size of the November 2019 transaction is not comparable to the L&U Business. Lumenis together with its subsidiaries develops and commercialises energy-based medical systems used for minimally invasive procedures worldwide. The company offers its devices to the surgical, ophthalmology and aesthetic markets. Lumenis is a key competitor of the L&U business in each of the Ophthalmic industry segments in which L&U operates (refer to section 3 for more details). In addition, similarly to the L&U Business, Lumenis manufactures its own devices.

  We note however that Lumenis was a more diversified and larger business than L&U, with a turnover of circa US$290 million for CY14. The ophthalmic segment represented a significant proportion of the overall business, accounting for 20% and 37% of the revenues in CY14 and 1QCY5, respectively. Lumenis is also fully focused on energy-based devices in healthcare and operates across the same geographic regions as L&U business. Accordingly, notwithstanding the differences between the two businesses, we are the opinion that Lumenis transaction in June 2015 is a meaningful comparison to the Proposed Transaction.

- **Synergetics USA, Incs ("Synergetics")** – Synergetics USA, Inc. supplies precision surgical devices, surgical equipment, and consumables primarily for the ophthalmology and neurosurgery markets in the United States and internationally. At the time of the acquisition, 55% of Synergetics’ revenues were generated by the sale of ophthalmic devices, making the company sensitive to similar industry trends and factors than L&U Business. However, we note the more diversified business of Synergetics that generated 44% of its revenues from the neurosurgery markets and its products offer of disposable medical tools which are less capital intensive and more recurring than the capital equipment sales of the L&U Business.

- **Dutch Ophthalmic Research Center International B.V. ("Dutch")** – Dutch is a diversified company providing both capital equipment and disposables to the ophthalmic industry. The company core
product is a medical device, called EVA, used to perform vitreoretinal\textsuperscript{53} surgeries to cure different types of eye diseases. Despite Dutch offering a different treatment from the lasers provided by L&U, the company focuses on the treatment of eye diseases and the set of disposable is fully related to the EVA device. Accordingly, the company is subjected to similar industry trends as L&U Business.

Overall, notwithstanding their differences with L&U, we are of the opinion that the above transactions are a reliable indicator of the EBITDA multiple that a potential purchaser may be prepared to pay for L&U Business in a change of control transaction.

In regards to Tier 2 transactions, they provide energy-based devices to the health care sector. However, they are significantly more diversified and some of them like Amplitude Laser Group SAS and LAP GmbH Applikationen also have a presence in the industrial market. Having regard for the limited comparability with L&U Business, we have put limited reliance on Tier 2 transactions.

Conclusion on EV/EBITDA multiple

Based on the analysis of comparable transactions, Grant Thornton Corporate Finance has assessed an EV/EBITDA multiple for the valuation of L&U Business in the range of 14.5x and 15.5x on a control basis. The low-end of the range is mainly based on the CenterVue transaction whereas the high-end is based on the median of the Tier 1 transactions and it takes into account specific differences between the comparable transactions and the L&U Business.

We note that based on discussions with Management, we understand that often businesses in the industry are also valued having regard to revenue multiples. Accordingly, we consider appropriate to calculate the revenues multiple implied in our valuation assessment and undertake a high level benchmark with the revenue multiples of the trading comparable companies. The analysis should be taken with caution given that as discussed before, we consider the level of comparability of listed peers limited.

The table below summarises the revenue multiple implied in our valuation assessment of the L&U Business.

<table>
<thead>
<tr>
<th>Implied revenue multiple</th>
<th>AS’000</th>
<th>Low</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enterprise value on a control basis</td>
<td></td>
<td>87,000</td>
<td>108,500</td>
</tr>
<tr>
<td>Revenues</td>
<td></td>
<td>65,522</td>
<td>65,522</td>
</tr>
<tr>
<td>Implied Revenue multiple (on control basis)</td>
<td></td>
<td>1.3x</td>
<td>1.7x</td>
</tr>
</tbody>
</table>

Sources: GTCF analysis, Company’s annual reports

Summarised below are the trading multiples of the selected companies that are both manufactures and providers of lasers and ultrasound based medical device to the ophthalmic market.

\textsuperscript{53} Vitrectomy is a surgical procedure undertaken by a specialist where the vitreous humor gel that fills the eye cavity is removed to provide better access to the retina. This allows for a variety of repairs, including the removal of scar tissue, laser repair of retinal detachments and treatment of macular hole.
In relation to the comparability of the above assessed multiples, we note the following key considerations:

- The revenues multiples are not affected by the relatively recent introduction of the accounting standard associated with Operating Leases Standard.

- The majority of the companies have 31 December year end and are currently are in the process of releasing their accounts for 2019.

- We have focused on companies providing capital health care equipment.

In order to gather some further insights on the listed peers, we have set out in the table below a comparison with the L&U Business based on certain KPIs.

<table>
<thead>
<tr>
<th>KPI analysis</th>
<th>Mkt cap1</th>
<th>Revenues2</th>
<th>Gross margin</th>
<th>EBITDA margin</th>
<th>EBIT margin</th>
<th>Revenues CAGR</th>
</tr>
</thead>
<tbody>
<tr>
<td>L&amp;U Business4</td>
<td>A$m</td>
<td>(A$m)</td>
<td>FY17</td>
<td>FY18</td>
<td>FY193</td>
<td>Historical4</td>
</tr>
<tr>
<td>Tier 1</td>
<td>122</td>
<td>65</td>
<td>51%</td>
<td>51%</td>
<td>54%</td>
<td>2%</td>
</tr>
<tr>
<td>Revenio Group Oy</td>
<td>1,234</td>
<td>50</td>
<td>74%</td>
<td>75%</td>
<td>69%</td>
<td>15%</td>
</tr>
<tr>
<td>IRIDEX Corporation</td>
<td>56</td>
<td>60</td>
<td>37%</td>
<td>41%</td>
<td>41%</td>
<td>15%</td>
</tr>
<tr>
<td>Huvitz Co., Ltd.</td>
<td>150</td>
<td>101</td>
<td>40%</td>
<td>41%</td>
<td>43%</td>
<td>15%</td>
</tr>
<tr>
<td>Lumibird SA</td>
<td>375</td>
<td>165</td>
<td>55%</td>
<td>60%</td>
<td>60%</td>
<td>15%</td>
</tr>
<tr>
<td>Glaukos Corporation</td>
<td>3,637</td>
<td>257</td>
<td>87%</td>
<td>86%</td>
<td>87%</td>
<td>15%</td>
</tr>
<tr>
<td>Topcon Corporation</td>
<td>2,237</td>
<td>1,890</td>
<td>55%</td>
<td>55%</td>
<td>57%</td>
<td>15%</td>
</tr>
<tr>
<td>Carl Zeiss Meditec AG</td>
<td>16,352</td>
<td>2,359</td>
<td>55%</td>
<td>55%</td>
<td>57%</td>
<td>15%</td>
</tr>
<tr>
<td>Alcon, Inc.</td>
<td>43,377</td>
<td>10,149</td>
<td>47%</td>
<td>45%</td>
<td>47%</td>
<td>15%</td>
</tr>
<tr>
<td>Tier 1 - Median</td>
<td>53%</td>
<td>53%</td>
<td>55%</td>
<td>17%</td>
<td>17%</td>
<td>17%</td>
</tr>
<tr>
<td>Tier 1 - Average</td>
<td>56%</td>
<td>57%</td>
<td>57%</td>
<td>17%</td>
<td>19%</td>
<td>16%</td>
</tr>
</tbody>
</table>

Sources: GTCF analysis, Companies’ annual, semi-annual report, S&P Global
Notes: (1) Market cap as at 31 January 2020; (2) Last reported revenues; (3) At exclusion for L&U Business, Topcon and Carl Zeiss that released their financial result for FY19, the gross, EBITDA and EBIT margins for FY19 are computed on 9 months of performance; (4) The
historical CAGR is computed from FY16 to FY19 for L&U Business, Topcon and Carl Zeiss. For the remaining companies, the CAGR is computed from FY16 to FY18 since FY19 results are not yet available. (5) The forecast CAGR is computed from FY19 to FY22 for Topcon and Carl Zeiss; (6) To compute the margin of the L&U Business we have considered the allocation of the corporate cost described before and the mid-point of the range.

