



# **Paradigm Biopharmaceuticals Limited**

## **2019 Annual General Meeting**

**on 7 November 2019**  
at K & L Gates Lawyers  
Level 25, Rialto South Tower  
525 Collins Street, Melbourne

# PARADIGM BIOPHARMACEUTICALS LIMITED

## Agenda - 2019 Annual General Meeting

### Receipt and Consideration of Financial Statements and Reports

*\*Please Note: there is no requirement for Shareholders to approve these reports and financial statements.*

### Resolutions:

- 1 To Approve the Company's Remuneration Report.**  
*\*Please note that the vote on this resolution is advisory only and does not bind the Directors or the Company*  
  
*The Company's Key Management Personnel will be restricted from voting.*
- 2 Re-election of Director: John Gaffney**
- 3 Approval of Employee Share Plan ("ESP")**  
*All Directors (and their Associates) eligible to participate in the ESP will be restricted from voting.*
- 4 Renewal of Proportional Bid provisions in the Constitution**
- 5 Approval of proposed issue of Employee Share Plan Shares to Paul Rennie**  
*All Directors (and their Associates) eligible to participate in the ESP will be restricted from voting.*
- 6 Approval of proposed issue of additional Employee Share Plan Shares**  
*All Directors (and their Associates) eligible to participate in the ESP will be restricted from voting.*
- 7 Increase Non Executive Director's Fee Pool**  
*The Company's Key Management Personnel will be restricted from voting in relation to this resolution.*
- 8 Ratification of prior placement of shares sophisticated investors**  
*Any person (or their associate) who participated in the issue will be restricted from voting.*

*The following Notice of Annual General Meeting (which includes the Explanatory Notes) should be read in its entirety. If you are in doubt as to how to vote on any of the resolutions, you should seek advice from your accountant, solicitor or other professional adviser without delay.*

*Should you wish to discuss the matters set out in the Notice of Meeting please do not hesitate to contact the Company Secretary on +61 3 9629 5566*

# Paradigm Biopharmaceuticals Limited

ACN 169 346 963

## Notice of 2019 Annual General Meeting

Notice is given that a general meeting of the shareholders of Paradigm Biopharmaceuticals Limited ACN 086 778 476 (**Company** or **Paradigm**) will be held at the offices of K & L Gates Lawyers, **Level 25, Rialto South Tower, 525 Collins Street, Melbourne, 3000 on Thursday, 7 November 2019 at 11.00 am** (Melbourne time) for the purpose of considering and if thought fit passing the resolutions as stated below.

*Please note that additional information concerning the proposed resolutions is contained in the Explanatory Memorandum that accompanies and forms part of this Notice of Annual General Meeting. Voting Exclusions to some the following resolutions appear below.*

### **Financial Report – Receipt and Consideration of Financial Statements and Reports**

*To receive and consider the Financial Statements of the Company for the year ended 30 June 2019, together with the Directors' Report and the Independent Auditor's Report as set out in the Annual Report.*

### **Resolution 1 – Remuneration Report (Advisory Resolution)**

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

*“That the Remuneration Report for the year ended 30 June 2019 as set out in the Company's Annual Report for the year ended 30 June 2019 be adopted.”*

### **Resolution 2 – Re-election of Director: John Gaffney**

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

*“That Shareholders re-elect John Gaffney who retires by rotation in accordance with ASX Listing Rule 14.4 and clause 13.3(b) of the Company's Constitution and being eligible, offers himself for re-election as a Director.”*

### **Resolution 3 – Approval of Employee Share Plan**

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

*“That Shareholders renew the approval of the Company's existing Employee Share Plan for the purposes of ASX Listing Rules 7.1 and 7.2 Exception 9(b); Parts 1.2 and 2J.1 and sections 200B, 200E and 259B(2) of the Corporations Act 2001 and generally for all other purposes, as laid before the meeting - a copy of which is available for inspection at the registered office of the Company (during normal business hours).”*

### **Resolution 4 – Renewal of Proportional Bid provisions in the Constitution**

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

*“That for the purposes of Sections 136 and 648G(4) of the Corporations Act 2001 and for all other purposes, Shareholders approve the renewal and reinstatement into the Company's Constitution of Clause 11 of that Constitution (Proportional Takeover Requirements) for a period of 3 years from the date of approval.”*

#### **Resolution 5 – Approval of proposed issue of Employee Share Plan Shares to Paul Rennie**

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

*“That for the purposes of ASX Listing Rule 10.14, section 259B(2) of the Corporations Act 2001 (Cth) and for all other purposes, Shareholders approve the issue to Paul Rennie of that number of Employee Plan Shares (pursuant to the Employee Share Plan) which when multiplied by the issue price (calculated as at the date of the general meeting), will be valued at \$578,250, as outlined in the Explanatory Notes which accompanies this Notice of Meeting.”*

#### **Resolution 6 – Approval of proposed issue of additional Employee Share Plan Shares**

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

*“That for the purposes of ASX Listing Rule 10.14, section 259B(2) of the Corporations Act 2001 (Cth) and for all other purposes, Shareholders approve the issue to Claire and Nicole Kaufman of that number of Employee Plan Shares (pursuant to the Employee Share Plan) which when multiplied by the issue price (calculated as at the date of the general meeting), will be valued at \$539,700, as outlined in the Explanatory Notes which accompanies this Notice of Meeting.” Claire and Nicole Kaufman are employed on arm’s length terms by the Company but do constitute related parties being related to Mr Graeme Kaufman (Non-Executive Chair).”*

#### **Resolution 7 – Increase Non Executive Director’s Fee Pool**

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

*“That Shareholders approve for the purposes of ASX Listing Rule 10.17 and Clause 13.4(a) of the Company’s Constitution, the maximum aggregate amount of non-executive directors’ fees that may be paid to the Company’s non-executive directors per annum is increased by \$250,000 per annum to \$500,000 per annum.”*

#### **Resolution 8 – Ratification of prior placement of shares to sophisticated investors**

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

*“That, pursuant to and in accordance with Listing Rule 7.4 and for all other purposes, Shareholders approve and ratify the prior issue of a total of 34,370,099 fully paid ordinary shares to sophisticated investors, as detailed in the Explanatory Notes which accompanies this Notice of Meeting.”*

**By Order of the Board:**



**Kevin Hollingsworth**

Company Secretary

26 September 2019

## Voting Exclusions

### Resolution

### Voting Exclusion Statements

#### **1. Approve Remuneration Report**

A vote on Resolution 1 must not be cast, and the Company will disregard any votes cast on this Resolution 1:

- (a) by or on behalf of a member of the Company's key management personnel as whose remuneration is disclosed in the Remuneration Report (**Key Management Personnel**), and
- (b) by or on behalf of a Closely Related Party of a member of the Key Management Personnel.

However, the Company will not disregard a vote if it is cast by the member of the Key Management Personnel, not cast on behalf of any member of the Key Management Personnel and either:

- (c) the proxy appointing the member of the Key Management Personnel specifies the way the proxy is to vote on the resolution; or
- (d) the Chairman is appointed proxy, the appointment does not specify the way the proxy is to vote on the resolution and the appointment expressly authorises the Chairman to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of Key Management Personnel.

