Level 36, 1 Macquarie Place Gateway Tower Sydney NSW 2000 ACN: 124 849 065



# Recce Pharmaceuticals Ltd

# **Notice of 2020 Annual General Meeting**

Explanatory Statement | Proxy Form

# 30 November 2020

**9.00 AM AEDT** 

This will be a virtual meeting. Instructions for attending the virtual meeting are provided within this Notice.

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

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#### Important Information for Shareholders about the Company's 2020 AGM

Given the uncertainty surrounding the COVID-19 pandemic, by the time this Notice is received by Shareholders, circumstances may have changed, however, this Notice is given based on circumstances as at 28 October 2020.

Accordingly, should circumstances change, the Company will make an announcement on the ASX market announcements platform and on the Company's website at <a href="http://www.recce.com.au">http://www.recce.com.au</a>. Shareholders are urged to monitor the ASX announcements platform and the Company's website.

Given the significant health concerns attributed to the COVID-19 pandemic, in addition to guidelines and restrictions issued by Australian state and federal governments, the Company considers that it is appropriate to hold the 2020 AGM as a virtual meeting, in a manner that is consistent with the temporary modifications to the *Corporations Act 2001* (Cth) introduced by the Commonwealth Treasurer.

# Venue and Voting Information

The Annual General Meeting of the Shareholders to which this Notice of Meeting relates will be held at 9.00am (AEDT) on Monday, 30 November 2020 as a **virtual meeting**.

If you are a shareholder and you wish to virtually attend the AGM (which will be broadcast as a live webinar), please **<u>pre-register</u>** in advance for the virtual meeting here:

https://us02web.zoom.us/webinar/register/WN DJPUbzY8Q8-le7F MyEzfQ

After registering, you will receive a confirmation containing information on how to attend the virtual meeting on the day of the AGM.

Shareholders will be able to vote and ask questions at the virtual meeting.

Shareholders are also encouraged to submit questions in advance of the Meeting to the Company.

Questions must be submitted in writing the Company Secretary via <a href="mailto:dean.jagger@automicgroup.com.au">dean.jagger@automicgroup.com.au</a> at least 48 hours before the AGM.

The Company will also provide Shareholders with the opportunity to ask questions during the Meeting in respect to the formal items of business as well as general questions in respect to the Company and its business.

# Your vote is important

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

# Voting virtually at the Meeting

Shareholders who wish to vote virtually on the day of the AGM will need to login to the Automic website (<a href="https://investor.automic.com.au/#/home">https://investor.automic.com.au/#/home</a>) with their username and password.

Shareholders who do not have an account with Automic are strongly encouraged to register for an account **as soon as possible and well in advance of the Meeting** to avoid any delays on the day of the Meeting.

#### How do I create an account with Automic?

To create an account with Automic, please go to the Automic website

(<a href="https://investor.automic.com.au/#/home">https://investor.automic.com.au/#/home</a>), click on 'register' and follow the steps. Shareholders will require their holder number (Securityholder Reference Number (SRN) or Holder Identification Number (HIN)) to create an account with Automic.

#### I have an account with Automic, what are the next steps?

Shareholders who have an existing account with Automic (Note: with a *username* and *password*) are advised to take the following steps to attend and vote virtually on the day of the AGM:

- 1. Login to the Automic website (<a href="https://investor.automic.com.au/#/home">https://investor.automic.com.au/#/home</a>) using your username and password.
- 2. (**Registration on the day**) If registration for the virtual meeting is open, click on 'Meeting open for registration' and follow the steps.
- 3. (**Live voting on the day**) If live voting for the virtual meeting is open, click on 'Meeting open for voting' and follow the steps.

For further information on the live voting process please see the **Registration and Voting Guide** at <a href="https://www.automicgroup.com.au/virtual-agms/">https://www.automicgroup.com.au/virtual-agms/</a>

# Voting by proxy

To vote by proxy, please use one of the following methods:

Online	Lodge the Proxy Form online at <a href="https://investor.automic.com.au/#/loginsah">https://investor.automic.com.au/#/loginsah</a> by following the instructions: Login to the Automic website using the holding details as shown on the Proxy Form. Click on 'View Meetings' – 'Vote'. To use the online lodgement facility, Shareholders will need their holder number (Securityholder Reference Number (SRN) or Holder Identification Number (HIN)) as shown on the front of the Proxy Form. For further information on the online proxy lodgment process please see the Online Proxy Lodgment Guide at <a href="https://www.automicgroup.com.au/virtual-agms/">https://www.automicgroup.com.au/virtual-agms/</a>
By post	Automic, GPO Box 5193, Sydney NSW 2001
By hand	Automic, Level 5, 126 Phillip Street, Sydney NSW 2000

Your Proxy instruction must be received not later than 48 hours before the commencement of the Meeting. **Proxy Forms received later than this time will be invalid.** 

# Power of Attorney

If the proxy form is signed under a power of attorney on behalf of a shareholder, then the attorney must make sure that either the original power of attorney or a certified copy is sent with the proxy form, unless the power of attorney has already provided it to the Share Registry.

# **Corporate Representatives**

If a representative of a corporate shareholder or a corporate proxy will be attending the Meeting, the representative should provide the Share Registry with adequate evidence of their appointment, unless this has previously been provided to the Share Registry.

# Notice of Annual General Meeting

Notice is hereby given that an Annual General Meeting of Shareholders of Recce Pharmaceuticals Ltd ACN 124 849 065 will be held at 9.00am (AEDT) on Monday, 30 November 2020 as a **virtual meeting** (**Meeting**).

The Explanatory Statement to this Notice of Meeting provides additional information on matters to be considered at the Annual General Meeting. The Explanatory Statement and the Proxy Form forms part of this Notice of Meeting.

The Directors have determined pursuant to Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Annual General Meeting are those who are registered Shareholders at 9.00am (AEDT) on 28 November 2020.

Terms and abbreviations used in this Notice of Meeting and Explanatory Statement are defined in the Glossary.

# Agenda

# **Ordinary business**

# Financial statements and reports

"To receive and to consider the Annual Financial Report of the Company for the financial year ended 30 June 2020 together with the declaration of the Directors, the Directors' Report, the Remuneration Report and the Auditor's Report for that financial year."

Note: This item of ordinary business is for discussion only and is not a resolution.

Pursuant to the Corporations Act, Shareholders will be given a reasonable opportunity at the Meeting to ask questions about, or make comments in relation to, each of the aforementioned reports during consideration of these items.

# Resolutions

# Remuneration Report

### 1. **Resolution 1** – Adoption of Remuneration Report

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

"That, for the purpose of Section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the Remuneration Report as contained in the Company's Annual Financial Report for the financial year ended 30 June 2020."

**Note**: The vote on this Resolution is advisory only and does not bind the Directors or the Company.

**Voting Exclusion Statement**: In accordance with the Corporations Act, the Company will disregard any votes cast on Resolution 1 by or on behalf of a member of the Company's key management personnel (including the Directors), whose remuneration details are included in the Remuneration Report (**KMP**), or any of that person's Closely Related Parties (such as close family members and any controlled companies of those persons) (collectively referred to as Restricted Voter). However, the Company need not disregard a vote if:

- (a) it is cast by a person as a proxy appointed in writing that specifies how the proxy is to vote on Resolution 1; and
- (b) it is not cast on behalf of a Restricted Voter.

If you appoint the person chairing the Meeting (**Chair**) and you are not a Restricted Voter, by submitting the Proxy Form you authorise the person chairing the Meeting to exercise the proxy even though Resolution 1 is connected directly or indirectly with the remuneration of a KMP, and you will be taken to have directed the Chair to vote in accordance with his or her stated intention to vote in favour of Resolution 1. If you do not want your vote exercised in favour of Resolution 1, you should direct the person chairing the Meeting to vote "against", or to abstain from voting on, this Resolution.

## **Re-election of Directors**

# 2. **Resolution 2** – Re-election of Dr John Prendergast as Director

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

"That Dr John Prendergast, a Director who retires by rotation in accordance with the Company's Constitution and ASX Listing Rule 14.5, and being eligible offers himself for re-election as a Director of the Company, effective immediately."

### 3. **Resolution 3** – Election of Alan W. Dunton, MD as Director

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

"That Alan W. Dunton, MD a Director appointed as an additional Director and holding office until the next general meeting of the Company after his appointment in accordance with the Company's Constitution and ASX Listing Rule 14.4, be elected as a Director of the Company, effective immediately."

# **ASX Listing Rule 7.1A (Additional 10% Capacity)**

# Resolution 4 – ASX Listing Rule 7.1A Approval of Future Issue of Securities

To consider and, if thought fit, to pass the following resolution as a **Special Resolution**:

"That, for the purposes of ASX Listing Rule 7.1A and for all other purposes, the Shareholders approve the issue of equity securities up to 10% of the issued capital of the Company (at the time of issue) calculated in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 and otherwise on the terms and conditions set out in the Explanatory Statement which accompanies and forms part of this Notice of Meeting."

**Voting Exclusion Statement**: The Company will disregard any votes cast in favour of Resolution 4 by or on behalf of:

- a person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in the Company); or
- (b) an Associate of that person or those persons.

However, this does not apply to a vote cast in favour of Resolution 4 by:

- (i) a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or
- (ii) the Chair of the Meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- (iii) 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.

# **Ratification of Prior Issue of Securities**

### 5. **Resolution 5** – Ratification of Prior Issue of Shares

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

"That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, the Shareholders ratify the allotment and prior issue of 57,733 fully paid ordinary shares issued on 27 February 2020 and otherwise on the terms and conditions set out in the Explanatory Statement which accompanies and forms part of this Notice of Meeting."

**Voting Exclusion Statement**: The Company will disregard any votes cast in favour of Resolution 5 by or on behalf of:

- (a) Spark Plus Pte Ltd (including entities related to or nominees of Spark Plus Pte Ltd) who participated in the issue or is a counterparty to the agreement being approved; or
- (b) an Associate of that person or those persons.

However, this does not apply to a vote cast in favour of Resolution 5 by:

- (i) a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or
- (ii) the Chair of the Meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- (iii) 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.

### 6. **Resolution 6** – Ratification of Prior Issue of Placement Shares

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

"That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, the Shareholders ratify the allotment and prior issue of 6,900,156 fully paid ordinary shares issued on 30 September 2020 and otherwise on the terms and conditions set out in the Explanatory Statement which accompanies and forms part of this Notice of Meeting."

**Voting Exclusion Statement**: The Company will disregard any votes cast in favour of Resolution 6 by or on behalf of:

- (a) a person who participated in the issue or is a counterparty to the agreement being approved; or
- (b) an Associate of that person or those persons.