In relation to the above analysis, we have outlined below some commentaries on the listed peers which we consider more relevant for the valuation of the L&U Business.

- **IRIDEX Corporation (“Iridex”)** – Iridex is the most closely comparable to L&U Business. It provides therapeutic based laser systems focussed on the treatment of glaucoma, delivery devices and consumable instruments to treat sight-threatening diseases conditions in ophthalmology. In addition, similarly to L&U, Iridex markets its products through a direct and independent sale force as well as through distributors. Despite the above similarities, we note that Iridex relies on third parties manufacturing and it only performs assembly into the final product. Moreover, the company is loss-making at EBITDA and EBIT levels while L&U Business has a proven history of profitability.

- Lumibird is one of the key competitor to Ellex in the SLT market and as well as in the diagnostic ultrasounds industry. Earlier in 2019, Lumibird acquired Optotek, a Slovenia based company focused on ophthalmic lasers, in order to enhance its product offer in the SLT market. While L&U Business is the clear market leader for SLT lasers, Lumibird/Quantel are ranked number three in this market segment. However, we note that Lumibird is a more diversified company than L&U since it also designs and manufactures industrial lasers. However, the medical segment of Lumibird is the largest revenue contributor and it accounts for circa 34% of the total turnover.

- **Huvitz Co (“Huvitz”)** – Huvitz develops and sells ophthalmic and optical equipment worldwide. The company focuses on providing devices for the edging of optical lenses as well as offering diagnostic devices. The company generated higher EBITDA and EBIT margins than the L&U Business.

The other companies are not considered comparable either because of their size, margins or growth prospects.

Based on the analysis above, it seems reasonable that the Revenue Multiple implied in our valuation assessment between 1.3x and 1.7x is at a substantial premium to the revenue multiple of Iridex but at a slight discount to the revenue multiple of Lumibird and Huvitz once a premium for control is taken into account.

The graph below also shows the rolling Revenues Multiple for the selected peers compared with the revenue multiple implied in our valuation assessment which further supports our valuation.

---

54 Market Scope “2018 Ophthalmic Laser Report”
55 As per 1HF19 semi-annual financial report.
6.2 Desktop DCF Method

For the purpose of our valuation assessment of L&U Business on a stand-alone basis utilising the Desktop DCF Method, Grant Thornton Corporate Finance has prepared a steady-state high level projections for the next five years having regard to the following:

- FY20 Budget and FY20 Forecast\(^56\).
- Key industry growth prospects and the general economic outlook.

We have set out below a summary of the key assumptions adopted:

- Revenue – Expected to grow at a rate of 2.5% per annum, which is also consistent with the perpetual growth rate adopted in the calculation of the terminal value. In determining the growth rate, we had regard of the following:
  - The global population aging trend in Europe and in the US. Furthermore, the growth in the patients affected by cataract, diabetic retinopathy and glaucoma diseases are forecast to growth at a CAGR between 2.6% and 3.6% between 2018 and 2023\(^57\).
  - The potential effects of the LiGHT results on the sales of the SLT devices.
  - The impact of increased competition from the devices manufactured in China, which is creating a downward pressure on the prices of lasers equipment.

\(^56\) Details of Ellex’s Management projections in relation to L&U Business are not disclosed due to confidentiality and commercial sensitivity factors and because they do not meet the disclosure requirements under ASIC Regulatory Guide 170 “Prospective Financial Information” (‘RG170’).

\(^57\) Refer to section 3.1.2 for more details.
- The relatively limited growth rate between FY17 and H1FY20 achieved by the L&U Business.

- EBITDA margin before corporate costs – in line with FY19 performance.

- Corporate costs – Between A$3.0 million and A$3.5 million as discussed in section 6.1.1.

- Tax rate – It is estimated based on the USA58 and Australia tax rates given the geographic footprint of the operations.

- Capex – A$1 million per annum. The capex is related to the non-capitalised portion of the research and development expenses. We note that since FY17 this amount has declined to approximately A$1 million as a result of the business reaching its maturity stage.

- Working capital – Assumed to be negligible given the revenue growth rate is substantially in line with inflation.

- A weighted average cost of capital ("WACC") between 8.0% and 8.5% as discount rate. Please refer Appendix B for the computation of the WACC.

The assumptions adopted by Grant Thornton Corporate Finance do not represent projections by Grant Thornton Corporate Finance but are intended to reflect the assumptions that could reasonably be adopted by industry participants in their pricing of similar businesses. We note that the assumptions are inherently subject to considerable uncertainty and there is significant scope for differences of opinion. It should be noted that the value of L&U Business could vary materially based on changes to certain key assumptions.

Based on the above, we have estimated the fair market value of the L&U Business based on the Desktop DCF between A$82.9 million and A$90.4 million which is towards the low-end of our valuation assessment based on the EBITDA multiple, but nonetheless supports the fairness of the Proposed Transaction for Ellex Shareholders.

58 Corporate tax rate in the USA of 21% plus state taxes of circa 6%.
7 Source of information, disclaimer and consents

7.1 Source of information

In preparing this report Grant Thornton Corporate Finance has used various sources of information, including:

- Notice of Meeting
- Other financial and legal documents provided in the Data room
- ASX announcements
- Annual reports
- Management accounts
- Discussions with Management
- IBISWorld
- S&P Capital IQ
- Other publicly available information

7.2 Limitations and reliance on information

This report and opinion is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

Grant Thornton Corporate Finance has prepared this report on the basis of financial and other information provided by the Company, and publicly available information. Grant Thornton Corporate Finance has considered and relied upon this information. Grant Thornton Corporate Finance has no reason to believe that any information supplied was false or that any material information has been withheld. Grant Thornton Corporate Finance has evaluated the information provided by the Company through inquiry, analysis and review, and nothing has come to our attention to indicate the information provided was materially misstated or would not afford reasonable grounds upon which to base our report. Nothing in this report should be taken to imply that Grant Thornton Corporate Finance has audited any information supplied to us, or has in any way carried out an audit on the books of accounts or other records of the Company.