#### **3. Approval of Employee Share Plan ("ESP")**

The Company will disregard any votes cast in favour of Resolution 3 by or on behalf of a Director of the Company (except a Director who is ineligible to participate in any employee incentive scheme in relation to the Company) or an associate of that Director. However, the Company need not disregard a vote on Resolution 3 if.

However, the Company will not disregard a vote if it is cast:

- (a) by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

#### **5. Approval of proposed issue of Employee Share Plan Shares to Paul Rennie**

The Company will disregard any votes cast in favour of Resolution 5 by or on behalf of any Director entitled to participate in the Employee Share Scheme in respect of which the approval is sought, or by any associate of that Director.

However, the Company will not disregard a vote if it is cast:

- (a) by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

#### **6. Approval of proposed additional issue of Employee Share Plan Shares**

The Company will disregard any votes cast in favour of Resolution 6 by or on behalf of any Director entitled to participate in the Employee Share Scheme in respect of which the approval is sought, or by any associate of that Director.

However, the Company will not disregard a vote if it is cast:

- (a) by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

**7. Increase  
Non Executive  
Director's Fee  
Pool**

A vote on Resolution 7 must not be cast, and the Company will disregard any votes cast in favour of, Resolution 7:

- (a) by or on behalf of a member of the Company's key management personnel as whose remuneration is disclosed in the Remuneration Report (**Key Management Personnel**), and
- (b) by or on behalf of a Closely Related Party of a member of the Key Management Personnel.

However, the Company will not disregard a vote if it is cast by a member of the Key Management Personnel, not cast on behalf of any member of the Key Management Personnel and either:

- (c) the proxy appointing the member of the Key Management Personnel specifies the way the proxy is to vote on the resolution; or
- (d) the Chairman is appointed proxy, the appointment does not specify the way the proxy is to vote on the resolution and the appointment expressly authorises the Chairman to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of Key Management Personnel.

The Company will also disregard any votes cast in favour of Resolution 7 by or on behalf of a director of the Company (or their associate).

However, the Company will not disregard a vote if it is cast:

- (a) by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

**8. Ratification of  
prior placement  
of shares  
sophisticated  
investors**

The Company will disregard any votes cast in favour of this Resolution 8 by or on behalf of any person (or their associate) who participated in the issue.

However, the Company will not disregard a vote if it is cast:

- (a) by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

## **NOTES TO AGM NOTICE**

The accompanying Explanatory Memorandum forms part of this Notice of Annual General Meeting and should be read in conjunction with it. Unless the context otherwise requires, terms which are defined in the Explanatory Memorandum have the same meanings when used in this Notice of Annual General Meeting.

<b>Annual Report</b>	<p>The annual report (which includes the financial report, the directors' report, the auditor's report and the remuneration report) is available for shareholders to access and download from the investor information page on the Company's website (<a href="https://paradigmbiopharma.com/investors/annual-reports/">https://paradigmbiopharma.com/investors/annual-reports/</a>).</p> <p>Shareholders who have elected to receive a copy of the annual report will receive it separately in the mail.</p>
<b>Asking Questions at the Meeting</b>	<p>We welcome Members' questions at the meeting. However, in the interests of all present at the meeting, we request that Members confine their questions to matters before the meeting that are relevant to the Members as a whole.</p> <p>A Member who is entitled to vote at the meeting may submit a written question to the auditor if the question is relevant to:</p> <ul style="list-style-type: none"><li>• the content of the Auditor's Report to be considered at the meeting; or</li><li>• the conduct of the audit of the annual financial report to be considered at the meeting.</li></ul> <p>The question may be submitted by giving it to the Company no later than the fifth business day before the meeting is to be held.</p>
<b>Shareholders Entitled to Vote</b>	<p>Pursuant to regulation 7.11.37 of the <i>Corporations Regulations 2001 (Cth)</i> the Board has determined that, for the purpose of voting at the meeting, shareholders are those persons who are the registered holders of Company shares at 11.00 am Melbourne time on 5 November 2019.</p>
<b>Appointment of Proxies</b>	<p>If you are entitled to vote at the meeting you have the right to appoint a proxy to attend and vote in your place. To appoint a proxy you should use the attached proxy form. The proxy need not be a shareholder of the Company. If you are entitled to cast 2 or more votes you may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise.</p> <p>A corporate shareholder must sign the proxy form in accordance with its constitution or otherwise in accordance with the <i>Corporations Act 2011 (Cth)</i>. Where the proxy form is signed by a duly authorised person or persons of a corporate securityholder, such authorisation must have been sighted by the Company's Share Registry, Computershare Ltd.</p>

<p><b>Lodgement of Proxies</b></p>	<p>A Voting Form for appointment of a proxy or direct voting is enclosed with this notice. If you wish to appoint a proxy or direct vote, please complete the Voting Form in accordance with the instructions on the back of the Voting form. Alternatively, you may register your vote online at <a href="http://www.linkmarketservices.com.au">www.linkmarketservices.com.au</a> by following the instructions. You will need your Security holder Reference Number (SRN) or Holder Identification Number (HIN), which is set out on the Voting Form. To be valid, Voting Forms or electronic voting instructions must be received by 11.00 am (AEST) on Tuesday, 5 November 2019.</p> <p>You will be taken to have signed the proxy form if you lodge in accordance with the instructions on the website. A proxy cannot be appointed electronically if they are appointed under a power of attorney or similar authority. The online proxy facility may not be suitable for Members wishing to appoint two proxies with different voting directions. Please read the instructions for online proxy submissions carefully before you lodge your proxy.</p>
<p><b>Bodies Corporate</b></p>	<p>A body corporate may appoint an individual as its representative to attend and vote at the meeting and exercise any of the powers the body may exercise at meetings of the Company's shareholders. The appointment may be a standing one. Unless the appointment states otherwise, the representative may exercise all of the powers that the appointing body could exercise at a meeting or in voting on a resolution.</p> <p>The representative should bring to the meeting evidence of his or her appointment, including any authority under which the appointment is signed, unless it has previously been given to the Company.</p>
<p><b>Corporate Representative</b></p>	<p>If your holding is registered in a company name, a corporate securityholder may appoint a person to act as its representative to attend the meeting by providing that person with:</p> <ul style="list-style-type: none"> <li>(i) a letter or certificate authorising him or her as the Company's representative, executed in accordance with the Company's constitution; or</li> <li>(ii) a copy of the resolution appointing the representative, certified by a secretary or director of the corporate securityholder.</li> </ul>



# **Paradigm Biopharmaceuticals Limited**

## **Explanatory Notes to 2019 Notice of Annual General Meeting**

These Explanatory Notes have been prepared to provide shareholders with sufficient information to assess the merits of the resolutions contained in the accompanying Notice of the 2019 Annual General Meeting (**AGM**) of the Company (**Notice**).

### **Receipt and Consideration of Financial Statements and Reports**

This agenda item is self-explanatory. It is intended to provide shareholders with the opportunity to raise questions on the Financial Statements and Reports, and of the performance of the Company generally.

Shareholders should note that the Financial Statements and Reports will be received in the form presented. It is not the purpose and there is no requirement either in the Corporations Act or in the Constitution of the Company for shareholders to approve the financial report, the directors' report or the auditor's report or that the Financial Statements and Reports be accepted, rejected or modified in any way.