However, this does not apply to a vote cast in favour of Resolution 6 by:

- (i) a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or
- (ii) the Chair of the Meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- (iii) 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.

### 7. **Resolution 7** – Ratification of Prior Issue of Placement Shares

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

"That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, the Shareholders ratify the allotment and prior issue of 14,599,844 fully paid ordinary shares issued on 30 September 2020 and otherwise on the terms and conditions set out in the Explanatory Statement which accompanies and forms part of this Notice of Meeting."

**Voting Exclusion Statement**: The Company will disregard any votes cast in favour of Resolution 7 by or on behalf of:

- (a) a person who participated in the issue or is a counterparty to the agreement being approved; or
- (b) an Associate of that person or those persons.

However, this does not apply to a vote cast in favour of Resolution 7 by:

- (i) a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or
- (ii) the Chair of the Meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- (iii) 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.

# 8. **Resolution 8** – Ratification of Prior Issue of Options

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

"That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, the Shareholders ratify the allotment and prior issue of 3,750,000 unlisted options issued on 30 September 2020 and otherwise on the terms and conditions set out in the Explanatory Statement which accompanies and forms part of this Notice of Meeting."

**Voting Exclusion Statement**: The Company will disregard any votes cast in favour of Resolution 8 by or on behalf of:

- (a) Shaw and Partners Limited (including entities related to or nominees of Shaw and Partners Limited) who participated in the issue or is a counterparty to the agreement being approved; or
- (b) an Associate of that person or those persons.

However, this does not apply to a vote cast in favour of Resolution 8 by:

- (i) a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or
- (ii) the Chair of the Meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- (iii) 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.

# **Adoption of Employee Incentive Plan**

### 9. **Resolution 9** – Adoption of Employee Incentive Plan

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

"That, for the purposes of ASX Listing Rule 7.2 (exception 13(b)), and for all other purposes, the Shareholders of the Company approve the adoption of an Employee Incentive Plan, on the terms and conditions set out in the Explanatory Statement which accompanies and forms part of this Notice of Meeting."

**Voting Exclusion Statement**: The Company will disregard any votes cast in favour of Resolution 9 by or on behalf of:

- (a) a person who is eligible to participate in the Employee Incentive Plan; or
- (b) an Associate of that person or those persons.

However, this does not apply to a vote cast in favour of Resolution 9 by:

- (i) a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or
- (ii) the Chair of the Meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- (iii) 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.

**Voting Prohibition Statement**: In accordance with section 250BD of the Corporations Act, a person appointed as a proxy must not vote, on the basis of that appointment, on Resolution 9 if:

- (a) the proxy is either:
  - (i) a member of the Company's Key Management Personnel; or
  - (ii) a closely related party of a member of the Company's Key Management Personnel; and
- (b) the appointment does not specify the way the proxy is to vote on the resolution.

- (a) the proxy is the Chair of the Meeting; and
- (b) the appointment expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with remuneration of a member of the Company's Key Management Personnel.

#### **Director Fee Shares**

# Resolution 10 – Approval of Issue of Shares to Alan W. Dunton, MD Director of the Company

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

"That, subject to Resolution 9 being passed, for the purposes of ASX Listing Rule 10.14 and for all other purposes, the Shareholders of the Company approve the issue and allotment of 60,000 fully paid ordinary shares to Alan W Dunton, MD (or his nominee), a Director of the Company, and otherwise on the terms and conditions set out in the Explanatory Statement which accompanies and forms part of this Notice of Meeting."

**Voting Exclusion Statement**: The Company will disregard any votes cast in favour of Resolution 10 by or on behalf of:

- (a) a person referred to in rule 10.14.1, 10.14.2 or 10.14.3 who is eligible to participate in the Employee Incentive Plan; or
- (b) an Associate of that person or those persons.

However, this does not apply to a vote cast in favour of Resolution 10 by:

- (i) a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with direction given to the proxy or attorney to vote on the Resolution in that way; or
- (ii) the Chair of the Meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- (iii) 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 vote on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

**Voting Prohibition Statement**: In accordance with section 250BD of the Corporations Act, a person appointed as a proxy must not vote, on the basis of that appointment, on Resolution 10 if:

- (a) the proxy is either:
  - (i) a member of the Company's Key Management Personnel; or
  - (ii) a closely related party of a member of the Company's Key Management Personnel; and
- (b) the appointment does not specify the way the proxy is to vote on the resolution.

- (a) the proxy is the Chair of the Meeting; and
- (b) the appointment expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with remuneration of a member of the Company's Key Management Personnel.

## **Director Incentives**

# 11. **Resolution 11** – Approval of Issue of Options to James Graham, Director of the Company

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

"That, subject to Resolution 9 being passed, for the purposes of section 208 of the Corporations Act, ASX Listing Rule 10.14 and for all other purposes, the Shareholders of the Company approve the issue and allotment of 2,250,000 unlisted options under the Employee Incentive Plan to James Graham (or his nominee), a Director of the Company, and otherwise on the terms and conditions set out in the Explanatory Statement which accompanies and forms part of this Notice of Meeting."

**Voting Exclusion Statement**: The Company will disregard any votes cast in favour of Resolution 11 by or on behalf of:

- (a) a person referred to in rule 10.14.1, 10.14.2 or 10.14.3 who is eligible to participate in the Employee Incentive Plan; or
- (b) an Associate of that person or those persons

However, this does not apply to a vote cast in favour of Resolution 11 by:

- (i) a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with direction given to the proxy or attorney to vote on the Resolution in that way; or
- (ii) the Chair of the Meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- (iii) 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 vote on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

**Voting Prohibition Statement**: In accordance with section 250BD of the Corporations Act, a person appointed as a proxy must not vote, on the basis of that appointment, on Resolution 11 if:

- (a) the proxy is either:
  - (i) a member of the Company's Key Management Personnel; or
  - (ii) a closely related party of a member of the Company's Key Management Personnel; and
- (b) the appointment does not specify the way the proxy is to vote on the resolution.

- (a) the proxy is the Chair of the Meeting; and
- (b) the appointment expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with remuneration of a member of the Company's Key Management Personnel.

# 12. **Resolution 12** – Approval of Issue of Options to Michele Dilizia, Director of the Company

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

"That, subject to Resolution 9 being passed, for the purposes of section 208 of the Corporations Act, ASX Listing Rule 10.14 and for all other purposes, the Shareholders of the Company approve the issue and allotment of 1,500,000 unlisted options under the Employee Incentive Plan to Michele Dilizia (or her nominee), a Director of the Company, and otherwise on the terms and conditions set out in the Explanatory Statement which accompanies and forms part of this Notice of Meeting."

**Voting Exclusion Statement**: The Company will disregard any votes cast in favour of Resolution 12 by or on behalf of:

- (a) a person referred to in rule 10.14.1, 10.14.2 or 10.14.3 who is eligible to participate in the Employee Incentive Plan; or
- (b) an Associate of that person or those persons

However, this does not apply to a vote cast in favour of Resolution 12 by:

- (i) a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with direction given to the proxy or attorney to vote on the Resolution in that way; or
- (ii) the Chair of the Meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- (iii) 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 vote on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

**Voting Prohibition Statement**: In accordance with section 250BD of the Corporations Act, a person appointed as a proxy must not vote, on the basis of that appointment, on Resolution 12 if:

- (a) the proxy is either:
  - (i) a member of the Company's Key Management Personnel; or
  - (ii) a closely related party of a member of the Company's Key Management Personnel; and
- (b) the appointment does not specify the way the proxy is to vote on the resolution.

- (a) the proxy is the Chair of the Meeting; and
- (b) the appointment expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with remuneration of a member of the Company's Key Management Personnel.

# 13. **Resolution 13** – Approval of Issue of Options to John Prendergast, Director of the Company

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

"That, subject to Resolution 9 being passed, for the purposes of section 208 of the Corporations Act, ASX Listing Rule 10.14 and for all other purposes, the Shareholders of the Company approve the issue and allotment of 2,175,000 unlisted options under the Employee Incentive Plan to John Prendergast (or his nominee), a Director of the Company, and otherwise on the terms and conditions set out in the Explanatory Statement which accompanies and forms part of this Notice of Meeting."

**Voting Exclusion Statement**: The Company will disregard any votes cast in favour of Resolution 13 by or on behalf of:

- (a) a person referred to in rule 10.14.1, 10.14.2 or 10.14.3 who is eligible to participate in the Employee Incentive Plan; or
- (b) an Associate of that person or those persons

However, this does not apply to a vote cast in favour of Resolution 13 by:

- (i) a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with direction given to the proxy or attorney to vote on the Resolution in that way; or
- (ii) the Chair of the Meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- (iii) 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 vote on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

**Voting Prohibition Statement**: In accordance with section 250BD of the Corporations Act, a person appointed as a proxy must not vote, on the basis of that appointment, on Resolution 13 if:

- (a) the proxy is either:
  - (i) a member of the Company's Key Management Personnel; or
  - (ii) a closely related party of a member of the Company's Key Management Personnel;
- (b) the appointment does not specify the way the proxy is to vote on the resolution.

- (a) the proxy is the Chair of the Meeting; and
- (b) the appointment expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with remuneration of a member of the Company's Key Management Personnel.

# Resolution 14 – Approval of Issue of Options to Alan W. Dunton, MD Director of the Company

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

"That, subject to Resolution 9 being passed, for the purposes of section 208 of the Corporations Act, ASX Listing Rule 10.14 and for all other purposes, the Shareholders of the Company approve the issue and allotment of 1,125,000 unlisted options under the Employee Incentive Plan to Alan W. Dunton, MD (or his nominee), a Director of the Company, and otherwise on the terms and conditions set out in the Explanatory Statement which accompanies and forms part of this Notice of Meeting."

**Voting Exclusion Statement**: The Company will disregard any votes cast in favour of Resolution 14 by or on behalf of:

- (a) a person referred to in rule 10.14.1, 10.14.2 or 10.14.3 who is eligible to participate in the Employee Incentive Plan; or
- (b) an Associate of that person or those persons

However, this does not apply to a vote cast in favour of Resolution 14 by:

- (i) a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with direction given to the proxy or attorney to vote on the Resolution in that way; or
- (ii) the Chair of the Meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- (iii) 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 vote on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

**Voting Prohibition Statement**: In accordance with section 250BD of the Corporations Act, a person appointed as a proxy must not vote, on the basis of that appointment, on Resolution 14 if:

- (a) the proxy is either:
  - (i) a member of the Company's Key Management Personnel; or
  - (ii) a closely related party of a member of the Company's Key Management Personnel;
- (b) the appointment does not specify the way the proxy is to vote on the resolution.