This report has been prepared to assist the Independent Directors of ELX in advising the ELX Shareholders in relation to the Proposed Transaction. This report should not be used for any other purpose. In particular, it is not intended that this report should be used for any purpose other than as an expression of Grant Thornton Corporate Finance’s opinion as to whether the Proposed Transaction is fair and reasonable to the ELX Shareholders.

ELX has indemnified Grant Thornton Corporate Finance, its affiliated companies and their respective officers and employees, who may be involved in or in any way associated with the performance of services contemplated by our engagement letter, against any and all losses, claims, damages and liabilities arising out of or related to the performance of those services whether by reason of their negligence or otherwise, excepting gross negligence and wilful misconduct, and which arise from reliance on information provided by the Company, which the Company knew or should have known to
be false and/or reliance on information, which was material information the Company had in its possession and which the Company knew or should have known to be material and which did not provide to Grant Thornton Corporate Finance. The Company will reimburse any indemnified party for all expenses (including without limitation, legal expenses) on a full indemnity basis as they are incurred.

7.3 Consents

Grant Thornton Corporate Finance consents to the issuing of this report in the form and context in which it is included in the Notice of Meeting to be sent to ELX Shareholders. Neither the whole nor part of this report nor any reference thereto may be included in or with or attached to any other document, resolution, letter or statement without the prior written consent of Grant Thornton Corporate Finance as to the form and content in which it appears.
Appendix A – Valuation methodology

Discounted cash flow

An analysis of the net present value of projected cash flows or DCF is a valuation technique based on the premise that the value of the business is the present value of its future cash flows. This technique is particularly suited to a business with a finite life. In applying this method, the expected level of future cash flows are discounted by an appropriate discount rate based on the WACC. The cost of equity capital, being a component of the WACC, is estimated using the Capital Asset Pricing Model.

Predicting future cash flows is a complex exercise requiring assumptions as to the future direction of the company, growth rates, operating and capital expenditure and numerous other factors. An application of this method generally requires cash flow forecasts for a minimum of five years.

Capitalisation of future maintainable earnings

The capitalisation of future maintainable earnings is a suitable valuation method for businesses that are expected to trade profitably into the foreseeable future. Maintainable earnings are the assessed sustainable profits that can be derived by a company’s business and excludes any abnormal or “one off” profits or losses.

The selection of the appropriate multiples to apply is a matter of judgement and involves consideration of a number of factors including:

- The stability and quality of earnings.
- The nature and size of the business.
- The financial structure of the company and gearing level.
- Future prospects of the business.
- Cyclical nature of the industry.
- The asset backing of the underlying business of the company and the quality of the assets.

This approach involves a review of the multiples at which shares in listed companies in the same industry sector trade on the share market. These multiples give an indication of the price payable by portfolio investors for the acquisition of a parcel shareholding in the company.

Net asset backing/orderly realisation of assets

The amount that would be distributed to shareholders on an orderly realisation of assets is based on the assumption that a company is liquidated with the funds realised from the sale of its assets, after payment of all liabilities, including realisation costs and taxation charges that arise, being distributed to shareholders.

Market value of listed securities

Market value is the price per issued share as quoted on the ASX or other recognised securities exchange. The share market price would, prima facie, constitute the market value of the shares of a publicly traded
company, although such market price usually reflects the price paid for a minority holding or small parcel of shares, and does not reflect the market value offering control to the acquirer.

**Comparable transactions**

The comparable transactions method is the value of similar assets established through comparative transactions to which is added the realisable value of surplus assets. The comparable transactions method uses similar or comparative transactions and/or listed trading companies to establish a value for the current transaction.

The comparable transactions methodology involves applying multiples extracted from the market transaction price of similar assets to the equivalent assets and earnings of the company.

The risk attached to this valuation methodology is that in many cases, the relevant transactions contain features that are unique to that transaction and it is often difficult to establish sufficient detail of all the material factors that contributed to the transaction price.

**Appendix B – Discount rate**

**Introduction**

The cash flow assumptions underlying the DCF approach are on a nominal, ungeared and post-tax basis. Accordingly, we have assessed a range of nominal post-tax discount rates for the purpose of calculating the net present value of the L&U Business.

The discount rate was determined using the WACC formula. The WACC represents the average of the rates of return required by providers of debt and equity capital to compensate for the time value of money and the perceived risk or uncertainty of the cash flows, weighted in proportion to the market value of the debt and equity capital provided. However, we note that the selection of an appropriate discount rate is ultimately a matter of professional judgment.

Under a classical tax system, the nominal WACC is calculated as follows:

\[
WACC = R_e \times \frac{D}{D+E} \times (1-t) + R_d \times \frac{E}{D+E}
\]

Where:

- \( R_e \) = the required rate of return on equity capital;
- \( E \) = the market value of equity capital;
- \( D \) = the market value of debt capital;
- \( R_d \) = the required rate of return on debt capital; and
- \( t \) = the statutory corporate tax rate.

**Required rate of return on equity capital**
We have used the Capital Asset Pricing Model ("CAPM"), which is commonly used by practitioners, to calculate the required return on equity capital.

The CAPM assumes that an investor holds a large portfolio comprising risk-free and risky investments. The total risk of an investment comprises systematic risk and unsystematic risk. Systematic risk is the variability in an investment's expected return that relates to general movements in capital markets (such as the share market) while unsystematic risk is the variability that relates to matters that are unsystematic to the investment being valued.

The CAPM assumes that unsystematic risk can be avoided by holding investments as part of a large and well-diversified portfolio and that the investor will only require a rate of return sufficient to compensate for the additional, non-diversifiable systematic risk that the investment brings to the portfolio. Diversification cannot eliminate the systematic risk due to economy-wide factors that are assumed to affect all securities in a similar fashion. Accordingly, whilst investors can eliminate unsystematic risk by diversifying their portfolio, they will seek to be compensated for the non-diversifiable systematic risk by way of a risk premium on the expected return. The extent of this compensation depends on the extent to which the company's returns are correlated with the market as a whole. The greater the systematic risk faced by investors, the larger the required return on capital will be demanded by investors.

The systematic risk is measured by the investment’s beta. The beta is a measure of the co-variance of the expected returns of the investment with the expected returns on a hypothetical portfolio comprising all investments in the market – it is a measure of the investment’s relative risk.

A risk-free investment has a beta of zero and the market portfolio has a beta of one. The greater the systematic risk of an investment the higher the beta of the investment.

The CAPM assumes that the return required by an investor in respect of an investment will be a combination of the risk-free rate of return and a premium for systematic risk, which is measured by multiplying the beta of the investment by the return earned on the market portfolio in excess of the risk-free rate.