### **Resolution 1 – Remuneration Report (Advisory Resolution)**

Listed entities are required to put to the Shareholders a resolution that the Remuneration Report section of the Directors' Report be adopted. This Remuneration Report can be found in the Company's 2019 Annual Report, a copy of which can be found on its website at <https://paradigmbiopharma.com/investors/annual-reports/> It sets out a range of matters relating to the remuneration of Directors and Senior Executives of the Company. A shareholder vote on this resolution is advisory only and does not bind the Directors or the Company.

If a company's Remuneration Report receives a 'no' vote of 25 per cent or more at two consecutive annual general meetings, a further resolution must then be put to shareholders at the second annual general meeting as to whether another meeting should be held (within 90 days of that second annual general meeting) at which all directors (other than the managing director) who were in office at the date of approval of the director's report (i.e. at that second meeting) must stand for re-election. Shareholders will therefore be entitled (at that second meeting) to vote in favour of holding a further general meeting to re-elect the board if the Remuneration Report receives "2 strikes" in 2 consecutive years. The Company did not receive a 'no' vote of 25 per cent or more at the 2018 Annual General Meeting and so there will not be a 'second meeting' (as described above) in 2019.

As specified above in the Voting Exclusion Statement, members of the Key Management Personnel whose remuneration details are included in the Remuneration Report (and any closely related party of those members) are not permitted to vote on a resolution to approve the Remuneration Report.

### **Resolution 2 – Re-election of Director: John Gaffney**

Rule 13.3(b) of the Company's Constitution provides that, amongst other things, at each Annual General Meeting, the Director longest in office must retire, and being eligible may offer them self for re-election.

The length of time a Director has been in office is computed from that Director's last election. The Managing Director and Directors appointed to fill casual vacancies are not to be taken into account in determining which Director is to retire by rotation.

As at the date of this Notice of Meeting, the Board of the Company comprised of four Directors who are subject to rotation. The Director longest in office without being re-elected is John Gaffney and is therefore required to retire.

### **Recommendation**

The Directors (in the absence of Mr Gaffney) recommend that shareholders vote in favour of Resolution 2 for the re-election of John Gaffney. Due to the interest he has in the outcome of Resolution 2, Mr Gaffney makes no recommendation to Shareholders in relation to Resolution 2.

### **Resolution 3 – Approval of Employee Share Plan**

The Company has previously adopted an executive share plan (**Share Plan** or **Plan**) to foster an ownership culture within the Company and to motivate senior management and Directors to achieve performance targets of the Company. Selected senior management of the Company and the Directors are eligible to participate in the Plan at the absolute discretion of the Board. The Board also remains committed to incentivising and retaining the Company's directors and other personnel in a manner which promotes alignment of their interests with shareholder interests, whilst at the same time offering eligible participants market-competitive remuneration arrangements.

At the same time, the Company desires to maintain maximum ability to raise capital in accordance with ASX Listing Rule 7.1 without seeking prior shareholder approval. Accordingly, the Board seeks further shareholder approval of the Company's existing share loan plan (**Employee Share Plan** or **Plan**) for the purposes of ASX Listing Rule 7.2 Exception 9.

The aggregate number of Shares which may be issued pursuant to the Plan, (when aggregated with all Shares issued under all other employee incentive plans), shall not at any time exceed 10% of the total number of issued Shares.

A summary of the Employee Share Plan is set out in Schedule 1.

The Directors abstain from making a recommendation on Resolution 3 as they are eligible to participate in the Employee Share Plan (subject to shareholder approval) and therefore have a potential personal interest in the matter. Subject to the above voting exclusions, the Chairman intends to vote undirected proxies in favour of this resolution.

### **ASX Listing Rules**

Listing Rule 7.1 requires shareholder approval for an issue of equity securities if, over a rolling 12 month period, the amount of equity securities issued (without prior shareholder approval) is more than 15% of the number of ordinary shares on issue at the start of that 12 month period.

Listing Rule 7.2 exception 9 provides that an issue of securities under an employee incentive scheme does not detract from the available 15% limit under Listing Rule 7.1 if the issue of securities is made under an employee incentive scheme and that employee incentive scheme was approved by shareholders no more than three years before the relevant date of issue of the securities.

The Employee Share Plan is regarded as an employee incentive scheme for the purposes of Listing Rule 7.2 and this Resolution 3 seeks shareholder approval for the Plan to meet the 3 year approval requirement.

The Company intends that any issue of shares under the Employee Share Plan does not detract from the Company's Listing Rule 7.1 15% entitlement. Accordingly, it is seeking shareholder approval of the Plan in order for the Company to be able to issue shares pursuant to the Employee Share Plan (**Plan Shares**) and have those shares qualify under exception 9 to Listing Rule 7.2.

### Information required for Listing Rule 7.2 Exception 9(b)

Listing Rule 7.2 Exception 9(b) requires the information detailed in sections (a), (b) and (c) below to be provided to members for approval under this resolution:

(a) Shares already issued

The Company has issued the following securities pursuant to the Employee Share Plan since its last approval (at the 2018 Annual General Meeting):

300,000 shares to Paul Rennie at \$1.15 per share (as approved by Shareholders at the 2018 Annual General Meeting)

(b) Employee Share Plan Summary

From time to time, and in its absolute discretion, the Board may invite employees and other eligible personnel of the Company (including the directors) to subscribe for Plan Shares under the Plan and, if the Board considers appropriate, the Board may invite some of those employees to apply for a limited recourse loan under the Plan (**Loan**) for all or part of the subscription price for those Plan Shares. The key terms of the Plan, and the key terms of the Loan (**Loan Terms**), are set out in Schedule 1 to this Notice of Meeting.

(c) Voting Exclusion Statement

The applicable voting exclusion statement for the purposes of Listing Rule 7.2 exception 9, under this Resolution 3 appears above.

### Termination benefits under the Plan

Section 200B of the Corporations Act requires shareholder approval by ordinary resolution and in accordance with the special provisions of s 200E of the Act, in order to access the exemption from the prohibition on a company giving a person a benefit in connection with that person's retirement from an office or position of employment in that company where that person is, or was in the three years prior to his or her retirement, in a managerial or executive office in that company.

The Plan allows the Board, in its discretion and subject to the Listing Rules, to vary or amend the terms of the Plan, which may include an amendment to allow an acceleration of vesting of share entitlements on a retirement, which could constitute a benefit otherwise prohibited under Section 200B. In order to give the Board flexibility to exercise its discretions under the Plan to the extent that an acceleration of vesting could be regarded as providing a person a benefit in connection with that person's retirement from an office or position of employment (**Employment Retirement Benefit**), shareholder approval for the purposes of sections 200B and 200E of the Corporations Act 2001 is being sought.

For a section 200B benefit to be allowed, section 200E requires that this Notice of Meeting provide shareholders with either the value of the proposed benefits or, where the value of the proposed benefits cannot currently be ascertained, the manner in which the value of the proposed benefits is calculated, and the matters, events and circumstances that will, or are will likely to, affect the calculation of the value.

#### Value of termination benefits

The Board has not determined that it will exercise discretion to grant any Employment Retirement Benefits. In the circumstances of a possible Employment Retirement Benefit, the value of the benefits that the Board may give under the Plan cannot be determined in advance, as many of the factors that will or are likely to affect that value will not be known until the time the benefit is decided to be awarded (if at all).

Specifically, the value of an Employment Retirement Benefits will depend on a number of factors, including the Company's share price at the time.