- (a) the proxy is the Chair of the Meeting; and
- (b) the appointment expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with remuneration of a member of the Company's Key Management Personnel.

# Resolution 15 – Approval of Issue of Options to Justin Ward, Director of the Company

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

"That, subject to Resolution 9 being passed, for the purposes of section 208 of the Corporations Act, ASX Listing Rule 10.14 and for all other purposes, the Shareholders of the Company approve the issue and allotment of 600,000 unlisted options under the Employee Incentive Plan to Justin Ward (or his nominee), a Director of the Company, and otherwise on the terms and conditions set out in the Explanatory Statement which accompanies and forms part of this Notice of Meeting."

**Voting Exclusion Statement**: The Company will disregard any votes cast in favour of Resolution 15 by or on behalf of:

- (a) a person referred to in rule 10.14.1, 10.14.2 or 10.14.3 who is eligible to participate in the Employee Incentive Plan; or
- (b) an Associate of that person or those persons

However, this does not apply to a vote cast in favour of Resolution 15 by:

- (i) a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with direction given to the proxy or attorney to vote on the Resolution in that way; or
- (ii) the Chair of the Meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- (iii) 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 vote on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

**Voting Prohibition Statement**: In accordance with section 250BD of the Corporations Act, a person appointed as a proxy must not vote, on the basis of that appointment, on Resolution 15 if:

- (a) the proxy is either:
  - (i) a member of the Company's Key Management Personnel; or
  - (ii) a closely related party of a member of the Company's Key Management Personnel;
- (b) the appointment does not specify the way the proxy is to vote on the resolution.

- (a) the proxy is the Chair of the Meeting; and
- (b) the appointment expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with remuneration of a member of the Company's Key Management Personnel.

#### BY ORDER OF THE BOARD

# **Alistair McKeough**

Company Secretary

# **Explanatory Statement**

This Explanatory Statement has been prepared for the information of the Shareholders in connection with the business to be conducted at the Annual General Meeting to be held at 9.00am (AEDT) on 30 November 2020 as a **virtual meeting**.

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

If you are in any doubt about what to do in relation to the Resolutions contemplated in the Notice of Meeting and this Explanatory Statement, it is recommended that you seek advice from an accountant, solicitor or other professional advisor.

Full details of the business to be considered at the Annual General Meeting are set out below.

# Agenda

# **Ordinary business**

# Financial statements and reports

In accordance with the Constitution and the Corporations Act, the business of the Annual General Meeting will include receipt and consideration of the Annual Financial Report of the Company for the financial year ended 30 June 2020 together with the declaration of the Directors, the Director's Report, the Remuneration Report and the Auditor's Report.

In accordance with the amendments to the Corporations Act, the Company is no longer required to provide a hard copy of the Company's Annual Financial Report to Shareholders unless a Shareholder has specifically elected to receive a printed copy.

Whilst the Company will not provide a hard copy of the Company's Annual Financial Report unless specifically requested to do so, Shareholders may view the Company Annual Financial Report on its website at <a href="http://www.recce.com.au">http://www.recce.com.au</a>.

No resolution is required for this item, but Shareholders will be given the opportunity to ask questions and to make comments on the management and performance of the Company.

The Company's auditor will be present at the Meeting. During the discussion of this item, the auditor will be available to answer questions on the:

- Conduct of the audit;
- Preparation and content of the Auditor's Report;
- Accounting policies adopted by the Company in relation to the preparation of the financial statements; and
- Independence of the auditor in relation to the conduct of the audit.

#### Written questions of the auditor

If you would like to submit a written question about the content of the Auditor's Report or the conduct of the audit of the Annual Financial Report of the Company's auditor, please send your question to the Company Secretary. A list of qualifying questions will be made available at the Meeting.

Please note that all written questions must be received at least five business days before the Meeting, which is by 23 November 2020.

# Resolutions

# **Remuneration Report**

# **Resolution 1** – Adoption of Remuneration Report

In accordance with section 250R(2) of the Corporations Act, the Company is required to present to its Shareholders the Remuneration Report as disclosed in the Company's Annual Financial Report.

The vote on the Resolution is advisory only and does not bind the Directors or the Company. The Remuneration Report is set out in the Company's Annual Financial Report and is also available on the Company's website at <a href="http://www.recce.com.au">http://www.recce.com.au</a>.

However, if at least 25% of the votes cast are against the adoption of the Remuneration Report at the Meeting (subject of this Notice of Meeting), and then again at the 2021 Annual General Meeting (2021 **AGM**), the Company will be required to put to the vote a resolution (**Spill Resolution**) at the 2021 AGM to approve the calling of a further meeting (**Spill Meeting**). If more than 50% of Shareholders vote in favour of the Spill Resolution, the Company must convene the Spill Meeting within 90 days of the 2021 AGM. All of the Directors who were in office when the 2021 Directors' Report was approved, other than the Managing Director, will (if desired) need to stand for re-election at the Spill Meeting.

The Remuneration Report explains the Board's policies in relation to the nature and level of remuneration paid to KMPs (including Directors) and sets out remuneration details, service agreements and the details of any share-based compensation.

#### Voting

Note that a voting exclusion applies to Resolution 1 in the terms set out in the Notice of Meeting. In particular, the Directors and other Restricted Voters must not vote on this Resolution and must not cast a vote as proxy, unless the appointment gives a direction on how to vote, or the proxy is given to the Chair and you submit the Proxy Form, authorising the Chair to exercise the proxy even though Resolution 1 is connected directly or indirectly with the remuneration of a KMP and that in doing so you will be taken to have directed the Chair to vote in accordance with the Chair's stated intention to vote in favour of Resolution 1.

Shareholders are urged to read carefully the Proxy Form and to provide a direction to the proxy on how to vote on this Resolution.

#### **Re-election of Directors**

# Resolution 2 - Re-election of Dr John Prendergast as Director

The Company's Constitution requires that at the Company's annual general meeting, one third of the Directors shall retire from office. The retiring Directors must not be a Managing Director. The Directors to retire at the annual general meeting are those who have been in office the longest since their last election.

It has been agreed that Dr John Prendergast will retire by rotation at this Meeting.

ASX Listing Rule 14.5 also provides that an entity which has Directors must hold an election of Directors at each annual general meeting.

Dr John Prendergast is currently Non- Executive Chairman of Recce and was initially appointed a Director of the Company on 24 April 2018. The Company was trading at \$0.185 per share and recently traded at a 1000% premium to such price some 18 months after he was elected as a Director at the Company's at the annual general meeting held on 28 November 2018.

Under this Resolution, Dr John Prendergast has elected to retire by rotation, and being eligible, seeks re-election as a Director of the Company at this AGM.

Dr Prendergast is Chairman and Co-founder of Palatin Technologies, Inc. (NYSE: PTN), a US biotechnology company capitalised at over US\$100m, developing therapeutics for diseases with significant unmet medical need; and Lead Director of Heat Biologics, Inc. (NASDAQ: HTBX) a US biotechnology company capitalised at over US\$200m.

Dr Prendergast held previous Board Positions in a number of publicly US-based NASDAQ listed companies, most notably Lead Director of MediciNova, Inc. (Nasdaq: MNOV) and Osaka Securities Exchange (#4875) and as the Co-founder and Lead Director of Avigen, Inc, which was acquired by MediciNova in 2009 for US\$37m.

Dr Prendergast has also served as an initial member of the Advisory Board for the Institute for the Biotechnology of Infectious Diseases at the University of Technology, Sydney, now called the ithree Institute.

Dr. Prendergast received his Ph.D. in the molecular genetics of disease from the Department of Medicine at the University of New South Wales and a C.S.S. in administration and management from Harvard University.

#### **Directors' recommendation**

The Directors (excluding Dr John Prendergast) recommend that Shareholders vote for this Resolution.

## Resolution 3 - Election of Alan W. Dunton, MD as Director

The Company's Constitution provides that any Director appointed in addition to the existing Directors will hold office until the next following annual general meeting and is then eligible for re-election.

ASX Listing Rule 14.4 also provides that each additional director appointed during the year is to hold office until the next annual general meeting and is then eligible for election as a Director of the Company.

Alan W. Dunton, MD was appointed as a Director of the Company on 14 July 2020 and has since served as a Director of the Company. In Dr Dunton's short months with the Company, he has introduced and delivered a number of significant opportunities, including the Path Bio/University of Tennessee COVID testing program.

Under this Resolution, Dr Dunton seeks election as a Director of the Company at this AGM.

Over three decades of senior pharmaceutical experience incl. President and MD of Janssen Research Foundation (J&J Research). Dr Dunton has advanced a number of blockbuster antibiotics through regulatory review and commercialization at fortune 500 companies including J&J and Roche.

Dr Dunton earned his medical degree from New York University School of Medicine following his bachelor's degree in biochemistry from the State University of New York at Buffalo. Dr Dunton then completed his fellowship in clinical pharmacology at New York Hospital/Cornell University Medical Center and was awarded The Nellie Westerman Prize from the American Federation for Clinical Research (AFCR) for his work in medical ethics.

#### **Directors' recommendation**

The Directors (excluding Dr Dunton) recommend that Shareholders vote for this Resolution.

# **ASX Listing Rule 7.1A**

# **Resolution 4** – ASX Listing Rule 7.1A Approval of Future Issue of Securities

Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of equity securities that a listed company can issue without the approval of its shareholders over any 12 month period to 15% of the fully paid ordinary securities it had on issue at the start of that period.

Under Listing Rule 7.1A, however, an eligible entity can seek approval from its members, by way of a special resolution passed at its annual general meeting, to add an additional 10% capacity.

An eligible entity for the purposes of Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation less than the amount prescribed by ASX (currently \$300 million).

As of the date of this Notice of Meeting, the Company has a market capitalisation of approximately \$190 million and therefore is an eligible entity. If at the time of the Meeting the Company is no longer an eligible entity this Resolution will be withdrawn.

This Resolution seeks Shareholder approval by way of a special resolution for the Company to have the additional 10% capacity provided for in Listing Rule 7.1A to issue equity securities without Shareholder approval.

If this Resolution is passed, the Company will be able to issue equity securities up to the combined 25% limit in Listing Rules 7.1 and 7.1A without any further Shareholder approval.

If this Resolution is not passed, the Company will not be able to access the additional 10% capacity to issue equity securities without Shareholder approval provided for in Listing Rule 7.1A and will remain subject to the 15% limit on issuing equity securities without Shareholder approval set out in Listing Rule 7.1.

#### Information Required by ASX Listing Rule 7.3A

The following information is provided to Shareholder for the purposes of Listing Rule 7.3A.