Under the CAPM, the required nominal rate of return on equity (Re) is estimated as follows:

\[
R_e = R_f + \beta_e \left( R_m - R_f \right)
\]

Where:

- \( R_f \) = risk free rate
- \( \beta_e \) = expected equity beta of the investment
- \( (R_m - R_f) \) = market risk premium

**Risk free rate**

In the absence of an official risk free rate, the yield on government bonds (in an appropriate jurisdiction) is commonly used as a proxy. Accordingly, we have we have observed the yield on the 10-year Australian
Government bonds and on the 30-year USA Government bonds over several intervals from a period of 5 trading days to 10 trading years as set out in table below:

<table>
<thead>
<tr>
<th>Australia Government Debt - 10 Year as at 14 February 2020</th>
<th>Range</th>
<th>Daily average</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Nominal</td>
</tr>
<tr>
<td>Previous 5 trading days</td>
<td>1.01%</td>
<td>1.07%</td>
</tr>
<tr>
<td>Previous 10 trading days</td>
<td>0.93%</td>
<td>1.10%</td>
</tr>
<tr>
<td>Previous 20 trading days</td>
<td>0.93%</td>
<td>1.18%</td>
</tr>
<tr>
<td>Previous 30 trading days</td>
<td>0.93%</td>
<td>1.26%</td>
</tr>
<tr>
<td>Previous 60 trading days</td>
<td>0.93%</td>
<td>1.38%</td>
</tr>
<tr>
<td>Previous 1 year trading</td>
<td>0.87%</td>
<td>2.20%</td>
</tr>
<tr>
<td>Previous 2 years trading</td>
<td>0.87%</td>
<td>2.93%</td>
</tr>
<tr>
<td>Previous 3 years trading</td>
<td>0.87%</td>
<td>2.99%</td>
</tr>
<tr>
<td>Previous 5 years trading</td>
<td>0.87%</td>
<td>3.16%</td>
</tr>
<tr>
<td>Previous 10 years trading</td>
<td>0.87%</td>
<td>5.88%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>United States Treasury Constant Maturity - 30 Year as at 14 February 2020</th>
<th>Range</th>
<th>Daily average</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Nominal</td>
</tr>
<tr>
<td>Previous 5 trading days</td>
<td>2.03%</td>
<td>2.09%</td>
</tr>
<tr>
<td>Previous 10 trading days</td>
<td>2.01%</td>
<td>2.14%</td>
</tr>
<tr>
<td>Previous 20 trading days</td>
<td>1.99%</td>
<td>2.23%</td>
</tr>
<tr>
<td>Previous 30 trading days</td>
<td>1.99%</td>
<td>2.38%</td>
</tr>
<tr>
<td>Previous 60 trading days</td>
<td>1.99%</td>
<td>2.39%</td>
</tr>
<tr>
<td>Previous 1 year trading</td>
<td>1.94%</td>
<td>3.13%</td>
</tr>
<tr>
<td>Previous 2 years trading</td>
<td>1.94%</td>
<td>3.46%</td>
</tr>
<tr>
<td>Previous 3 years trading</td>
<td>1.94%</td>
<td>3.46%</td>
</tr>
<tr>
<td>Previous 5 years trading</td>
<td>1.94%</td>
<td>3.46%</td>
</tr>
<tr>
<td>Previous 10 years trading</td>
<td>1.94%</td>
<td>4.85%</td>
</tr>
</tbody>
</table>

Sources: GTCF Analysis, S&P Global

Given the volatility in the global financial markets, we have placed more emphasis to the average risk free rate observed over a longer period of time. Based on the above, we have adopted the risk free rate of 3.0%.

**Market risk premium**

The market risk premium represents the additional return an investor expects to receive to compensate for additional risk associated with investing in equities as opposed to assets on which a risk free rate of return is earned. However, given the inherent high volatility of realised rates of return, especially for equities, the market risk premium can only be meaningfully estimated over long periods of time. In this regard, Grant Thornton studies of the historical risk premium over periods of 20 to 80 years suggest the premium is between 5.5% and 6.0% in Australia and between 4.5% and 6.0% in USA.

For the purpose of the WACC assessment, Grant Thornton Corporate Finance has adopted a market risk premium of 5.5%.

**Beta**
The beta measures the expected relative risk of the equity in a company. The choice of the beta requires judgement and necessarily involves subjective assessment as it is subject to measurement issues and a high degree of variation.

An equity beta includes the effect of gearing on equity returns and reflects the riskiness of returns to equity holders. However, an asset beta excludes the impact of gearing and reflects the riskiness of returns on the asset, rather than returns to equity holders. Asset betas can be compared across asset classes independent of the impact of the financial structure adopted by the owners of the business.

Equity betas are typically calculated from historical data. These are then used as a proxy for the future which assumes that the relative risk of the past will continue into the future. Therefore, there is no right equity beta and it is important not to simply apply historical equity betas when calculating the cost of equity.

For the purpose of this report, we have had regard to the observed betas (equity betas) of comparable companies as set out below. We have performed regression of the historical betas on monthly basis over the last 5 years and on weekly basis over the last 2 years.

<table>
<thead>
<tr>
<th>Beta analysis</th>
<th>Market cap</th>
<th>2-year weekly betas</th>
<th>5-year weekly betas</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Equity R- Ungeared</td>
<td>Equity R- Ungeared</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Beta Squared Beta</td>
<td>Beta Squared Beta</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ellex Medical Lasers Limited</td>
<td>Australia</td>
<td>115</td>
<td>0.62</td>
</tr>
<tr>
<td>Revenio Group Oyj</td>
<td>Finland</td>
<td>1,261</td>
<td>0.67</td>
</tr>
<tr>
<td>IRIDEX Corporation</td>
<td>United States</td>
<td>68</td>
<td>1.52</td>
</tr>
<tr>
<td>Huvitz Co., Ltd.</td>
<td>South Korea</td>
<td>142</td>
<td>0.91</td>
</tr>
<tr>
<td>Luminbird SA</td>
<td>France</td>
<td>377</td>
<td>1.26</td>
</tr>
<tr>
<td>Glaukos Corporation</td>
<td>United States</td>
<td>4,341</td>
<td>1.34</td>
</tr>
<tr>
<td>Topcon Corporation</td>
<td>Japan</td>
<td>1,865</td>
<td>1.59</td>
</tr>
<tr>
<td>Carl Zeiss Meditec AG</td>
<td>Germany</td>
<td>15,717</td>
<td>0.26</td>
</tr>
<tr>
<td>Alcon, Inc.</td>
<td>Switzerland</td>
<td>45,826</td>
<td>0.37</td>
</tr>
</tbody>
</table>

|                |            | Equity R- Ungeared  | Equity R- Ungeared  |
|                |            | Beta Squared Beta   | Beta Squared Beta   |
|                |            |                     |                     |
| Low            |            | 0.40                | 0.51                |
| Median         |            | 1.16                | 1.54                |
| Average        |            | 1.15                | 1.54                |
| High           |            | 1.73                | 1.29                |

Source: S&P Global, GTCF analysis

Notes: (1) Equity betas are calculated using data provided by S&P Global. The betas are based on a five-year period with monthly observations and on a two-year period with weekly observations based on the MSCI index. Betas have been degeared based on the average gearing ratio (i.e. net debt divided by shareholders’ equity based on market values). Betas have been regeared based on the L&U Business regearing ratio of 25%.

Grant Thornton Corporate Finance has observed the betas of the comparable companies by reference to both the local index of each company (based on country of domicile) and the MSCI index. We note that the MSCI index is more appropriate for the larger international companies given their global exposure.

It should be noted that the above betas are drawn from the actual and observed historic relationship between risk and returns. From these actual results, the expected relationship is estimated generally on the basis of extrapolating past results. Despite the arbitrary nature of the calculations it is important to assess their commercial reasonableness. That is, to assess how closely the observed relationship is likely to deviate from the expected relationship.
Consequently, while measured equity betas of the listed comparable companies provide useful benchmarks against which the equity beta used in estimating the cost of equity for the pre-development assets, the selection of an unsystematic equity beta requires a level of judgement.