### Further Voting restrictions

Insofar as Resolution 3 could relate to the provision of a Employment Retirement Benefit, in accordance with section 200E(2A) of the Corporations Act, a vote on Resolution 3 must not be cast (in any capacity) by or on behalf of any person who may be entitled to receive a benefit in connection with that person's retirement from a managerial or executive office in the Company (or any related body corporate), or an associate of that person. However, a person is entitled to cast a vote if:

- (i) it is cast by a person as a proxy appointed in writing that specifies how the proxy is to vote on the resolution; and
- (ii) it is not cast on behalf of the retiree or an associate of that person.

As at the date of this Notice, the Board has not identified any particular person to receive a benefit in connection with that person's retirement from a managerial or executive office in the Company. As such, no existing Shareholders shall be excluded from voting on Resolution 3.

### **Loans for, and Security over, Plan Shares**

Section 259B(2) permits a Company to take security over its own shares issued pursuant to an employee share scheme under certain conditions, including where prior shareholder approval of the employee share scheme has been obtained. Accordingly, the Company is seeking shareholder approval under Resolution 3 in respect of the operation of section 259B(2) of the Corporations Act, for circumstances where the Company elects to provide an employee assistance in the acquisition of shares in itself, such as providing a loan for the payment of the purchase price of a Share to be issued under the Plan.

Section 260A of the Corporations Act allows only limited circumstances under which a company may provide financial assistance for the acquisition of shares in itself without obtaining prior shareholder approval, including the giving of the assistance which *does not materially prejudice (i) the interests of the company or its shareholders, or (ii) the company's ability to pay its creditors*. The Board is of the view that this exemption is applicable, and at the relevant times will be applicable, to any loans that may be granted for the acquisition of Plan Shares under the Plan. Accordingly the Company will not be seeking shareholder approval with respect to under Section 260A of the Corporations Act.

Approval of the Plan is also being sought generally under Parts 1.2 and 2J.1 (in relation to the definition of "employee share scheme buy-back" in Section 9 of the Corporations Act) in order to permit the Company to undertake a buy back (in accordance with section 257C of the Corporations Act), and without further shareholder approval, of any of the shares issued under the Company's employee share scheme where for any reason the conditions imposed in respect of the issue, vesting or loan terms are not subsequently satisfied.

### **Director Recommendation**

As the Directors are excluded from voting upon this resolution pursuant to the ASX Listing Rules, the directors will not make a recommendation to shareholders with respect to vote in relation to this Resolution 3.

### **Resolution 4 – Renewal of Proportional Bid Provisions of the Constitution**

Clause 11 of the Company's Constitution contains provisions dealing with member approval requirements if there were to be any proportional off market takeover bids for the Company's securities (**Proportional Bid Provisions**).

A "proportional takeover bid" means an off-market bid for a specified proportion of the Company's securities held by each shareholder in a class for which a takeover bid has been made. It is not a bid for all securities held by all members of that class, only part of the securities each holds.

Part 6.5 Subdivision 5C of the Corporations Act provides that these Proportional Bid Provisions cease to apply at the end of 3 years from their adoption (or last renewal), but that they may be renewed by special resolution of the members. The Board believes it is appropriate that the Proportional Bid Provisions of the Company's Constitution (Clause 11) be renewed. The renewal of this Clause 11 requires a special resolution of members as it is regarded as an amendment of the Constitution which, pursuant to Section 136 of the Corporations Act, requires a special resolution for approval.

In seeking the members' approval for the renewal of the Proportional Bid Provisions, Section 648G of the Corporations Act requires the below information to be provided to members.

**a) Effect of provisions proposed to be renewed**

Clause 11.2 of the Constitution provides that the registration of a transfer giving effect to a contract resulting from the acceptance of an offer made under a Proportional Bid is prohibited unless and until a resolution (**Approving Resolution**) to approve the Proportional Bid is passed, or is deemed to have been passed, in accordance with Chapter 6.5 of the Corporations Act. The person making the offer for the securities (**Offeror**) (and their associates) cannot vote on the Approving Resolution and the Approving Resolution requires the approval of more than 50% of members who are entitled to vote at that meeting.

Clause 11.5 provides that:

- (a) If an Approving Resolution is not voted upon within 14 days of the end of the bid period (**Resolution Deadline**), the Approving Resolution is deemed approved;
- (b) If the Approving Resolution has not been approved by the expiry of the Resolution Deadline, all unaccepted offers under the proportional takeover bid (including all accepted offers for which there are not binding acceptance contracts) are deemed withdrawn and the Offeror must rescind each contract created as a result of the acceptance of an offer under that proportional takeover bid; and.
- (c) a Member who has accepted an offer made under the Proportional Bid is entitled to rescind the contract (if any) resulting from that acceptance.

The proportional takeover approval provisions do not apply to the full takeover bids and, if renewed, will only apply for three years after the date of the renewal.

A proportional takeover bid may result in control of the Company changing without Shareholders having the opportunity to dispose of all their Shares. By making a partial bid, a bidder can obtain practical control of the Company by acquiring less than a majority interest.

Shareholders are exposed to the risk of being left as a minority in the Company and the risk of the bidder being able to acquire control of the Company without payment of an adequate control premium. The proportional takeover provisions allow Shareholders to decide whether a proportional takeover bid is acceptable in principle, and assist in ensuring that any partial bid is appropriately priced.

**b) Reasons for the resolution**

Clause 11 of the Constitution is required to be renewed in order to be able to be utilised by Shareholders. It was last approved by Shareholders in 2015, and so now the renewal needs Shareholder approval for Clause 11 to be effective. Section 648G(1) of the Corporations Act provides that Proportional Bid Provisions such as provided in Clause 11 cease to apply at the end of 3 years from their adoption (or their last renewal). Section 648G(4) enables the members to approve a renewal of Proportional Bid Provisions.

The Directors believe that the members should continue to have the choice of considering whether or not to accept a bid for what might become control of the Company without the members having the opportunity to dispose of all of their securities (rather than just some of their securities, as would be the case under a proportional takeover bid). To preserve this choice, Clause 11 needs to be renewed. If Clause 11 is renewed and any proportional takeover bid (if any) is subsequently approved by members, each member will still have the right to make a separate decision whether that member wishes to accept the (proportional takeover) bid for their own securities.

**c) Awareness of current acquisition proposals**

As at the date of this Notice of Meeting, none of the Directors is aware of any proposal for any person to acquire (or increase the extent of) a substantial interest in the Company from its current level.

**d) The advantages and disadvantages of the Proportional Bid Provisions since their adoption**

The Directors consider that during the period in which the proportional takeover provisions were in effect, the proportional takeover provisions have had no potential particular advantages or disadvantages for them or for Shareholders. During the time that the existing proportional takeover provisions have been in effect, there have been no takeover bids for the Company. Whilst the Directors consider it unlikely, the Directors are not aware of any potential bid that was discouraged by Clause 11 of the Constitution.