#### Period for which the approval will be valid

An approval under this Listing Rule 7.1A commences on the date of the annual general meeting at which the approval is obtained and expires on the first to occur of the following:

- (a) the date which is 12 months after the date of the annual general meeting at which the approval is obtained;
- (b) the time and date of the entity's next annual general meeting; and
- (c) the time and date on which Shareholders approve a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking).

#### Minimum price at which the equity securities may be issued under Listing Rule 7.1A

Any equity securities issued under Listing Rule 7.1A.2 must be an existing quoted class of the Company's equity securities and issued for cash consideration.

The issue price per equity security must not be less than 75% of the volume weighted average market price of the equity securities in that class, calculated over 15 trading days on which trades in that class were recorded immediately before:

- (a) the date on which the price at the equity securities are to be issued is agreed by the Company and the recipient of the equity securities; and
- (b) if the equity securities are not issued within 10 trading days of the date in paragraph (a), the date on which the equity securities are issued.

#### Purposes for which the funds raised by an issue of equity securities under Listing Rule 7.1A may be used

As noted above, any equity securities issued under Listing Rule 7.1A.2 must be issued for cash consideration. Accordingly, every issue of equity securities under Listing Rule 7.1A.2 will have an accompanying proposed use of funds at the time of issue.

As at the date of this Notice, the Company has not formed an intention to offer any equity securities under Listing Rule 7.1A during the Listing Rule 7.1A mandate period, if Shareholders approve this Resolution. However, if Shareholders approved this Resolution and the Company did raise funds from the issue of equity securities under Listing Rule 7.1A, based on the Company's existing plans, the Company considers that the funds may be used for the following purposes:

- (a) raising funds to further develop the Company's business;
- (b) raising funds to be applied to the Company's working capital requirements;
- (c) acquiring assets. In these circumstances, the issue of the ordinary shares may be made in substitution for the Company making a cash payment for the assets; and
- (d) paying service providers or consultants of the Company.

#### Risk of economic and voting dilution to existing ordinary Securityholders

If this Resolution is approved, and the Company issues equity securities under Listing Rule 7.1A, the existing Shareholders' economic and voting power in the Company will be diluted.

#### There is a risk that:

- (a) the market price for the Company's equity securities in that class may be significantly lower on the issue date than on the date of the approval under Listing Rule 7.1A; and
- (b) the equity securities may be issued at a price that is at a discount (as described above) to the market price for the Company's equity securities on the issue date;

which may have an effect on the amount of funds raised by the issue of equity securities under Listing Rule 7.1A.

The table below shows the potential dilution of existing Securityholders on the basis of 3 different assumed issue prices and values for the variable "A" in the formula in rule 7.1A.2:

		Potential Dilution and Funds Raised		
		\$ 0.60	\$ 1.20	\$ 2.40
Variable "A" ASX Listing	Rule 7.1A.2	50% decrease in issue	issue prices <sup>(b)</sup>	100% increase in
		price		issue price
"A" is the number of	10% voting	15,207,344	15,207,344	15,207,344
shares on issue, being	dilution <sup>(c)</sup>			
152,073,442 Shares <sup>(a)</sup>	Funds raised	\$9,124,406	\$18,248,813	\$36,497,626
"A" is a 50% increase in	10% voting	22,811,016	22,811,016	22,811,016
shares on issue, being	dilution <sup>(c)</sup>			
228,110,163 Shares	Funds raised	\$13,686,610	\$27,373,219	\$54,746,438
"A" is a 100% increase	10% voting	30,414,688	30,414,688	30,414,688
in shares on issue,	dilution <sup>(c)</sup>			
being	Funds raised	\$18,248,813	\$36,497,626	\$72,995,251
304,146,884 Shares				

#### Notes:

- (a) Based on the total number of fully paid ordinary Shares on issue as at 1 October 2020.
- (b) Based on the closing price of the Company's Shares on ASX as at 1 October 2020.
- (c) The table assumes that the Company issues the maximum number of ordinary Shares available to be issued under Listing Rule 7.1A.
- (d) The table does not show an example of dilution that may be caused to a particular Shareholder by reason of issues of equity securities under Listing Rule 7.1A based on that Shareholder's holding at the date of this Explanatory

Statement

(e) The table shows the effect of an issue of equity securities under Listing Rule 7.1A only, not under the Company's 15% placement capacity under Listing Rule 7.1.

#### Allocation policy for issues under Listing Rule 7.1A

The Company's allocation policy and the identity of the allottees of equity securities under Listing Rule 7.1A will depend on a number of factors, including:

- (a) the Company's intentions in relation to the possible issue of equity securities (for cash consideration) during the Listing Rule 7.1A mandate period;
- (b) the structure and timeframe of the capital raising opportunities available to the Company and any alternative methods for raising funds that are available to the Company (such as a pro rata offer or an offer under a share purchase plan);
- (c) the potential effect on the control of the Company;
- (d) the Company's financial position and the likely future capital requirements; and
- (e) advice from the Company's corporate or financial advisors.

Based on the Company's historical cashflow reports and capital raising activities in the past 12 months, the Company considers that it may raise funds during the Listing Rule 7.1A mandate period, although this cannot be guaranteed. As of the date of this Notice, no specific intention to issue equity securities in relation to any parties, investors or existing Securityholders have been formed. In addition, no intentions have been formed in relation to the possible number of issues, or the time frame in which the issues could be made. Subject to the requirements of the Listing Rules and the Corporations Act, the Board of Directors reserve the right to determine at the time of any issue of equity securities under Listing Rule 7.1A, the allocation policy that the Company will adopt for that issue.

If and when the determination is made to proceed with an issue of equity securities during the Listing Rule 7.1A mandate period, details regarding the allottees and purposes of issue will be disclosed pursuant to the Company's obligations under Listing Rules 3.10.3 and 7.1A.4.

Offers made under Listing Rule 7.1A may be made to parties (excluding any related parties) including professional and sophisticated investors, existing Shareholders of the Company, clients of Australian Financial Service Licence holders and/or their nominees, or any other person to whom the Company is able to make an offer of equity securities.

#### Issue or agreement to issue equity securities under Listing Rule 7.1A in the 12 months prior to AGM

The Company has issued or agreed to issue equity securities under Listing Rule 7.1A.2 in the 12 months preceding the AGM. Details of these issues or agreements to issue are set out in the table below:

Number/Class of equity securities issued	Terms of the securities issued	Price and discount to closing market price on the date of issue (if any)	Consideration details	Allottees of the Securities
Issued on 30 September 2	2020			
14,599,844 fully paid ordinary shares	Issue of shares to institutional and other sophisticated investors under a placement announced by the Company on 23 September 2020. The placement was completed by utilising existing capacity	Issue price of \$1.30 per share.	Cash consideration of \$18,979,797.20	Institutional and other sophisticated investors

under ASX Listing Rule 7.1 and 7.1A  The shares were fully paid on issue and ranked equally in all aspects with all existing fully paid ordinary shares previously issued by the Company.	
Total equity securities issued or agreed to be issue under Listing Rule 7.1A.2 in the 12 months prior to AGR ("A")	
Percentage that "A" represents based on the total number of equity securities on issue at the commencement of that 12 month period (fully diluted)	10.91%

This Resolution is a Special Resolution. For a Special Resolution to be passed, at least 75% of the votes validly cast on the resolution by Shareholders (by number of ordinary shares) must be in favour of this Resolution.

#### **Directors' recommendation**

The Board of Directors recommend that Shareholders vote for this Resolution.

# **Ratification of Prior Issue of Shares**

#### **Resolution 5** – Ratification of Prior Issue of Shares

#### **Background**

The Company engaged Spark Plus Pte Ltd (**Spark**) for the provision of investor relations services to Singapore and Hong Kong investors in the Company (**Service Agreement**). For services provided under this engagement, the Company agreed to issue to Spark, shares in the Company. Accordingly, on 27 February 2020, the Company issued 57,733 shares to Spark as payment for its services.

#### **ASX Listing Rule 7.1**

This Resolution proposes that Shareholders of the Company approve and ratify the prior issue and allotment of 57,733 fully paid ordinary shares, which was issued on 27 February 2020 (**Issue Date**).

All of the shares were issued by utilising the Company's existing capacity under Listing Rule 7.1.

Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of equity securities that a listed company can issue without the approval of its shareholders over any 12 month period to 15% of the fully paid ordinary securities it had on issue at the start of that period.

The issue of shares did not fit within any of the exceptions to Listing Rule 7.1 and, as it has not been approved by the Company's Shareholders, it effectively uses up part of the 15% limit in Listing Rule 7.1, reducing the Company's capacity to issue further equity securities without Shareholder approval under Listing Rule 7.1 for the 12 month period following the Issue Date.

Listing Rule 7.4 allows the Shareholders of a listed company to approve an issue of equity securities after it has been made or agreed to be made. If they do, the issue is taken to have been approved under Listing Rule 7.1 and so does not reduce the Company's capacity to issue further equity securities without Shareholder approval under Listing Rule 7.1.

The Company wishes to retain as much flexibility as possible to issue additional equity securities into the future without having to obtain Shareholder approval for such issues under Listing Rule 7.1.

To this end, this Resolution seeks Shareholder approval to subsequently approve the issue of shares for the purposes of Listing Rule 7.4.

If this Resolution is passed, the issue of shares will be <u>excluded</u> in calculating the Company's 15% capacity to issue equity securities under Listing Rule 7.1 without Shareholder approval over the 12 month period following the Issue Date.

If this Resolution is not passed, the issue of shares will be <u>included</u> in calculating the Company's 15% capacity to issue equity securities under Listing Rule 7.1 without Shareholder approval over the 12 month period following the Issue Date.

#### Information required by ASX Listing Rule 7.5

The following information is provided to Shareholders for the purposes of Listing Rule 7.5.

- (a) The shares were issued to Spark Plus Pte Ltd.
- (b) The Company issued 57,733 fully paid ordinary shares.
- (c) The Shares were fully paid on issue and ranked equally in all aspects with all existing fully paid ordinary shares previously issued by the Company.
- (d) The shares were issued on 27 February 2020.
- (e) Each of the shares were issued for nil cash consideration at a deemed issue price of \$0.3846 per share.
- (f) Funds were not raised from the issue of the shares as the shares were issued as part of the fee payable for the services provided by Spark Plus Pte Ltd.

#### **Directors' recommendation**

The Board of Directors recommend that Shareholders vote for this Resolution.