The asset betas of the selected company are calculated by adjusting the equity betas for the effect of gearing to obtain an estimate of the business risk of the comparable companies, a process commonly referred as degearing. We have then recalculated the equity beta based on an assumed ‘optimal’ capital structure deemed appropriate for the business (regearing). This is a subjective exercise, which carries a significant possibility of estimation error.

We used the following formula to undertake the degearing and regearing exercise:

\[
\beta_a = \beta_e \left[ 1 + \frac{D}{E} \times (1-t) \right]
\]

Where:
- \( \beta_e \) = Equity beta
- \( \beta_a \) = Asset beta
- \( t \) = corporate tax rate

The betas are de-geared using the median gearing level over the period in which the betas were observed and then re-geared based on a gearing ratio of 20% debt to 80% equity (see Capital Structure Section below for further discussions).

Based on the analysis above and taking into account the specific circumstances of the L&U Business, we have selected a beta between 0.70 and 0.80 for the L&U Business based on the beta of the Company and the other peers. We note that the low beta is a result of the limit exposure of the L&U Business to global markets trends due to the inelasticity of the demand for eyes diseases treatments.

**Specific risk premium**

The specific risk premium represents the additional return an investor expects to receive to compensate for country, size and project related risk not reflected in the beta of observed comparable companies. We have applied a specific risk premium to L&U Business of 2% mainly related to the size of operations.

We note that the selection of the specific risk premium involves a certain level of professional judgement and as a result, the total specific risk premium is not fully quantifiable with analytical data.

**Cost of debt**

For the purpose of estimating the cost of debt applicable to the L&U Business, Grant Thornton Corporate Finance has considered the following.

- The margin implicit in corporate bond yields over the USA and Australian Government bond yields.
- The historical and current cost of debt for the L&U Business and the comparable companies.

- The weighted average interest rate on credit outstanding for small and medium businesses over the last one to five years as published by the Reserve Bank of Australia.

- Expectations of the yield curve.

Based on the above, Grant Thornton Corporate Finance has adopted a cost of debt of 5.0% (pre-tax).

**Capital structure**

Grant Thornton Corporate Finance has considered the gearing ratio which a hypothetical purchaser of the business would adopt in order to generate a balanced return given the inherent risks associated with debt financing. Factors which a hypothetical purchaser may consider include the shareholders’ return after interest payments, and the business’ ability to raise external debt.

The appropriate level of gearing that is utilised in determining the WACC for a particular company should be the “target” gearing ratio, rather than the actual level of gearing, which may fluctuate over the life of a company. The target or optimal gearing level can therefore be derived based on the trade-off theory which stipulates that the target level of gearing for a project is one at which the present value of the tax benefits from the deductibility of interest are offset by present value of costs of financial distress. In practice, the target level of gearing is evaluated based on the quality and variability of cash flows. These are determined by:

- The quality and life cycle of a company.

- The quality and variability of earnings and cash flows.

- Working capital.

- Level of capital expenditure.

- The risk profile of the assets.

In determining the appropriate capital structure for the purpose of this report, we have also had particular consideration to the following:

- The average gearing ratio of comparable companies over the last five year period

- The current and historic, and target gearing of the L&U Business.

Based on the above observations, for the purpose of the discount rate assessment Grant Thornton Corporate Finance has adopted a capital structure of 20% debt and 80% equity for the L&U Business.
**WACC calculation**

The discount rate is determined as set out below:

<table>
<thead>
<tr>
<th></th>
<th>Low</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost of equity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Risk-free rate</td>
<td>3.0%</td>
<td>3.0%</td>
</tr>
<tr>
<td>Beta</td>
<td>0.70</td>
<td>0.80</td>
</tr>
<tr>
<td>Market risk premium</td>
<td>5.5%</td>
<td>5.5%</td>
</tr>
<tr>
<td>Specific risk premium</td>
<td>2.0%</td>
<td>2.0%</td>
</tr>
<tr>
<td><strong>Cost of equity</strong></td>
<td>8.9%</td>
<td>9.4%</td>
</tr>
<tr>
<td><strong>Cost of debt</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of debt (pre-tax)</td>
<td>5.0%</td>
<td>5.0%</td>
</tr>
<tr>
<td>Tax</td>
<td>27%</td>
<td>27%</td>
</tr>
<tr>
<td><strong>Cost of debt (post-tax)</strong></td>
<td>3.7%</td>
<td>3.7%</td>
</tr>
<tr>
<td><strong>Capital structure</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proportion of debt</td>
<td>20%</td>
<td>20%</td>
</tr>
<tr>
<td>Proportion of equity</td>
<td>80%</td>
<td>80%</td>
</tr>
<tr>
<td><strong>WACC (post-tax)</strong></td>
<td>7.8%</td>
<td>8.3%</td>
</tr>
<tr>
<td><strong>WACC (selected)</strong></td>
<td>8.0%</td>
<td>8.5%</td>
</tr>
</tbody>
</table>

Source: S&P Global, GTCF analysis

*Note: (1) the WACC selected is the WACC calculated and rounded to the closest 0.5%*
## Appendix C – Trading comparable company descriptions