**e) Potential advantages and disadvantages of the proposed resolution for directors and for the shareholders**

The Directors consider that the proportional takeover approval provisions proposed to be renewed have no potential advantages or disadvantages for the Directors as the Directors remain free to make a recommendation on whether a proportional takeover bid should be accepted. The Directors consider that the proportional takeover approval provisions proposed do have some advantages for Shareholders, including:

- (a) Shareholders will be given the right to consider a proportional takeover offer, if made, and attend at a shareholders meeting to vote on the proposal;
- (b) Shareholders can decide by majority vote (with the votes of the bidders and their associates excluded) whether to accept a proportional takeover bid which may result in the change of control of the Company;
- (c) the provisions, once renewed, may help Shareholders avoid being locked in as a minority and may prevent a bidder acquiring control of the Company without paying an adequate control premium (ie paying for all of their Shares);
- (d) the provisions may increase Shareholders' bargaining power and may help ensure that any current or future bid is adequately priced; and
- (e) knowing the view of the majority of Shareholders may help each individual Shareholder to decide whether to accept or reject the proportional offer.

The Directors consider that the proportional takeover approval provisions proposed to be renewed have some potential disadvantages for Shareholders, including:

- (a) they may discourage proportional takeover bids being made for Shares in the Company that may have been successful;
- (b) Shareholders may lose an opportunity to sell some of the shares at a premium; and
- (c) the likelihood of a proportional takeover succeeding may be reduced.

The Directors do not believe the potential disadvantages outweigh the potential advantages of renewing the proportional takeover provisions and as a result consider that the renewal of the proportional takeover provision is in the interest of Shareholders.

#### **Recommendation for Resolution 4**

Balancing the above advantages and disadvantages, the Directors are of the view that the advantages of renewing the Proportional Bid Provisions outweigh any disadvantages and unanimously recommend the renewal.

#### **Resolution 5 – Approval of Issue of Employee Share Plan Shares to Paul Rennie**

For the purposes of ASX Listing Rule 10.14 the Company seeks shareholder approval for the proposed issue to Paul Rennie of that number of Plan Shares which, when multiplied by the Issue Price, will be valued at \$578,250. The **Issue Price** shall be equivalent to the market price as at the close of ASX trading on the Business Day preceding the allotment date of these Plan Shares (being after the approval of this Resolution 5) (**PR Loan Shares**) pursuant to the terms of the Company's employee share plan as described in Resolution 3 above (**Employee Share Plan or Plan**).

If approved this issue will result in Paul Rennie having a relevant interest in the capital of the Company of a total of 12.39% as at the date of issue of those Shares (the PR Loan Shares representing 0.23% of that relevant interest) and Mr Rennie having a total remuneration package of \$880,000. The issue price will be the market price as at the close of ASX trading on the business day preceding their issue date.

The Company has not sought shareholder approval under Chapter 2E of the Corporations Act as the Board believes that the total remuneration package for Mr Rennie (including the proposed issues of the PR Loan Shares) represents reasonable remuneration for Mr Rennie and is on reasonable commercial terms for a person in the position of Managing Director of a listed biotechnology company of the nature and size of Paradigm (based on a report from an independent remuneration report specialist who have advised as to market rates applicable for chief executive officers of biotech companies such as PAR).

The issue price of the PR Loan Shares (and therefore the number of PR Loan Shares to be issued) cannot be determined prior to obtaining shareholder approval pursuant to this Resolution 5. Under these circumstances and using a binomial method of calculation, the Company estimates that the value of the PR Loan Shares is \$305,550.

The PR Loan Shares will be issued on the terms of the Loan Terms (described in Schedule 1). The Company will take security over the PR Loan Shares (and will impose a holding lock) pending repayment of the Loan. The PR Loan Shares shall all vest on their respective issue date and shall not be subject to any vesting conditions.

The PR Loan Shares shall be subject to an escrow contained in a voluntary restriction agreement to be entered with the Company by Mr Rennie prior to the Company issuing any PR Loan Shares, where the escrow period for a particular tranche is equivalent to the period between the date the PR Loan Shares are issued and ending on the date of the repayment of the Loan Amount.

Mr Rennie will also give a Power of Attorney in favour of the Company for limited circumstances where the Company may need to act as attorney for Mr Rennie, as described in the Loan Plan documents.

## Section 259B(2) of the Corporations Act

Section 259B(2) permits a Company to take security over its own shares issued pursuant to an employee share scheme under certain conditions, including where prior shareholder approval of the employee share scheme has been obtained.

Accordingly, the Company is seeking shareholder approval under Resolution 5 in respect of the operation of section 259B(2) of the Corporations Act, for circumstances if and where the Company elects to provide an employee assistance in the acquisition of shares in itself, such as providing a loan for the payment of the purchase price of a Share to be issued under the Plan. Section 260A of the Corporations Act allows only limited circumstances under which a company may provide financial assistance for the acquisition of shares in itself, namely if:

- (a) the giving of the assistance does not materially prejudice (i) the interests of the company or its shareholders, or (ii) the company's ability to pay its creditors, or
- (b) the assistance is approved by Shareholders under section 260B; or
- (c) the assistance is exempt under section 260C (relating to employee share schemes).

The Board is of the view that (a) above is applicable, and at the relevant times will be applicable, to any loans that may be granted for the acquisition of PR Loan Shares under the Plan, and therefore will not be seeking shareholder approval with respect to under Section 260A of the Corporations Act.

## Application of ASX Listing Rules

ASX Listing Rule 10.14 effectively provides that an entity must not permit a director of the Company (or their associate) to acquire securities under an employee incentive scheme (such as the Employee Share Plan) without the prior approval of holders of ordinary securities.

In the event that shareholder approval to this Resolution 5 is obtained under ASX Listing Rule 10.14, further shareholder approval to Resolution 5 is not required under ASX Listing Rule 7.1 (see Listing Rule 7.2, Exception 14).

## ASX Listing Rule 10.15 Requirements

ASX Listing Rule 10.15 requires a notice of meeting seeking approval under Listing Rule 10.14 to disclose the following information:

- (a) the maximum number of securities to be issued to Mr Rennie pursuant to Resolution 5 is 450,000 Shares. Subject to this maximum, the actual number of Shares to be issued is calculated by dividing the value of those PR Loan Shares (\$578,250) by the Issue Price (as described below);
- (b) the PR Loan Shares will be issued at a price per Loan Share equivalent to market price as at the close of ASX trading on the business day preceding the allotment date of these Plan Shares (being after the approval of this Resolution 5) (**Issue Price**);
- (c) the following is a list of the people referred to in ASX Listing Rule 10.14 (i.e. related parties of the Company and any others, due to their relationship with a related party, require approval) who have received securities under the same Employee Share Plan since the last approval of the Plan:

*Paul Rennie has received 300,000 Shares since the last approval of the Plan at an issue price of \$1.15 per Share,*



- (d) the names of all persons referred to in ASX Listing Rule 10.14 entitled to participate in the employee incentive scheme are:
- (i) *Graeme Kaufman;*
  - (ii) *Paul Rennie;*
  - (iii) *Christopher Fullerton; and*
  - (iv) *John Gaffney;*
- and their respective Associates (if any)*
- (e) the key terms of the PR Loan Shares are as set out in Schedule 1. The Loan Amount owed in respect of the PR Loan Shares (on their issue date) will be \$578,250;
- (f) the Company proposes to issue the PR Loan Shares pursuant to Resolution 5 as soon as reasonably practicable after Resolution 5 is approved by Shareholders, but in any case by no later than 12 months after the date of this meeting;
- (g) no funds will be received by the Company upon the issue of the PR Loan Shares as Mr Rennie will receive a Loan from the Company for the amount of the issue price of the PR Loan Shares. Such Loan will be repayable in accordance with the Loan Agreement.