# **Resolution 6, 7 and 8** – Ratification of Prior Issue of Placement Shares and Options, issued under ASX Listing Rule 7.1 and 7.1A

#### **Background**

As announced by the Company on 23 September 2020, the Company successfully completed a placement to sophisticated and professional investors (**Placement**) of 21,500,000 new fully paid ordinary shares (**Placement Shares**) at an issue price of 1 dollar 30 cents (\$1.30) per share raising \$27,950,000 (before costs) for the Company. The Placement Shares were issued on 30 September 2020 utilising the Company's existing capacity under Listing Rule 7.1 and Listing Rule 7.1A. Shaw and Partners Limited (**Shaws**) acted as Sole Lead Manager. Fees payable to Shaws in relation to the Placement include a cash payment of 6% of the total amount raised and the issue of 3,750,000 unlisted options (**Placement Options**) with an exercise price at a \$1.56 (representing a 20% premium to Placement) and an expiry date three years from the date of issue. The Placement Options were issued on 30 September 2020 utilising the Company's existing capacity under Listing Rule 7.1.

#### **ASX Listing Rules 7.1 and 7.1A**

Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of equity securities that a listed company can issue without the approval of its shareholders over any 12 month period to 15% of the fully paid ordinary securities it had on issue at the start of that period.

At last year's AGM, the Company sought and obtained approval of its Shareholders under Listing Rule 7.1A to increase this 15% limit by an extra 10% to 25%.

The issue of Placement Shares and Placement Options did not fit within any of the exceptions (to Listing Rules 7.1 and 7.1A) and, as it has not been approved by the Company's Shareholders, it effectively uses up part of the expanded 25% limit in Listing Rule 7.1 and 7.1A, reducing the Company's capacity to issue further equity securities without Shareholder approval under Listing Rule 7.1 and 7.1A for the 12 month period following the Issue Date (noting that the extra 10% under Listing Rule 7.1A will expire unless reapproved by the Company's Shareholders on an annual basis).

Listing Rule 7.4 allows the Shareholders of a listed company to approve an issue of equity securities after it has been made or agreed to be made. If they do, the issue is taken to have been approved under Listing Rule 7.1 and so does not reduce the Company's capacity to issue further equity securities without Shareholder approval under Listing Rule 7.1.

A note to Listing Rule 7.4 also provides that an issue made in accordance with Listing Rule 7.1A can be approved subsequently under Listing Rule 7.4 and, if it is, the issue will then be excluded from variable "E" in Listing Rule 7.1A.2 (which means that the Company's capacity to issue further equity securities without Shareholder approval under Listing Rule 7.1A is not reduced).

By ratifying these previous issues, being the issue of Placement Shares and Placement Options, the Company will retain the flexibility to issue equity securities in the future within the limits of ASX Listing Rules 7.1 and 7.1A up to its 15% capacity and 10% capacity, respectively, without needing to seek further Shareholder approval. If either Resolution 6, Resolution 7 and/or Resolution 8 are not passed, the Company's ability to issue new securities without shareholder approval will be restricted until the previous issue/s are ratified at a subsequent meeting or 12 months from the date of issue the Shares and Options the subject of Resolutions 6, 7 and/or 8.

Accordingly, Resolutions 6, 7 and 8 seeks Shareholder approval to allow the Company to refresh its 15% capacity and 10% capacity, respectively.

#### **Information required by ASX Listing Rule 7.5**

The following information is provided to Shareholders for the purposes of Listing Rule 7.5.

- (a) The Company issued 21,500,000 Placement Shares on 30 September 2020 of which
  - (i) 6,900,156 Placement Shares issued pursuant to ASX Listing Rule 7.1 (Resolution 6); and

- (ii) 14,599,844 Placement Shares issued pursuant to ASX Listing Rule 7.1A (Resolution 7),
- (b) The Company issued 3,750,000 Placement Options on 30 September 2020 pursuant to ASX Listing Rule 7.1 (Resolution 8).
- (c) The Shares were fully paid on issue and ranked equally in all aspects with all existing fully paid ordinary shares previously issued by the Company.
- (d) The material terms of the Placement Options are as follows: exercise price of \$1.56 per Option and an expiry date three years from the date of issue
- (e) The Placement Shares were issued to non-related party investors, who were sophisticated and professional investors introduced to the Company to subscribe for the Placement Shares by its broker, Shaw and Partners Limited.
- (f) The Placement Options were issued to Shaws (or its nominee) as part of the fees payable to Shaws for acting as lead manager to the Placement. The Placement Options were not issued under an agreement and no funds were raised by the Company from the issue of the Placement Options.
- (g) The Placement Shares were issued at an issue price of \$1.30 per Share.
- (h) Funds raised under the Placement will be used by the Company to complete its Phase I human clinical trial, SARSCoV-2 (COVID-19) pre-clinical program, Helicobacter pylori preclinical program, and the anticipated Phase I/II topical study at a leading teaching Australian hospital. Funds will also be used to support regulatory submissions and general corporate purposes.

#### **Directors' recommendation**

The Board of Directors recommend that Shareholders vote for this Resolution.

# **Adoption of Employee Incentive Plan**

### **Resolution 9** – Adoption of Employee Incentive Plan

#### **Background**

The Company's Employee Incentive Plan (**Incentive Plan**) was last approved by Shareholders of the Company on 29 November 2018. The Company seeks Shareholder approval to re-adopt the Incentive Plan for the purposes set out in this Explanatory Statement.

The purpose of the Incentive Plan is to provide eligible participants with an opportunity to share ownership of the Company and to promote the long-term success of the Company as a goal shared by all eligible participants. In addition, it is intended that the Incentive Plan will assist in the Company to attract and retain skilled and experienced employees and directors, and provide them with the motivation to make the Company more successful.

A summary of the key terms of the Incentive Plan is set out in Annexure A, and a copy of the rules of the Incentive Plan is available upon request from the Company.

#### **ASX Listing Rules**

Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of equity securities that a listed company can issue without the approval of its shareholders over any 12 month period to 15% of the fully paid ordinary securities it had on issue at the start of that period.

If this Resolution is approved by Shareholders for all purposes under the Corporations Act and the ASX Listing Rules, including ASX Listing Rule 7.2 (exception 13(b)), it will have the effect of enabling the securities issued by the Company under the Incentive Plan to be automatically excluded from the formula to calculate the number of securities which the Company may issue in any 12 month period using Listing Rule 7.1 (15% capacity) during the next three year period.

The following further information is provided for the purposes of Listing Rule 7.2 (exception 13(b)):

- (a) The full terms of the Incentive Plan are attached as Annexure A of this Notice of Meeting.
- (b) Since the Incentive Plan was last approved by Shareholders on 29 November 2018, the Company advises that it has issued the following securities:
  - (i) 250,000 Shares to Dr John Prendergast, a Director of the Company, issued on 15 February 2019; and
  - (ii) 180,358 Shares issued to certain employees on 15 February 2019.
- (c) If this Resolution is approved by Shareholders, the Company will issue up to a maximum 15,000,000 Awards (as defined in the Incentive Plan) under the Incentive Plan during the three year period following approval.

#### **Directors Recommendation**

The Board of Directors recommend that Shareholders vote for this Resolution.

## **Director Fee Shares**

# **Resolution 10** – Approval of Issue of Shares to Alan W. Dunton, MD Director of the Company

#### **Background**

Shareholder approval is being sought to adopt an employee incentive scheme entitled the "Employee Incentive Plan" (**Incentive Plan**) under Resolution 9 of this Notice of Meeting.

Subject to Resolution 9 being passed, this Resolution seeks Shareholder approval to issue and allot 60,000 fully paid ordinary shares (**Director Fee Shares**) to Dr Dunton, a current Director of the Company, as part of his remuneration under the Incentive Plan.

Dr Dunton was appointed as a Director of the Company on 14 July 2020. Under his letter of appointment, Dr Dunton agreed to receive his Directors' fees as follows:

- (a) a cash fee of AUD\$60,000 per annum (plus applicable superannuation), payable monthly in arrears, which will be inclusive of all director's fees, Board fees, etc.; and
- (b) an allocation of 60,000 ordinary shares in the Company, which will be subject to shareholder approval at the next Annual General Meeting of the Company, which will be allocated within one month of that Meeting.

Accordingly, Shareholder approval is being sought under Resolution 10 to issue the 60,000 Director Fee Shares to Dr Dunton under the Incentive Plan.

#### **Related Party Approvals**

ASX Listing Rule 10.14 provides that the Company, as a listed company, must not permit any of the following persons to acquire securities under an employee incentive scheme unless it obtains the approval of its shareholders:

- (a) a director of the Company;
- (b) an associate of a director of the Company; or
- (c) a person whose relationship with the Company or a person referred to in Listing Rule 10.14.1 or 10.14.2 is such that, in ASX's opinion, the acquisition should be approved by its shareholders.

As Dr Dunton is a director of the Company, the proposed issue of Director Fee Shares constitutes the acquisition of securities under an employee incentive scheme for the purposes of Listing Rule 10.14 and therefore requires the approval of the Company's shareholders under Listing Rule 10.14.

To this end, this Resolution seeks the required Shareholder approval to issue the Director Fee Shares to Dr Dunton under and for the purposes of Listing Rule 10.14.

If approval is obtained under Listing Rule 10.14, in accordance with Listing Rule 10.12 (exception 8), separate approval is not required under Listing Rule 10.11.

If this Resolution is passed, the Company will be able to proceed with the proposed issue of Director Fee Shares.

If this Resolution is not passed, the Company will not be able to proceed with the proposed issue.

The proposed issue of Director Fee Shares to Dr Dunton under the Incentive Plan constitutes the acquisition of securities under an employee incentive scheme for the purposes of Listing Rule 10.14.

Chapter 2E of the Corporations Act prohibits the Company from giving a financial benefit to a related party of the Company unless either:

(a) the giving of the financial benefit falls within one of the exceptions to the provisions; or

(b) Shareholder approval is obtained prior to the giving of the financial benefit.

The proposed issue of the Director Fee Shares (which is a type of equity security, for the purposes of the ASX Listing Rules) constitutes the giving of a financial benefit.

A "related party" for the purposes of the Corporations Act and the Listing Rules is widely defined and includes a director of a public company, a spouse of a director of a public company or an entity controlled by a director of a public company. The definition of "related party" also includes a person whom there is reasonable grounds to believe will become a "related party" of a public company.

As Dr Dunton is a current Director of the Company, Dr Dunton is a "related party" of the Company. Therefore, the proposed issue of Director Fee Shares to Dr Dunton requires Shareholder approval under Chapter 2E of the Corporations Act and Listing Rule 10.14. Each of the non-conflicted Directors have considered the proposed issue of Director Fee Shares to Dr Dunton as part of his remuneration package. Each of the non-conflicted Directors have formed the view that the giving of the financial benefit to Dr Dunton is reasonable remuneration, given the circumstances of the Company and the responsibilities to be held by Dr Dunton as a Director of the Company.