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenio Group Oyj</td>
<td>Revenio Group Oyj, a health technology company, designs, manufactures, and sells medical instruments used for measuring intracocular pressure and bone density in Finland and rest of Europe, and internationally. The company offers tonometers and bone density measurement devices. The company serves general practitioners, opticians, ophthalmologists, research and teaching hospitals, government installations, surgical centers, hospitals, and office clinics. Revenio Group Oyj is based in Vantaa, Finland.</td>
</tr>
<tr>
<td>IRIDEX Corporation</td>
<td>IRIDEX Corporation, an ophthalmic medical technology company, provides therapeutic based laser systems, delivery devices, and consumable instrumentation to treat sight-threatening eye diseases in ophthalmology. The company offers laser consoles and system for use in the treatment of glaucoma, diabetic macular edema and other retinal diseases; and laser photocoagulation systems that are used to treat proliferative diabetic retinopathy, macular holes, retinal tears, and detachments. It also provides delivery devices, such as scanning laser delivery system that allows the physician to perform multi-spot pattern scanning, as well as products for use in vitrectomy procedures. It serves ophthalmologists, research and teaching hospitals, government installations, surgical centers, hospitals, and office clinics. IRIDEX Corporation markets its products through direct and independent sales force in the United States, as well as through independent distributors internationally.</td>
</tr>
<tr>
<td>Huvitz Co., Ltd.</td>
<td>Huvitz Co., Ltd. develops and sells optometric medical equipment worldwide. The company offers ophthalmic and optical equipment comprising refractive equipment, such as auto refr/keratometers, auto lensmeters, digital refractors, chart projectors, and unit tables; and diagnostic equipment comprising slit lamps, non-contact tonometers, and applanation tonometers, as well as ophthalmologic diagnostic and surgical systems products. It also provides edging solutions, such as edgers, frame readers, auto-blockers with frame readers, blockers, drilling machines, and remote edging solutions; and microscope systems.</td>
</tr>
<tr>
<td>Lumbird SA</td>
<td>Lumbird SA designs, manufactures, and markets various lasers for the scientific, industrial, and medical markets in France, Europe, the United States, and Asia. It operates in two divisions, Laser and Medical. The Laser division offers products based on fiber laser, solid-state laser, and laser diode technologies for use in industrial, defense, scientific, and medical applications. Its products primarily include solid-state lasers and pulsed laser diodes, fiber lasers and amplifiers, and laser-based electro-optical systems. The Medical division provides diagnostic and treatment equipment for ophthalmology based on lasers and ultrasonic sensors, including lasers and echographs.</td>
</tr>
<tr>
<td>Glaukos Corporation</td>
<td>Glaukos Corporation, an ophthalmic medical technology and pharmaceutical company, focuses on the development and commercialization of surgical devices and sustained pharmaceutical therapies designed to treat glaucoma. It offers micro-bypass stent for insertion in conjunction with cataract surgery for the reduction of intraocular pressure in adult patients with mild-to-moderate open-angle glaucoma; and inject trabecular micro-bypass stent that allows the surgeon to inject stents into various trabecular meshwork locations through a single corneal entry for the reduction of intraocular pressure in mild-to-moderate open-angle glaucoma in combination with cataract surgery. The company markets its products through direct sales force in the United States and other 16 countries, as well as through distribution partners in Europe, the Asia Pacific, Latin America, and internationally.</td>
</tr>
<tr>
<td>Topcon Corporation</td>
<td>Topcon Corporation, together with its subsidiaries, develops, manufactures, and sells positioning, eye care, and smart infrastructure products worldwide. The company’s infrastructure products consists of total stations, layout navigators, mobile mapping systems, 3D laser scanners, field controllers, levels, theodolites, rotating lasers, and pipe lasers. Its eye care products comprise 3D optical coherence tomography systems, retinal cameras, photocoagulators, tonometers, slit lamps, operation and specular microscopes, ophthalmic data system, vision testers, auto refractometers, auto kerato-refractometers, lens meters, and chart projectors.</td>
</tr>
<tr>
<td>Carl Zeiss Meditec AG</td>
<td>Carl Zeiss Meditec AG operates as an international medical technology company. It operates in two segments, Ophthalmic Devices and Microsurgery. The Ophthalmic Devices segment offers optical biometers, ophthalmic surgical microscopes, phacoemulsification/vitrectomy devices, intraocular lenses, and ophthalmic viscoelastic products for the diagnosis and treatment of ophthalmic diseases in the field of cataract and retinal surgery, as well as optical coherence tomography devices and therapeutic and refractive lasers for the diagnosis and treatment of various eye diseases. The Microsurgery segment provides surgical microscopes and visualization solutions for neuro, spinal, dental, and plastic and reconstructive surgeries, as well as for ear, nose, and throat surgery. Carl Zeiss Meditec AG serves ophthalmologists and ophthalmologists, as well as physicians and surgeons in hospitals and outpatient surgery centers.</td>
</tr>
<tr>
<td>Alcon, Inc.</td>
<td>Alcon, Inc. develops and manufactures eye care products for eye care professionals and their patients. It offers surgical products, which include technologies and devices for cataract, retinal, glaucoma, and refractive surgery; advanced technology intraocular lenses to treat cataracts and refractive errors, such as presbyopia and astigmatism; and advanced viscoelastics, surgical solutions, surgical packs, and other disposable products for cataract and vitreoretinal surgery. Alcon, Inc. was previously operating as a subsidiary of Novartis AG. Alcon, Inc. (SWX:ALC) operates independently of Novartis AG as of April 9, 2019.</td>
</tr>
</tbody>
</table>