It should be noted that as a sign of his support and confidence in the Company, Mr Rennie (included through his related entity) has personally subscribed in cash a total \$649,618 of his own funds since the listing of the Company on the ASX to purchase additional Shares in the Company.

### **Recommendation**

The Directors (other than Mr Rennie) recommend that Shareholders vote in favour of Resolution 5. Due to the interest he has in the outcome of Resolution 5 Mr Rennie makes no recommendation to Shareholders in relation to Resolution 5.

### **Resolution 6 – Approval of proposed issue of additional Employee Share Plan Shares**

For the purposes of ASX Listing Rule 10.14 the Company seeks shareholder approval for the proposed issue to Claire and Nicole Kaufman of that number of Plan Shares which, when multiplied by the Issue Price, in aggregate will be valued at \$539,700. Independent of Mr Graeme Kaufman (PAR Non-Executive Chair), Claire and Nicole have been employed by the Company. Claire is a qualified veterinary surgeon and the Company's Chief Operating Officer and Nicole has a senior administration role within the Company.

The **Issue Price** for the shares proposed to be issued to Claire and Nicole will be equivalent to the market price as at the close of ASX trading on the Business Day preceding the allotment date (being after the approval of this Resolution 6) and otherwise on the same terms as all Company employees under the terms of the Company's employee share plan (as described in Resolution 3 above). The terms for the share issue separately to each of Claire and Nicole have been struck on arm's length terms for an equivalent Company employee; and are on the terms otherwise proposed for all Paradigm employees.

The Company annually reviews participation of all its employees in long term incentives such as under the Company's employee share plan. The total loan funded shares proposed to be issued by the Company to all employees under the Employee Share Plan (including Paul Rennie under Resolution 5 and to Claire and Nicole under Resolution 6) will be calculated based on the market price of the Shares as at the relevant date. Therefore while the participation by Claire and Nicole Kaufman is low and on the same terms as all Company employees. The Company has included Resolution 6 given the relationship of Nicole and Claire to Mr Graeme Kaufman (each being an adult daughter of Mr Kaufman) but otherwise Mr Kaufman does not control or have a "relevant interest" in Paradigm shares issued to Nicole and Claire.

The issue price of their Loan Shares (and therefore the number of their Loan Shares to be issued) cannot be determined prior to obtaining shareholder approval pursuant to this Resolution 6. Under these circumstances and using a binomial method of calculation, the Company estimates that the value of their Loan Shares is \$285,270.

### **Section 259B(2) of the Corporations Act**

Section 259B(2) permits a Company to take security over its own shares issued pursuant to an employee share scheme under certain conditions, including where prior shareholder approval of the employee share scheme has been obtained.

Accordingly, the Company is seeking shareholder approval under Resolution 6 in respect of the operation of section 259B(2) of the Corporations Act, for circumstances if and where the Company elects to provide an employee assistance in the acquisition of shares in itself, such as providing a loan for the payment of the purchase price of a Share to be issued under the Plan. Section 260A of the Corporations Act allows only limited circumstances under which a company may provide financial assistance for the acquisition of shares in itself, namely if:

- (a) the giving of the assistance does not materially prejudice (i) the interests of the company or its shareholders, or (ii) the company's ability to pay its creditors, or
- (b) the assistance is approved by Shareholders under section 260B; or
- (c) the assistance is exempt under section 260C (relating to employee share schemes).

The Board is of the view that (a) above is applicable, and at the relevant times will be applicable, to any loans that may be granted for the acquisition of shares under the Plan, and therefore will not be seeking shareholder approval with respect to under Section 260A of the Corporations Act.

### **Application of ASX Listing Rules**

ASX Listing Rule 10.14 effectively provides that an entity must not permit a director of the Company (or their associate) to acquire securities under an employee incentive scheme (such as the Employee Share Plan) without the prior approval of holders of ordinary securities.

In the event that shareholder approval to this Resolution 5 is obtained under ASX Listing Rule 10.14, further shareholder approval to Resolution 5 is not required under ASX Listing Rule 7.1 (see Listing Rule 7.2, Exception 14).

### **ASX Listing Rule 10.15 Requirements**

ASX Listing Rule 10.15 requires a notice of meeting seeking approval under Listing Rule 10.14 to disclose the following information:

- (a) the maximum number of shares to be issued pursuant to Resolution 6 is 320,000 Shares. Subject to this maximum, the actual number of Shares to be issued is calculated by dividing the aggregate amount of \$539,700 by the Issue Price (as described below);
- (b) the shares will be issued at a price equivalent to market price as at the close of ASX trading on the business day preceding the date of approval of this Resolution 6 (Issue Price);
- (c) the following is a list of the people referred to in ASX Listing Rule 10.14 (i.e. related parties of the Company and any others, due to their relationship with a related party, require approval) who have received securities under the same Employee Share Plan since the last approval of the Plan:

*Paul Rennie, has received 300,000 Shares since the last approval of the Plan at an issue price of \$1.15 per Share,*

- (d) the names of all persons referred to in ASX Listing Rule 10.14 entitled to participate in the employee incentive scheme are:
- (i) *Graeme Kaufman;*
  - (ii) *Paul Rennie;*
  - (iii) *Christopher Fullerton; and*
  - (iv) *John Gaffney;*
- and their respective Associates (if any);*
- (e) the key terms for the issue of the shares are as set out in Schedule 1. The Loan Amount will be \$539,700;
- (f) the Company proposes to issue the shares pursuant to Resolution 6 as soon as reasonably practicable after Resolution 6 is approved by Shareholders, but in any case by no later than 12 months after the date of this meeting;
- (g) no funds will be received by the Company upon the issue of the shares as the shares are funded under a Loan from the Company for the amount of the Issue Price. Such Loan will be repayable in accordance with the Loan Agreement.

### **Recommendation**

The Directors (other than Mr Kaufman) recommend that Shareholders vote in favour of Resolution 6.

## **Resolution 7 – Increase Non Executive Director's Fee Pool**

### **ASX Listing Rule 10.17**

Under Clause 13.4(a) of the Constitution and in accordance with Listing Rule 10.17, the maximum aggregate amount payable as remuneration to Non-Executive Directors in any financial year may not exceed an amount determined by shareholders from time to time in general meeting (**Fee Pool**).

The current Fee Pool of approximately \$250,000 has not increased for 4 years. Shareholder approval is being sought to increase the Fee Pool to \$500,000 per annum.

The Board is seeking Shareholder approval to increase the Fee Pool for the following reasons:

- (a) to ensure that the Fee Pool can accommodate payment of fees to any additional non-executive directors appointed to the Board, if and when required. As the Company continues its commercialization plans with a focus on the United States, the Company may consider adding a non-executive director with US commercialisation experience;
- (b) to allow for future growth in the Company, including increased responsibilities from non-executive directors;
- (c) to enable the Company to maintain remuneration arrangements that are market-competitive, so it can attract and retain high calibre individuals as non-executive directors; and
- (d) to provide for Non-Executive Directors' fees to grow in the future to reflect market trends.