In reaching this view, the following considerations were taken into account:

- (a) the Director Fee Shares do not represent an incentive, but reflect the actual Director fees owed to Dr Dunton in accordance with his letter of appointment;
- (b) the value of the Directors Fee Shares are reasonable, especially in circumstances where it is not a recurring issue;
- (c) the issue of Director Fee Shares are a cost effective and efficient method to remunerate Dr Dunton for his services as Director of the Company, as opposed to alternative forms of remuneration, such as additional payments of cash; and
- (d) the issue of Director Fee Shares allows the company to attract and maintain high quality professionals to the Board of the Company, without impacting the Company's cash reserves.

Accordingly, the non-conflicted Directors believe that the issue of Director Fee Shares to Dr Dunton falls within the "reasonable remuneration" exception as set out in section 211 of the Corporations Act and relies on this exception for the purposes of Resolution 10 of this Notice of Meeting.

#### Information required by ASX Listing Rule 10.15

The following information in relation to the issue of the Director Fee Shares to Mr Dunton (or his nominees) under the Incentive Plan is provided to Shareholders for the purposes of ASX Listing Rule 10.15:

- (a) The related party is Dr Dunton, a Non-Executive Director of the Company.
- (b) Dr Dunton falls within the category as set out in Listing Rule 10.14.1 as he is a Director of the Company.
- (c) The maximum number of Director Fee Shares to be issued to Dr Dunton is 60,000.
- (d) Dr Dunton's annual director fee is \$60,000.
- (e) No securities have previously been issued to Dr Dunton under the Incentive Plan.
- (f) The Director Fee Shares will be issued within 3 years of Shareholder approval being obtained by the Company (or otherwise, as determined by the ASX in the exercise of their discretion).
- (g) A copy of the Employee Incentive Plan is set out in Annexure A of this Notice.
- (h) There will be no loan made to the person in relation to the issue of Options.

- (i) Details of any securities issued under the Plan will be published in the annual report of the Company relating to the period in which they were issued, along with a statement that approval for the issue was obtained under Listing Rule 10.14.
- (j) Any additional persons covered by Listing Rule 10.14 who become entitled to participate in an issue of securities under the Plan after the Resolutions 10-15 are approved, and who were not named in this Notice will not participate until approval is obtained under that rule.

#### **Directors' recommendation**

The Directors (excluding Dr Dunton) recommend that Shareholders vote for this Resolution.

## **Director Incentives**

# **Resolutions 11 to 15** – Approval of Issue of Options to Directors of the Company

#### **Background**

Subject to Resolution 9 being approved by Shareholders of the Company, Resolutions 11, 12, 13, 14 and 15 seeks Shareholder approval to issue and allot a total of 7,650,000 unlisted options (**Options**) under the Incentive Plan to Mr James Graham, Ms Michele Dilizia, Dr John Prendergast, Dr Alan W. Dunton and Dr Justin Ward (or their nominees), Directors of the Company.

The Company considers that the issue of the Options is an appropriate mechanism to further align the interests of the Directors with Shareholders of the Company, whilst motivating an appreciation in price beyond \$1.56 per share, a 65% premium to the closing price of \$0.945 on 28 October 2020. Significantly, the Company has seen its market valuation appreciate considerably since the last Annual General Meeting (\$0.25 on 25/11/2019) and believes that it is an appropriate time to put in place an incentive program for Directors and employees of the Company.

Each of the Directors is proposed to receive the following:

Name	Position	Number of Options
James Graham	Managing Director and Chief Executive Officer	2,250,000
Michele Dilizia	Executive Director	1,500,000
John Prendergast	Non-Executive Chairman	2,175,000
Alan W. Dunton	Non-Executive Director	1,125,000
Justin Ward	Executive Director	600,000
Total		7,650,000

The material terms of the Options are as follows:

Terms	Description
Exercise price	\$1.56 (which is a 65% premium to the closing price of \$0.945 on 28 October 2020)
Expiry date	5 years from the date of issue

#### **Director and Related Party Approvals**

ASX Listing Rule 10.14 provides that a listed company must not permit any of the following persons to acquire securities under an employee incentive scheme unless it obtains the approval of its shareholders:

- (a) a director of the Company;
- (b) an associate of a director of the Company; or
- (c) a person whose relationship with the Company or a person referred to in Listing Rule 10.14.1 or 10.14.2 is such that, in ASX's opinion, the acquisition should be approved by its shareholders. issue equity securities to a related party without Shareholder approval. If approval is obtained under Listing Rule 10.14, in accordance with Listing Rule 10.12 (exception 8), separate approval is not required under Listing Rule 10.11.

The proposed issue of Options under the Employee Incentive Plan to Mr James Graham, Ms Michele

Dilizia, Dr John Prendergast, Dr Alan W. Dunton and Dr Justin Ward, constitutes the acquisition of securities under an employee incentive scheme for the purposes of Listing Rule 10.14 and therefore requires the approval of the Company's shareholders under Listing Rule 10.14. and therefore requires the approval of the Company's shareholders under Listing Rule 10.14.

To this end, this Resolution seeks the required Shareholder approval to issue the Options to Mr James Graham, Ms Michele Dilizia, Dr John Prendergast, Dr Alan W Dunton and Dr Justin Ward under and for the purposes of Listing Rule 10.14.

If this Resolution is passed, the Company will be able to proceed with the proposed issue of Options.

If this Resolution is not passed, the Company will not be able to proceed with the proposed issue.

Chapter 2E of the Corporations Act prohibits the Company from giving a financial benefit to a related party of the Company unless either:

- (a) the giving of the financial benefit falls within one of the exceptions to the provisions; or
- (b) Shareholder approval is obtained prior to the giving of the financial benefit.

The proposed issue of Options (which is a type of equity security, for the purposes of the ASX Listing Rules) constitutes the giving of a financial benefit.

A "related party" for the purposes of the Corporations Act and the Listing Rules is widely defined and includes a director of a public company, a spouse of a director of a public company or an entity controlled by a director of a public company. The definition of "related party" also includes a person whom there is reasonable grounds to believe will become a "related party" of a public company.

As Mr James Graham, Ms Michele Dilizia, Dr John Prendergast, Dr Alan W. Dunton and Dr Justin Ward are current Directors of the Company, they are a "related party" of the Company. Therefore, the proposed issue of Options to each of them (or their nominee) requires Shareholder approval under Chapter 2E of the Corporations Act and Listing Rule 10.14.

#### **Information Required by ASX Listing Rule 10.15**

The following information in relation to the issue of Options is provided to Shareholders for the purposes of ASX Listing Rule 10.15:

- (a) The names of the persons to propose to acquire the Options are as follows:
  - (i) Resolution 11: James Graham (or his nominee), Managing Director and Chief Executive Officer
  - (ii) Resolution 12: Michele Dilizia (or her nominee), Executive Director and Chief Scientific Officer
  - (iii) Resolution 13: John Prendergast (or his nominee), Non-Executive Chairman
  - (iv) Resolution 14: Alan W. Dunton, MD (or his nominee), Non-Executive Director
  - (v) Resolution 15: Justin Ward (or his nominee), Executive Director
- (b) Each of the Directors falls within the category as set out in Listing Rule 10.14.1 as they are each a Director of the Company.
- (c) The maximum number of Options for which Shareholder approval is being sought is 7,650,000 comprising:
  - (i) 2,250,000 Options to James Graham (or his nominee);
  - (ii) 1,500,000 Options to Michele Dilizia (or her nominee);
  - (iii) 2,175,000 Options to John Prendergast (or his nominee);
  - (iv) 1,125,000 Options to Alan W. Dunton, MD (or his nominee); and
  - (v) 600,000 Options to Justin Ward (or his nominee).

(d) Details of each of the Director's current total remuneration package (excluding superannuation) is as follows:

Director	Current Financial Year 1 July 2020 to 30 June 2021	Previous Financial Year 1 July 2019 to 30 June 2020
James Graham	\$300,000	\$186,646
Michele Dilizia	\$230,000	\$177,500
Alan W. Dunton, MD <sup>1</sup>	\$57,863	-
John Prendergast	\$120,000	\$120,000
Justin Ward	\$144,989	\$144,989

#### Notes:

- 1. Mr Dunton was appointed as non-executive director of the Company on 14 July 2020 and his annual directors fee is \$60,000. The amount detailed above is pro-rata for the period 14 July 2020 to 30 June 2021.
- (e) Since the Incentive Plan was last approved by Shareholders on 29 November 2018, the Company advises that it has issued 250,000 Shares under the Incentive Plan (to Dr John Prendergast) to the persons subject of Resolutions 11-15 of this Notice. The 250,000 Shares previously issued to Dr Prendergast were issued for nil cash consideration, as they were issued as part of his remuneration.
- (f) The material terms of the Options are: Exercise price of \$1.56 per Option, and an expiry date which is 5 years from the date of issue. The Options will also be issued pursuant to the Incentive Plan, which is subject to Shareholder approval under Resolution 9 of this Notice, and a copy of which is set out in Annexure A. The Company has decided to choose this type of equity security as it is unlisted (therefore has no immediate dilutionary impact on shareholders) and the terms can be structured to assist in aligning the interests of the holders with Shareholders of the Company. The value of the Options is set out below under the heading *Valuation of Options*.
- (g) The Options will be issued to the Directors no later than 3 years after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of ASX Listing Rules) and it is anticipated that Options will be issued on one date.
- (h) The Options will be granted for nil cash consideration, accordingly no funds will be raised.
- (i) A copy of the Employee Incentive Plan is set out in Annexure A of this Notice.
- (j) There will be no loan made to the person in relation to the issue of Options.
- (k) Details of any securities issued under the Incentive Plan will be published in the annual report of the Company relating to the period in which they were issued, along with a statement that approval for the issue was obtained under Listing Rule 10.14.
- (l) Any additional persons covered by Listing Rule 10.14 who become entitled to participate in an issue of securities under the Plan after the Resolutions 10-15 are approved, and who were not named in this Notice will not participate until approval is obtained under that rule.