Source: S&P Global
# Appendix D – Target company descriptions

<table>
<thead>
<tr>
<th>Target company</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cynosure, Inc.</td>
<td>Cynosure, Inc. develops, manufactures, and sells aesthetic treatment systems for plastic surgeons, dermatologists, and other medical practitioners. The company’s aesthetic treatment systems utilize a range of energy sources, including Alexandrite, diode, Nd: YAG, pulse dye, Q-switched lasers, intense pulsed light, and radiofrequency (RF) technology. In addition, it markets radiofrequency energy sourced medical devices for precision surgical applications, such as facial plastic and general surgery, gynecology, ear, nose, and throat procedures, ophthalmology, oral and maxillofacial surgery, podiatry, and proctology. The company sells its products through a direct sales force in the United States, Canada, France, Morocco, Germany, Spain, the United Kingdom, Australia, China, Japan, and South Korea, as well as through independent distributors in approximately 120 countries.</td>
</tr>
<tr>
<td>Lumenis Ltd.</td>
<td>Lumenis Ltd., together with its subsidiaries, develops and commercializes energy-based medical systems for use in minimally invasive procedures worldwide. It operates through three segments: Surgical, Ophthalmic, and Aesthetic. The Surgical segment offers surgical laser systems and accessories used for urology/genitourinary and ENT to hospitals, outpatient clinics, ambulatory surgery centers, and medical practices. The Ophthalmic segment sells ophthalmology laser systems and accessories, such as laser links, slit lamp microscopes, laser indirect ophthalmoscopes, physician eye safety filters, surgical laser probes, and others to ophthalmic practices, outpatient clinics, and ophthalmology departments of hospitals primarily for use in retinal treatment and glaucoma/secondary cataract applications, as well as for refractive applications. The Aesthetic segment offers aesthetic laser energy-based systems to physicians primarily for skin treatment and hair removal applications. It markets its products through a network of third-party distributors, direct sales force, and independent distributors.</td>
</tr>
<tr>
<td>Amplitude Laser Group SAS</td>
<td>'Amplitude Laser Group SAS develops and manufactures lasers for scientific and industrial applications through its subsidiaries. The company offers Satsuma Display, Satsuma, Tangor UV, femtosecond laser/Tangor, Goji, Tangerine, Mikan, and Yuja for industrial applications; and Arco, Pulsar TW, Pulsar PW, and Magma for scientific applications. It also offers Premiumtile Yag, Premiumtile Glass, and Nanosecond lasers product line. In addition, the company offers pulse management, beam management, metrology, and wavelength systems. It also develops Laser 4.0 Program, a platform for optimizing the use of lasers. Amplitude Laser Group SAS was founded in 2001 and is based in Pessac, France. It has additional offices in Köln, Germany; Sweden; Poland; Suwon-si, South Korea; Shanghai, China; Tokyo, Japan; India; Singapore; Malaysia; Milpitas, California; and Boston, Massachusetts.</td>
</tr>
<tr>
<td>Avedro, Inc.</td>
<td>Avedro, Inc., an ophthalmic pharmaceutical and medical device company, develops and commercializes products to treat ophthalmic disorders and conditions, primarily associated with corneal weakness. The company’s Avedro Corneal Remodeling platform comprises KXL and Mosaic systems, which deliver ultraviolet A or UVA light, and a suite of single-use riboflavin drug formulations. Its Avedro Corneal Remodeling platform treats corneal ectatic disorders and corrects refractive conditions; and KXL system in combination with Photrexa drug formulations used for the treatment of progressive keratoconus and corneal ectasia following refractive surgery. Avedro sells its products primarily to ophthalmologists, hospitals, and ambulatory surgery centers through a direct sales force in the United States, as well as through medical device distributors internationally.</td>
</tr>
<tr>
<td>LAP GmbH Laser Applikationen</td>
<td>LAP GmbH Laser Applikationen manufactures and markets laser measurement systems. The company provides line lasers, laser projectors and sensors, and patient alignment and virtual simulation systems. It also offers equipment installation, maintenance, and repair services. The company serves concrete, composites, logistics, tire, worker guidance, wind power, aerospace, radiation therapy, wood, and steel industries. LAP GmbH Laser Applikationen was founded in 1984 and is headquartered in Lüneburg, Germany. It has locations in Europe, America, and Asia.</td>
</tr>
<tr>
<td>CenterVue SpA</td>
<td>CenterVue SpA develops diagnostic systems for the early detection of sight-threatening pathologies. The company provides DRS, a non-mydriatic fundus camera that captures digital images of the central retina without pharmacological pupil dilation; and MAIA, a micropereimetry that assists to monitor the course of retinal diseases and the effectiveness of treatment. Its customers include eye care providers, primary care physicians, and patients worldwide. The company was founded in 2008 and is based in Padua, Italy with a branch office in Fremont, California. As of April 30, 2019, CenterVue SpA operates as a subsidiary of Revenio Group Oyj.</td>
</tr>
<tr>
<td>WOM World of Medicine AG</td>
<td>W.O.M. World of Medicine AG develops, manufactures, and sells medical devices for minimally invasive surgery worldwide. The company offers insufflators, pump and tube systems, and other accessories to enable controlled dilatation of body cavities to create space for the endoscopic procedure. It also provides chip cameras, cold light sources, and documentation systems to visualize and medically document minimally invasive procedures. In addition, the company offers Laser U100Plus, which is used in the elimination of ureteral, bladder, kidney, and gall stones; and Gamma Finder that is used in support of Sentinel Lymph Node Biopsy surgical procedure for the detection of cancerous lymph nodes. Its products are also used in handling arthroscopic, laparoscopic, hysteroscopic, and urological indications. W.O.M. World of Medicine AG is headquartered in Berlin, Germany. As of July 3, 2017, WOM World of Medicine AG operates as a subsidiary of Novanta Europe GmbH.</td>
</tr>
<tr>
<td>Clarity Medical Systems, Inc., Portfolio of RetCam Imaging Systems</td>
<td>As of July 6, 2016, Portfolio of RetCam Imaging Systems of Clarity Medical Systems, Inc. was acquired by Natus Medical Inc. Portfolio of RetCam Imaging Systems of Clarity Medical Systems, Inc. develops NICU ophthalmic imaging system used in the detection of retinopathy of prematurity (ROP) in newborns.</td>
</tr>
<tr>
<td>Company Name</td>
<td>Description</td>
</tr>
<tr>
<td>--------------</td>
<td>-------------</td>
</tr>
<tr>
<td>Visiometrics, S.L. and Visual Performance Diagnostics, Inc.</td>
<td>As of December 16, 2015, Visiometrics, S.L. and Visual Performance Diagnostics, Inc. was acquired by Halma plc. Visiometrics, S.L. manufactures and provides optical measuring system that evaluates the optics of the entire eye by measuring on the retina directly. Visual Performance Diagnostics, Inc. manufactures and provides an analyzing equipment that allows a doctor to evaluate the optics of the entire eye by measuring on the retina directly. Visiometrics, S.L. is based in Spain. Visual Performance Diagnostics, Inc. is based in the United States.</td>
</tr>
<tr>
<td>Dutch Ophthalmic Research Center International B.V.</td>
<td>Dutch Ophthalmic Research Center International B.V. engages in the development, manufacture, sale, and export of instruments and equipment for anterior and posterior ophthalmic surgery. It offers EVA fluid control system and accessories; instruments, surgical liquids/tamponades, surgical units, disposable vitrectomy lenses, eckardt temporary keratoprosthesis, and scleral buckling products for posterior surgery; and instruments and surgical liquids for anterior surgery. The company serves ophthalmic surgeons and hospitals in the Netherlands and internationally. Dutch Ophthalmic Research Center International B.V. was founded in 1983 and is based in Zuidland, the Netherlands with sales and marketing organizations in Austria, Belgium, Brazil, China, Finland, France, Germany, India, Italy, the Netherlands, Norway, Spain, Sweden, the United Kingdom, and the United States.</td>
</tr>
<tr>
<td>Synergetics USA, Inc.</td>
<td>Synergetics USA, Inc., a medical device company, provides precision surgical devices, surgical equipment, and consumables primarily for the ophthalmology and neurosurgery markets in the United States and internationally. The company’s product lines focuses upon precision engineered disposable and reusable devices, surgical equipment, procedural kits, and the delivery of various energy modalities, including laser energy, ultrasonic energy, radio frequency energy for electro surgery and lesion generation, and visible light energy for illumination The company sells its products directly, as well as through distributors and independent sales representatives to end-users at hospitals, ambulatory surgery centers, and surgeon offices.</td>
</tr>
</tbody>
</table>

Source: S&P Global
### Appendix E – Glossary

**2RT division**
It offers retinal rejuvenation therapy based on Ellex’s proprietary technology which targets intermediate AMD

**A$**
Australian Dollar

**AASB 15**
Australian Accounting Standard Board 15 - "Revenues from contracts"

**AASB 16**
Australian Accounting Standard Board 16 - "Operating Leases"

**ABIC**
AB Interno Canaloplasty

**ABS**
Australian Bureau of Statistics.

**Adèle**
Adèle Ellex SPV Pty Ltd

**ALT**
Argon laser trabecuoplasty

**AMD**
Age-related macular degeneration

**Nova Eye Medical Limited**
Ellex's new name after transferring the Ellex brand to Lumibird

**Anti-VEGF**
Anti-vascular endothelial growth factor therapy delivered through injections of specific drugs

**ANZ Facility**
Agreement between Ellex and Australian and New Zealand Banking Group to provide to the Company a combination of working capital facilities, trade finance, overdraft and cash advance. As at 31 December 2019 the ANZ Facility amounted to A$11.7 million.

**APES**
Accounting Professional and Ethical Standards

**APES225**
Accounting Professional and Ethical Standard 225 "Valuation Services"

**ASIC**
Australian Securities and Investments Commission

**ASX**
Australian Securities Exchange

**ATO**
Australian Tax Office

**Board**
The board of directors of Ellex

**CAGR**
Compounded annual growth rate

**Capital Return**
The circa A$61 million to be returned to ELX Shareholders from the cash proceeds of the Proposed Transaction net of tax and transaction costs.

**CGU**
Cash generating units

**Corporate Costs**
All the head office administration costs captured by the following cost centres: finance, IT, Corporate (including the Board expenses), and HR.