The fees payable to Non-Executive Directors are reviewed from time to time by the Remuneration and Nomination Committee. Details of the remuneration of each Non-Executive Director are set out in the Remuneration Report. In respect of the financial year ended 30 June 2019, the total aggregate amount of remuneration paid to the Non-Executive Directors was \$240,900. The Fee Pool comprises all remuneration payable to Non-Executive Directors, and is inclusive of all Board and Board Committee membership fees for the non executive director, any special responsibilities (such as Chairmanship and membership of other Committees which may be required from time to time), and superannuation contributions.

Although an increase in the Fee Pool is being sought, it does not imply that the full amount will be used. Also, it is emphasised that the Fee Pool is a maximum annual limit and does not indicate that fees will necessarily be increased accordingly to that limit.

No Securities have been issued to non-executive directors under Listing Rules 10.11 or 10.14 (with Shareholder approval) in the last 3 years.

### **Recommendation**

Each of the Directors declines to make any recommendation in relation to voting on this resolution as the resolution relates to the remuneration of members of the Company's Key Management Personnel. Other than as a Shareholder, Mr Paul Rennie (as the only Executive Director of the Company) does not have any interest in the outcome of this resolution.

### **Resolution 8 – Ratification of prior share issue**

As announced on 15 April 2019, the Company issued 34,370,099 fully paid ordinary shares (**Placement Shares**) to professional, institutional and sophisticated investors across Australia, Asia and the United States managed by Bell Potter Securities, being the Placement undertaken by the Company at the same time as conducting its 2019 underwritten accelerated non renounceable entitlement offer (**Entitlement Offer**).

Under Listing Rule 7.1, a company may issue up to 15% of its ordinary share capital in any 12-month rolling period without shareholder approval. Listing Rule 7.4 permits a company to obtain ratification from its shareholders in relation to a prior share issue, and thereby refresh its ability in the future to issue further shares (equivalent in number to the share issue being ratified by this resolution) without obtaining prior shareholder approval.

The issue of the Shares was within the 15% limitation imposed by ASX Listing Rule 7.1, however the Company is now seeking shareholder ratification and approval for the issue of these Placement Shares.

### **Regulatory Requirements**

ASX Listing Rule 7.5 requires that the meeting documents concerning a proposed resolution to ratify an issue of securities in accordance with ASX Listing Rule 7.4 must include the following information:

- (a) The number of securities the entity issued:

*A total of 34,370,099 Shares have been issued pursuant to the Company's 15% entitlement under ASX Listing Rule 7.1.*

- (b) The issue price of the securities:

*Consideration payable for the issue of the Shares was \$1.50 per Share.*

(c) The terms of the securities:

*The Shares have the same rights and rank equally with all other ordinary shares issued by the Company.*

(d) The names of the allottee (or the basis on which the allottee was determined):

*The allottees comprised professional, institutional and sophisticated investors across Australia, Asia and the United States introduced to the Company by the underwriters to the Entitlement Offer (being Bell Potter Securities).*

(e) The intended use of the funds raised:

The funds raised (approximately \$51.6m) will be used to commence the (OA) (osteoarthritis) phase 3 trial in the US, EU and Australia, and applied towards the Company completing the phase 2/3 pivotal trial in MPS (mucopolysaccharidosis).

(f) Effect of passing of Resolution 8:

*Resolution 8, if passed, will enable the Company to retain the flexibility to issue the same number of equity securities (as the securities the subject of this resolution) within the next 12 months without the requirement to obtain prior shareholder approval for that number of equity securities.*

## **Recommendation**

The Directors of the Company believe that Resolution 8 is in the best interests of the Company and unanimously recommend that Shareholders vote in favour of this Resolution 8.

## **Further information**

The Directors of the Company are not aware of any other information which is relevant to the consideration by members of the proposed resolutions set out in the notice of general meeting.

The Directors recommend members read these explanatory notes in full and, if desired, seek advice from their own independent financial or legal adviser as to the effect of the proposed resolutions before making any decision in relation to the proposed resolutions.

**GLOSSARY**

The following words and expressions used in the Notice of Meeting and Explanatory Statement have the following meanings unless the context requires otherwise:

**Annual General Meeting** means the annual general meeting of the Company to be held on Thursday, 7 November 2019 at 11.00 am AEDT.

**ASIC** means the Australian Securities & Investments Commission.

**Associates** has the meaning provided in Section 15 of the Corporations Act.

**ASX** means ASX Limited ACN 98 008 624 691.

**Board** means the board of directors of the Company.

**Business Day** means a day (not being a Saturday, Sunday or public holiday) on which Australian banks (as defined in Section 9 of the Corporations Act) are open for general banking business in Melbourne, Victoria.

**Closely Related Party** has the meaning in section 9 of the Corporations Act.

**Company** means Paradigm Biopharmaceuticals Limited ACN 086 778 476.

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

**Director** means a director of the Company.

**Explanatory Statement** means the explanatory statement accompanying the Notice.

**Key Management Personnel** means the Company's key management personnel as whose remuneration is disclosed in the Remuneration Report

**Listing Rules** means the Listing Rules of the ASX.

**Notice of Meeting** means the notice of meeting for the Annual General Meeting.

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

**Resolution** means a resolution proposed in the Notice of Meeting.

**Shareholder** means a holder of Ordinary Shares.

**Trading Day** has the meaning given to that term in the Listing Rules.

## Schedule 1 - Employee Share Plan Terms

The Company has adopted an executive share plan (**Plan**) to foster an ownership culture within the Company and to motivate senior management and Directors to achieve performance targets of the Company. Selected senior management of the Company and the Directors are eligible to participate in the Plan at the absolute discretion of the Board.

Shares allotted and issued under the Plan must rank equally in all respects with other Shares from the date of allotment and issue, subject to satisfaction of any applicable disposal restrictions.

The aggregate number of Shares which may be issued pursuant to the Plan, (when aggregated with all Shares issued under all other employee incentive plans), shall not at any time exceed 10% of the total number of issued Shares.

The Company may include, with an invitation to participate in the Plan, an offer of a limited recourse loan to assist in funding the issue price in respect of the relevant Shares. The issue price of Shares issued and to be issued under the Plan is to be determined from time to time by the Board, subject to any variation under rules of the Plan, to reflect the then market value of the relevant Shares as at the time of allotment.

Under the Plan the Board is empowered to exercise its discretion to issue fully paid ordinary shares in the Company (**Plan Shares**) to employees who qualify to participate in the Employee Share Plan, upon the basis that the Company advances (provides a **Loan**) the Participant the funds to purchase the Plan Shares pursuant to the terms of a secured limited recourse loan agreement between the Participant and the Company (**Loan Agreement**) and that the Participant enters a Restriction Agreement with the Company.

The Board has absolute and final discretion and power to terminate or suspend the operation of this Plan or to supplement or amend the Plan in any way that the Board determines appropriate.