#### Information Required by Chapter 2E of the Corporations Act

The following information in relation to the issue of the Options Mr James Graham, Ms Michele Dilizia, Dr John Prendergast, Dr Alan W. Dunton and Dr Justin Ward are provided to Shareholders for the purposes of Chapter 2E of the Corporations Act:

#### Identity of the related party

- (a) The related parties are as follows:
  - (i) Resolution 11: James Graham (or his nominee), Managing Director and Chief Executive Officer;
  - (ii) Resolution 12: Michele Dilizia (or her nominee), Executive Director and Chief Scientific Officer;
  - (iii) Resolution 13: John Prendergast (or his nominee), Non-Executive Chairman;
  - (iv) Resolution 14: Alan W. Dunton, MD (or his nominee), Non-Executive Director; and
  - (v) Resolution 15: Justin Ward (or his nominee), Executive Director;

#### Nature of the financial benefit

(b) The nature of the financial benefit to be given is the issue of Options, which is an equity-related financial benefit, and which is outlined below:

Name	Number of Options	Exercise Price	Expiry Date
James Graham	2,250,000		
Michele Dilizia	1,500,000		
John Prendergast	2,175,000	\$1.56 per Option	5 years from the date of issue
Alan W. Dunton, MD	1,125,000		
Justin Ward	600,000		

- (c) The Options are proposed to be issued under the Company's Incentive Plan, which is subject to Shareholder approval under Resolution 9 of this Notice. A copy of the Incentive Plan is set out in Annexure A of this Notice.
- (d) The Options will be issued for nil cash consideration. If and when the Options are exercised, any proceeds received from the exercise will be used for working capital and other operational expenses.
- (e) The Options are proposed to be issued to each of the Directors as part of their remuneration, which is not uncommon for Directors of listed entities to receive. The issue of incentive securities (such as Options) could be considered a cost effective and efficient reward, as opposed to alternative forms of incentives, such as additional cash payments. Accordingly, the issue of Options may assist the Company preserve its cash reserves.
- (f) The quantum of Options was considered appropriate in light of each of the Directors experience, skill and role in the Company. As set out below under the heading *Valuation of Options*, based on the assessed fair value of the Options in the Pitcher report, the Company has adopted an indicative value of \$0.58384 per Option.

#### Directors' recommendation and interest in the outcome

(g) Each of the Directors has a material personal interest in the outcome of the Resolution that proposes to issue Options to them. Given that each of the Directors are proposed to be issued with Options on the same terms, as a matter of good governance and avoidance of conflict of interests, it has been determined that Shareholder approval would be sought for the issue of all Options for the purposes of Chapter 2E of the Corporations Act. For this reason, the Directors do not believe it is appropriate to make a recommendation on Resolutions 11-15 of this Notice.

#### <u>Disclosure of Directors' total remuneration packages</u>

- (h) The Directors remuneration package will comprise of their Directors fees, salaries, and the proposed grant of Options (valuation which is set out below in paragraph (m).
- (i) In terms of Directors fees and salaries, they can be summarised as follows:

Director	FY20 – Directors fees and salaries	FY21 (Current) – Directors fees and salaries
James Graham	\$186,646	\$300,000
Michele Dilizia	\$177,500	\$230,000
Alan W. Dunton, MD	-	\$57,863
John Prendergast	\$120,000	\$120,000
Justin Ward	\$144,989	\$144,989

#### Notes:

1. Dr Dunton was appointed as non-executive director of the Company on 14 July 2020, the amount detailed above is pro-rata for the period 14 July 2020 to 30 June 2021.

#### <u>Dilutionary effect to existing Shareholders' interests</u>

(j) The nature of the financial benefit are unlisted options, which could be exercised to Shares of the Company. Accordingly, from the date of issue, and assuming that the Options remain unexercised, on an undiluted basis, the issue of Options to each of the Directors will not have any immediate dilutionary effect on existing Shareholders' interests.

#### Existing and potential relevant interests of related party

(k) The following table sets out each of the current and potential relevant interests, in the event that Shareholder approval is obtained for Resolutions 11, 12, 13, 14 and 15 of this Notice:

Holder	Current Holdings	% of Total Issued Capital <sup>2</sup>	Projected Holdings Upon Issue of Options under Resolutions 11 - 15	% of Total Issued Capital <sup>3</sup>
James Graham	5,984,082 Shares 745,962 Class B Performance Shares <sup>1</sup>	3.52%	5,984,082 Shares 745,962 Class B Performance Shares <sup>1</sup> 2,250,000 Options	4.51%
Michele Dilizia	3,718,485 Shares 577,212 Class B Performance Shares <sup>1</sup>	2.25%	3,718,485 Shares 577,212 Class B Performance Shares <sup>1</sup> 1,500,000 Options	2.91%
Alan W. Dunton, MD	10,000 Shares	0.01%	10,000 Shares 1,125,000 Options	0.57%
John Prendergast	250,000 Shares	0.13%	250,000 Shares 2,175,000 Options	1.22%
Justin Ward	158,966 Shares	0.08%	158,966 Shares 600,000 Options	0.38%

<sup>1</sup> The milestones in relation to the Class B Performance Shares have not, and will not, be satisfied. Therefore, these Performance Shares have not, and will not, convert to fully paid ordinary shares.

- 2 These percentages are calculated on a fully diluted basis, based on the Company's current capital structure which consists of 173,631,175 Shares, 11,466,921 Performance Shares and 6,185,800 Options.
- 3 These percentages are calculated on a fully diluted basis, based on the Company's projected capital structure (assuming that Shareholder approval is obtained for Resolutions 10 14) which is projected to consist of 173,631,175 Shares, 11,466,921 Performance Shares and 13,835,800 Options. These percentages sets out the projected holding if all of the Options are exercised, of which, there is no guarantee.

#### **Valuation of Options**

- (I) The Options are not proposed to be quoted on ASX, accordingly, they have no easily identifiable market value. However, as the Options could exercised into Shares (subject to satisfaction of its terms), the Options may have a present value at the date of their issue.
- (m) The Options may acquire future value dependent upon the extent to which the market value of Shares exceeds the exercise price of the Options during the term of the Options.

As a general proposition, options to subscribe for ordinary fully paid shares in a company have value. Various factors impact upon the value of options including things such as:

- (i) The period outstanding before the expiry date of the options;
- (ii) The exercise price of the options relative to the underlying price or value of the securities into which they may be converted;
- (iii) The proportion of the issued capital as expanded consequent upon exercise represented by the shares issued upon exercise (i.e. whether or not the shares that might be acquired upon exercise of the options represent a controlling or other significant interest);
- (iv) The value of the shares into which the options may be converted; and
- (v) Whether or not the options are listed (i.e. readily capable of being liquidated) and so on.

There are various formulae which can be applied to determining the theoretical value of options (including the formula known as the Black and Scholes option valuation methodology (**Black Scholes Model**)).

The Company has sought an independent valuation of the Options from Pitcher Partners (**Pitcher**). The method used to value the Options was the Black-Scholes Model, which is the most widely used and recognised model for pricing options. The value of an option calculated by the Black-Scholes Model is a function of the relationship between a number of variables, being the price of the underlying Share at the time of issue, the exercise price, the time to expiry, the risk-free interest rate, the volatility of the Company's underlying Share price and expected dividends.

The data relied upon in the valuation applying the Black-Scholes Model was:

Valuation input	Assumption
Market price of the Company's Shares (being the closing share price on 8 October 2020)	\$1.08
Exercise price	\$1.56
Expiry date	5 years from date of issue
Risk-free Rate	0.35%
Dividend Yield	Nil

Volatility	77%
Value for one Option	\$0.58384

(n) Based on the assessed fair value of the Options in the Pitcher report, the Company has adopted an indicative value of \$0.58384 per Option. The Options for each of the Directors have been valued and the Company will expense them as follows:

Recipient	Number of Options	AASB2 Share-based Compensation Expense
James Graham	2,250,000	\$1,313,640
Michele Dilizia	1,500,000	\$875,760
Alan W. Dunton, MD	1,125,000	\$656,820
John Prendergast	2,175,000	\$1,269,852
Justin Ward	600,000	\$350,304

AASB 2 "Share Based Compensation Expense" requires that these expenses shall be measured at the more readily determinable fair value of the equity instrument. Under the accounting standards this amount will be expensed in the statement of financial performance. Where the grant date and the vesting date are different the total expenditure calculated will be allocated between the two dates taking into account the terms and conditions attached to the instruments and the counterparties as well as management's assumptions about probabilities of payments and compliance with and attainment of the set out terms and conditions.

Any other information that is reasonably required by Shareholders to make a decision and that is known to the Company or any of its Directors.

(o) There is no other information known to the Company or any of the Directors save and except as follows:

#### **Opportunity Costs**

The opportunity costs and benefits foregone by the Company issuing the Options to the Directors or their nominees, is the potentially dilutionary impact on the issued Share capital of the Company (in the event that the Options are exercised). Until exercised, the issue of the Options will not impact upon the number of Shares on issue in the Company. To the extent that upon their exercise the dilutionary impact caused by the issue of the Shares will be detrimental to the Company, this is more than offset by the advantages accruing from the Company securing the services of experienced and skilled Directors on appropriate incentive terms. It is also considered that the potential increase of value in the Options is dependent upon a concomitant increase in the value of the Company generally.

#### Trading History of the Shares

As at 8 October 2020, the closing price of Shares on ASX was \$1.08. Over the last 12 months, the 52-week high was \$1.875 per Share and the 52 low was \$0.21 per Share.

#### **Taxation Consequences**

No stamp duty will be payable in respect of the grant of the Options. No GST will be payable by the Company in respect of the grant of the Options (or if it is then it will be recoverable as an input credit).

## **Enquiries**

Shareholders are asked to contact the Company Secretary on +61 2 8072 1400 if they have any queries in respect of the matters set out in these documents.

## Glossary

**AEDT** means Australian Eastern Daylight Time as observed in Sydney, New South Wales.

**Annual Financial Report** means the 2020 Annual Report to Shareholders for the period ended 30 June 2020 as lodged by the Company with ASX on 28 August 2020.

**Annual General Meeting** or **AGM** or **Meeting** means an Annual General Meeting of the Company and, unless otherwise indicated, means the meeting of the Company's members convened by this Notice of Meeting.

**ASIC** means Australian Securities and Investment Commission.

**Associate** has the meaning given to it by the ASX Listing Rules.

**ASX** means ASX Limited ACN 008 624 691 or the financial market operated by it, as the context requires, of 20 Bridge Street, Sydney, NSW 2000.

**ASX Listing Rules** or **Listing Rules** means the official ASX Listing Rules of the ASX and any other rules of the ASX which are applicable while the Company is admitted to the official list of the ASX, as amended or replaced from time to time, except to the extent of any express written waiver by the ASX.

**Auditor's Report** means the auditor's report of BDO Audit (WA) Pty Ltd dated 28 August 2020 as included in the Annual Financial Report.

**Board** means the current board of Directors of the Company.

Business Day means a day on which trading takes place on the stock market of ASX.

**Chair** means the person chairing the Meeting.

**Closely Related Party** of a member of the KMP means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependant of the member or of the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealings with the Company;
- (e) a company the member controls; or
- (f) a person prescribed by the Corporation Regulations 2001 (Cth).