**Corporations Act**
Corporations Act 2001

**DCF**
Discounted Cash Flow

**DCF Method**
Discounted Cash Flow and the estimated realisable value of any surplus assets

**DME**
Diabetic macular edema

**DR**
Diabetic retinopathy

**EBIT**
Earnings before, interest and tax

**EBITDA**
Earnings before, interest, tax, depreciation and amortisation

**EBITDA Multiple**
Enterprise Value divided by unaudited underlying EBITDA

**Ellex Shares**
The shares of Ellex's

**Ellex, ELX, the Company**
Ellex Medical Lasers

**ELX Shareholders**
The shareholders of Ellex

**EPS**
Earnings per share

**Equal Capital Reduction**
A$41.5 million of the Capital Return will be distributed as return of capital on a pro rata basis of approximately A$0.29 for each ELX share held as at the Record Date. This return of capital will occur via an equal reduction of the issued share capital of circa A$41.5 million.

**EV**
Enterprise Value

**FDA**
USA Food and Drug Administration
FED
USA Federal Reserve

FIRB
Foreign Investment Review Board

FME Method
Application of earnings multiples to the estimated future maintainable earnings or cash flows of the entity, added to the estimated realisable value of any surplus assets

FSG
Financial Services Guide

FY20 Budget
The projections of financial figures made by Ellex's Management

FY20 Forecast
Adjusted year to date forecast

FYxx
12 month financial year ended 30 June 20xx

Gearing Ratio
Net Debt over Equity

GTCF, Grant Thornton, or Grant Thornton Corporate Finance
Grant Thornton Corporate Finance Pty Ltd (ACN 003 265 987)

IER or Report
Independent Expert Report

Initial Suspension Date
28 November 2019, when Ellex initially announced the suspension from the official quotation on ASX at request of the Company pending an announcement regarding the sale of L&U Business

IDL
Implanted intracocular lens

IOP
Intraocular pressure

IP
Intellectual property

iTrack
The Ellex’s division manufacturing and selling the products used in minimal invasive glaucoma surgery to treat canal based glaucoma

L&U, L&U Business, the Division
Lasers and Ultrasound segment of Ellex

LIGHT
Laser in Glaucoma and Ocular HyperTension

Lumibird
Lumibird Group SA

Market Scope, Market Scope Report
The Market Scope "2018 Ophthalmic Lasers Industry Report"

MIGS
Minimal invasive glaucoma surgery

MLT
micro-pulse laser trabeculoplasty

NAV Method
Amount available for distribution to security holders on an orderly realisation of assets

NHS
National Health Service

NICE
The National Institute for Health and Care Excellence

NOM
Notice of Meeting

NTM
Next twelve months

OAG
Open-angle glaucoma

Ophthalmic L&U
Ophthalmic Lasers & Ultrasound industry

Over 65
Population aged over 65 years old

PCD
Posterior capsular opacification

pcp
Prior corresponding period

PDR
Proliferative diabetic retinopathy

Proposed Transaction
On 24 December 2019, Ellex announced the sale of its core business, L&U, to Lumibird at a cash consideration of A$100 million

Purchase Price
A$100 million cash consideration that Lumibird offered for the L&U Business

Quoted Security Price Method
Quoted price for listed securities, when there is a liquid and active market

Record Date
As set out in the Explanatory Memorandum section 3.3
<table>
<thead>
<tr>
<th>Term</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Restructure</td>
<td>The restructuring of the Ellex group which result in the creation of Adele</td>
</tr>
<tr>
<td>Revenue multiples</td>
<td>Enterprise Value divided by total revenue</td>
</tr>
<tr>
<td>RG</td>
<td>Regulatory Guide</td>
</tr>
<tr>
<td>RG 74</td>
<td>ASIC Regulatory Guide 74 &quot;Acquisition approved by members&quot;</td>
</tr>
<tr>
<td>RG111</td>
<td>ASIC Regulatory Guide 111 &quot;Contents of expert reports&quot;</td>
</tr>
<tr>
<td>RG112</td>
<td>ASIC Regulatory Guide 112 &quot;Independence of experts&quot;</td>
</tr>
<tr>
<td>RG5</td>
<td>ASIC Regulatory Guide 5 &quot;Relevant Interests and Substantial Holding Notices&quot;</td>
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<tr>
<td>SLT</td>
<td>Selective Laser Trabeculoplasty</td>
</tr>
<tr>
<td>SSPA</td>
<td>Share Sale and Purchase Agreement</td>
</tr>
<tr>
<td>TCI</td>
<td>True Coaxial Illumination</td>
</tr>
<tr>
<td>The Facility</td>
<td>Manufacturing facility of Ellex's for the L&amp;U Business and 2RT Division</td>
</tr>
<tr>
<td>Trading halt</td>
<td>Occurs when a stock stops trading for a certain time period due to specific reasons</td>
</tr>
<tr>
<td>TSA</td>
<td>Transitional Services Agreement</td>
</tr>
<tr>
<td>VWAP</td>
<td>Volume Weighted Average Price.</td>
</tr>
<tr>
<td>WACC</td>
<td>Weighted Average Cost of Capital.</td>
</tr>
<tr>
<td>WHO Report</td>
<td>The report released by World Health Organisation indicating the visual impairment and blindness facts worldwide</td>
</tr>
</tbody>
</table>
Proxy Form

How to Vote on Items of Business

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

APPOINTMENT OF PROXY

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

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

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

A proxy need not be a securityholder of the Company.

SIGNING INSTRUCTIONS FOR POSTAL FORMS

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

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

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

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

ATTENDING THE MEETING

If you are attending in person, please bring this form with you to assist registration.

Corporate Representative

If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate “Appointment of Corporate Representative” prior to admission. A form may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Need assistance?

Phone:
1300 850 505 (within Australia)
+61 3 9415 4000 (outside Australia)

Online:
www.investorcentre.com/contact

YOUR VOTE IS IMPORTANT

For your proxy appointment to be effective it must be received by 10.00am (SA time) Wednesday 22 April 2020.

Online:
Lodge your vote online at www.investorvote.com.au using your secure access information or use your mobile device to scan the personalised QR code.

Your secure access information is

Control Number: 999999
SRN/HIN: 1999999999
PIN: 9999

For Intermediary Online subscribers (custodians) go to www.intermediaryonline.com

By Mail:
Computershare Investor Services Pty Limited
GPO Box 242
Melbourne VIC 3001
Australia

By Fax:
1800 783 447 within Australia or
+61 3 9473 2555 outside Australia

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.
Proxy Form

Appoint a Proxy to Vote on Your Behalf

I/We being a member/s of Ellex Medical Lasers Limited hereby appoint

[ ] the Chairman of the Meeting  OR  [ ]

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Extraordinary General Meeting of Ellex Medical Lasers Limited to be held at 3 - 4 Second Avenue, Mawson Lakes, South Australia on Friday, 24 April 2020 at 10.00am (SA time) and at any adjournment or postponement of that meeting.

Step 2  Items of Business

PLEASE NOTE: If you mark the Abstain box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

1. Disposal of main undertaking

2. Change of Company name

3. Equal Capital Reduction

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

Signature of Securityholder(s)  This section must be completed.

Individual or Securityholder 1  Securityholder 2  Securityholder 3

Sole Director & Sole Company Secretary  Director  Director/Company Secretary

Update your communication details  [ ]  [ ] (Optional)

Mobile Number  Email Address

By providing your email address, you consent to receive future Notice of Meeting & Proxy communications electronically

Step 3

I  I  I

Date

Please mark X to indicate your directions

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with ‘X’) should advise your broker of any changes.

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

ELX 999999999 A

Computershare