The key terms and conditions of the Employee Share Plan are set out below (**Loan Terms**):

- (i) the Loan may only be applied towards the subscription price for the Plan Shares;
- (ii) the Loan will be interest free, provided that if the Loan is not repaid by the repayment date set by the Board, the Loan will incur interest at the default interest rate set from time to time under Victorian legislation after that date (which will accrue on a daily basis and compound annually on the then outstanding Loan balance);
- (iii) by signing and returning a limited recourse Loan application, the participant of the Employee Share Plan (each a **Participant**) acknowledges and agrees that the Plan Shares will not be transferred, encumbered, otherwise disposed of, or have a security interest granted over it, by or on behalf of the Participant until the Loan is repaid in full to the Company;
- (iv) the Company is entitled, at the Company's discretion, to take security over the Plan Shares as security for repayment of the Loan;
- (v) the Participant is required to enter a restriction agreement with the Company (**Restriction Agreement**) in accordance with the terms of the Employee Share Plan;
- (vi) the Loan becomes repayable on the earliest of:
  - (a) 5 years from the date on which the Loan is advanced to the Participant;

- (b) one month after the date of the Participant's resignation or cessation of office/engagement/employment (as the case may be) other than if the Participant is removed from office, if the Company does not renew the Participant's employment agreement or engagement terms, or where the Company dismisses the Participant other than for cause; and
- (c) (by the legal personal representative of the Participant) six months after the Participant ceases to be an employee of the Company due to their death;

the earliest date being the **Repayment Date**.

- (vii) notwithstanding paragraph (vi) above, the Participant may repay all or part of the Loan at any time before the Repayment Date; and
- (viii) the Loan will be limited recourse such that on the Repayment Date the repayment obligation under the Loan will be limited to the lesser of
  - (a) the outstanding balance of the Loan, and
  - (b) the market value of the Plan Shares on that date.

In addition, where the Participant has elected for the Plan Shares to be provided to the Company in full satisfaction of the Loan, the Company must accept the Plan Shares as full settlement of the repayment obligation under the Loan.

### **Rights attaching to the Plan Shares**

The Plan Shares will rank equally with all other fully paid ordinary shares on issue in the capital of the Company. Holders of Plan Shares will be entitled to exercise all voting rights attaching to those Shares in accordance with the Company's constitution. In addition, holders of Plan Shares will be entitled to participate in dividends declared and paid by the Company in accordance with the Company's constitution.

### **Sale of the Plan Shares**

The Plan Shares may only be sold by a Participant (who has been granted a limited recourse loan) where the Loan has been repaid in full (otherwise any dealing by the Participant in the Plan Shares is prohibited without the prior written consent of the Company).

If the Loan becomes due and payable under the Loan Agreement and the Participant has not repaid the amount of the Loan in full within 21 days of the due date, then the Participant will forfeit their interest in the Plan Shares as full consideration for the repayment of the outstanding Loan balance, and the Company may either (at its election) take such action in the Participant's name or direct that the Participant take such action in relation to the Plan Shares as the Company considers appropriate, which may include but is not limited to the Company undertaking a buy-back of the Plan Shares or selling the Plan Shares.

Copies of the Employee Share Plan are available for inspection at the Company's registered office and will be provided without charge to shareholders on request.



## Application Form Terms

The Application for the Plan Shares to be executed by a Participant includes the appointment by the Participant of the Company to be its attorney under a power of attorney (**Power of Attorney**) to perform all acts required on the Participant's behalf in order

- (i) to transfer the shares (not yet vested) which are the subject of the Application to a nominee or nominees of the Company at the Issue Price per Share, or
- (ii) for the Company to undertake a buy back (at the Issue Price per Share) or capital reduction of those Shares not yet vested pursuant to the provisions of the Corporations Act 2001,

upon the basis that the Application Form is a irrevocable direction to the Company to apply all proceeds that would have otherwise been provided or due to the Participant on a transfer, buy back or capital reduction solely in satisfaction of the Outstanding Loan Balance (as defined in the Loan Agreement).

The Application Form also contains a vesting condition that prevails over all other (if any) vesting conditions (**Liquidity Event Vesting Condition**), namely that all Plan Shares vest immediately upon the happening of a Liquidity Event (as defined). A "Liquidity Event" is defined as:

- (i) where a bidder under a takeover offer (as defined in the Corporations Act) has acceptances for more than 50% of the ordinary shares in the Company and there are no unsatisfied conditions (or conditions that not been waived) under the bid, or
- (ii) on shareholder approval being obtained for a scheme of arrangement (as defined in the Corporations Act) with respect to the assets or securities of the Company; or
- (iii) completion under a contract of sale with a third party purchaser of all, or substantially all, of the assets and undertaking of the Company.

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

## Need assistance?

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

 **Online:**  
[www.investorcentre.com/contact](http://www.investorcentre.com/contact)



## YOUR VOTE IS IMPORTANT

For your proxy appointment to be effective it must be received by **11.00 am (Melbourne time) Tuesday, 5 November 2019.**

# 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](http://www.investorcentre.com) under the help tab, "Printable Forms".

## Lodge your Proxy Form: **XX**

### 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.

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

**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.



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I ND

# Proxy Form

Please mark  to indicate your directions

## Step 1 Appoint a Proxy to Vote on Your Behalf

XX

I/we being a member/s of Paradigm Biopharmaceuticals 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 Annual General Meeting of Paradigm Biopharmaceuticals Limited to be held at the office of K & L Gates Lawyers, Level 25, Rialto South Tower, 525 Collins Street, Melbourne, 3000 on Thursday, 7 November 2019 at 11.00 am (Melbourne time) and at any adjournment or postponement of that meeting.

**Chairman authorised to exercise undirected proxies on remuneration related resolutions:** Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Items 1, 3, 5, 6 and 7 (except where I/we have indicated a different voting intention in step 2) even though Items 1, 3, 5, 6 and 7 are connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

**Important Note:** If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Items 1, 3, 5, 6 and 7 by marking the appropriate box in step 2.

## 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.

	For	Against	Abstain
1 To Approve the Company's Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Re-election of Director: John Gaffney	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Approval of Employee Share Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Renewal of Proportional Bid provisions in the Constitution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5 Approval of proposed issue of Employee Share Plan Shares to Paul Rennie	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6 Approval of proposed issue of additional Employee Share Plan Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7 Increase Non Executive Director's Fee Pool	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8 Ratification of prior placement of share to sophisticated investors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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.

## Step 3 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 Date

**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



PARRM

MR RETURN SAMPLE  
123 SAMPLE STREET  
SAMPLE SUBURB  
SAMPLETOWN VIC 3030

Dear Securityholder,

We have been trying to contact you in connection with your securityholding in Paradigm Biopharmaceuticals Limited. Unfortunately, our correspondence has been returned to us marked "Unknown at the current address". For security reasons we have flagged this against your securityholding which will exclude you from future mailings, other than notices of meeting.

Please note if you have previously elected to receive a hard copy Annual Report (including the financial report, directors' report and auditor's report) the dispatch of that report to you has been suspended but will be resumed on receipt of instructions from you to do so.

We value you as a securityholder and request that you supply your current address so that we can keep you informed about our Company. Where the correspondence has been returned to us in error we request that you advise us of this so that we may correct our records.

You are requested to include the following;

- > Securityholder Reference Number (SRN);
- > ASX trading code;
- > Name of company in which security is held;
- > Old address; and
- > New address.

Please ensure that the notification is signed by all holders and forwarded to our Share Registry at:

Computershare Investor Services Pty Limited  
GPO Box 2975  
Melbourne Victoria 3001  
Australia

Note: If your holding is sponsored within the CHESS environment you need to advise your sponsoring participant (in most cases this would be your broker) of your change of address so that your records with CHESS are also updated.

Yours sincerely

**Paradigm Biopharmaceuticals Limited**