Company means Recce Pharmaceuticals Ltd ACN 124 849 065.

**Constitution** means the Company's constitution.

Corporations Act means the Corporations Act 2001 (Cth) as amended or replaced from time to time.

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

**Directors' Report** means the report of Directors as included in the Annual Financial Report.

**Dollar** or "\$" means Australian dollars.

**Explanatory Statement** means the explanatory statement accompanying this Notice of Meeting.

**KMP** means key management personnel (including the Directors) whose remuneration details are included in the Remuneration Report.

**Notice of Meeting** or **Notice of Annual General Meeting** means this notice of annual general meeting dated 29 October 2020 including the Explanatory Statement.

**Option** means an option which, subject to its terms, could be exercised into a Share.

Ordinary Resolution means a resolution that can only be passed if at least 50% of the total votes cast

by Shareholders entitled to vote on the resolution are voted in its favour at the meeting.

Performance Right means a performance right which, subject to its terms, could convert to a Share.

**Proxy Form** means the proxy form attached to this Notice of Meeting.

**Remuneration Report** means the remuneration report as set out in the Annual Financial Report.

**Resolutions** means the resolutions set out in this Notice of Meeting, or any one of them, as the context requires.

**Restricted Voter** means a member of the Company's KMP and any Closely Related Parties of those members.

**Securities** mean Shares and/or Options (as the context requires).

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

**Shareholder** means a holder of a Share.

Share Registry means Automic Group, Level 5, 126 Phillip Street, Sydney NSW 2000.

**Special Resolution** means a resolution that can only be passed if at least 75% of the total votes cast by Shareholders entitled to vote on the resolution are voted in its favour at the meeting.

**Spill Meeting** means the meeting that will be convened within 90 days of the 2021 AGM if a threshold of votes is cast against the adoption of the Remuneration Report at the Meeting and the 2021 AGM.

**Spill Resolution** means the resolution required to be put to Shareholders at the 2021 AGM if a threshold of votes is cast against the adoption of the Remuneration Report at the Meeting and the 2021 AGM.

**Trading Day** has the meaning given to that term in ASX Listing Rule 19.12.

**VWAP** means the volume weighted average market (closing) price, with respects to the price of Shares.



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# EMPLOYEE INCENTIVE PLAN ("EIP") RULES

RECCE PHARMACEUTICALS LTD ACN 124 849 065

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#### 1 INTRODUCTION

#### 1.1 Purpose

Recce Pharmaceuticals Ltd ACN 124 849 065 (**Company**) has established this Plan to encourage Employees to share in the ownership of the Company and to promote the long-term success of the Company as a goal shared by all Employees.

#### 1.2 Advice

- (a) There are legal and tax consequences associated with participation in the Plan.

  Employees should ensure that they understand these consequences before accepting an invitation to participate in the Plan.
- (b) Any advice given by or on behalf of the Company is general advice only, and Employees should consider obtaining their own financial product advice from an independent person who is appropriately qualified and/or licensed in their country to give such advice.

#### 2 DEFINITIONS AND INTERPRETATION

#### 2.1 Definitions

In these Rules unless the contrary intention appears, terms defined in the Corporations Act or Listing Rules have the same meaning in these Rules, and:

Applicable Law means any one or more or all, as the context requires of:

- (a) the Corporations Act;
- (b) the Listing Rules;
- (c) the Constitution of the Company;
- (d) the Tax Act;
- (e) any practice note, policy statement, regulatory guide, class order, declaration, guideline, policy, procedure, ruling, judicial interpretation or other guidance note made to clarify, expand or amend (a), (b), (c) or (d) above; and
- (f) any other legal requirement that applies to the Plan.

**Application** means a written acceptance of an Offer for, or an application for, Awards in a form approved by or acceptable to the Board (which may, without limitation, be an electronic form that is accessible and submitted via a website managed by the Company, its share registry or any other third party service provider).

ASIC means the Australian Securities and Investments Commission.

**ASX** means ASX Limited or the securities market which it operates, as the context requires.

#### Award means:

- (a) a Share, or
- (b) an Option, or
- (c) a Performance Right,

as applicable.

#### **Associated Body Corporate means:**

(a) a body corporate that is a related body corporate of the Company;

- (b) a body corporate that has Voting Power in the Company of not less than 20% and that has been approved for participation in the Plan by the Company; or
- (c) a body corporate in which the Company has Voting Power of not less than 20% and that has been approved for participation in the Plan by the Company,

and Associated Bodies Corporate means all such bodies corporate.

#### **Board** means:

- (a) all or some of the Directors, acting as a board; or
- (b) any committee, person or persons to whom power or authority to exercise or perform the relevant power, function or discretion, or to administer the Plan generally, has been delegated under the Rules (including any sub-delegate).

**Business Day** means a day on which banks are open for general banking business in the New South Wales, excluding Saturdays or Sundays.

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

**Clawback Policy** means the policy, if any, adopted by the Board in relation to any circumstances in which the Company may claw back performance-based remuneration from key management personnel (or other senior executives) of the Company (or any other Group Company).

Constitution means the constitution of the Company (as amended from time to time).

**Contractor** means a consultant or other individual or entity, as determined by the Board at their sole and absolute discretion, who has been engaged by a Group Company on a contracting basis.

**Control** has the meaning given to that term in section 50AA of the Corporations Act.

Corporate Control Event means any one or more of the following events or circumstances:

- (a) an offer is made for Shares (or shares in a subsidiary) pursuant to a takeover bid under Chapter 6 of the Corporations Act;
- (b) the Court orders a meeting of members (or a class of members) or creditors (or a class of creditors) under Part 5.1 of the Corporations Act for the purpose of considering a proposed compromise or arrangement relating to the Company (or a subsidiary) or a compromise or arrangement proposed for the purposes of, or in connection with, a scheme for the reconstruction of the Company (or a subsidiary) or its amalgamation with any other body corporate or bodies corporate;
- (c) approval is given by a resolution duly passed at a general meeting, or by circular resolution, of members of the Company for an acquisition that would result in a person having Voting Power in the Company of more than 50%;
- (d) a person acquires Voting Power of more than 50% in the Company:
- (e) (i) as a result of a takeover bid for all of the issued shares in the Company; or
  - (i) through a scheme of arrangement relating to the acquisition of all of the issued shares of the Company:
- (f) the Board determines that a change of control of the Company has occurred within the meaning of section 50AA of the Corporations Act;
- (g) the majority of the Board, at any point in time, is not constituted by individuals from one or more of the following categories:
  - (i) a Director(s) as at the date this Plan was last approved by Shareholders;

- (ii) a Director(s) whose appointment or election by the Board, or nomination for election by Shareholders, was approved or recommended by a vote of at least a two-thirds majority of Directors described in (g)(i) above; or
- (iii) a Director(s) whose appointment or election by the Board, or nomination for election by Shareholders, was approved or recommended by a vote of at least a two-thirds majority of Directors described in (g)(i) or (g)(ii) above;
- (h) any other event or transaction (including any other merger, consolidation or amalgamation involving the Company) occurs or is proposed where either or both of the following applies:
  - (i) in the case of a merger, consolidation or arrangement, the transaction results in the holders of Shares immediately prior to the merger, consolidation or amalgamation having relevant interests, in aggregate, in 50% or less of the voting shares in the body corporate resulting from the merger consolidation or amalgamation; or
  - (ii) the Board determines, in its discretion, that the relevant transaction constitutes a Corporate Control Event for the purposes of the Rules;
- (i) the Company enters into an agreement or agreements to sell, in aggregate, a majority in value of the business or assets of all Group Companies (whether or not in the form of shares in a Group Company) to a person or persons that are not Group Companies; or
- (j) an administrator, liquidator, provisional liquidator, receiver or receiver and manager is appointed in respect of the Company or substantially all of the assets of the Company.

Corporations Act means the Corporations Act 2001 (Cth).

Date of Grant means the date on which the Company issues an Award to an Eligible Employee.

**Deal** or **Dealing** means sale, transfer, assignment, mortgage, pledge, grant of a lien or other alienation or encumbrance over or attempted sale, transfer, assignment, mortgage, pledge, grant of a lien or other alienation or encumbrance over, or creation in favour of any third party of any interest whatsoever.

**Director** means a director of the Company (including a non-executive director).

#### Eligible Employee means:

- (a) an Employee to whom, or who falls within a class of Employees to whom, the Board determines that an Offer is to be made under the Plan; or
- (b) an Employee who satisfies the eligibility criteria (if any) determined by the Board for a proposed Offer.

#### **Employee** means:

- (a) a full-time or part-time employee of a Group Company (including an executive Director);
- (b) a non-executive Director of a Group Company;
- (c) a Contractor of a Group Company;
- (d) a casual employee of a Group Company; and
- (e) a prospective participant.

**Exercise** means exercise of an Award in accordance with its terms and includes automatic exercise in accordance with these Rules.

**Exercise Price** means the price payable (if any) per Share to exercise an Award.

**Expiry Date** means the date on which an Award lapses, being the date specified in an Offer as the Expiry Date or fixed by a method of calculation set out in an Offer.

**Fair Market Value** means the closing sales price per Share for the relevant date on the ASX, or, if there is no such sale on the relevant date, then on the last previous day on which such a sale is reported.

**Group** means the Company and its Associated Bodies Corporate.

**Group Company** means any body corporate within the Group.

**Issue Price** means the price (if any) to be paid for the issue of a Share as stated in the Offer.

**Legal Personal Representative** means the executor of the will or an administrator of the estate of a deceased person, the trustee of the estate of a person under a legal disability or a person who holds an enduring power of attorney granted by another person.

**Listed** means the Company being and remaining admitted to the official list of the ASX (or the applicable securities exchange).

**Listing Rules** means the listing rules of ASX and any other rules of ASX (or the applicable securities exchange) that are applicable to the Company or the Shares while the Company is Listed on that exchange, each as amended or replaced from time to time, and except to the extent of any express written waiver by ASX.

**Market Price** means the weighted average sale price of Shares on the ASX over the five trading days immediately preceding the day the Offer is made, or another pricing method determined by the Company.

**Offer** means an offer or issue of Awards made to an Employee under clause 4.2. Where Awards are issued without the need for acceptance, an Offer includes the document setting out the terms of the Award.

**Option** means an option to acquire Shares issued under clause **Error! Reference source not found.**.

Participant means an Employee to whom Awards are issued.

**Performance Right** means a right to acquire a Share issued under clause 3.4.

**Plan** means the Recce Pharmaceuticals Ltd Employee Incentive Plan.

**Plan Shares** means the Shares allotted and issued, or transferred, by the Company to a Participant in respect of an Award.

**Restricted Award** means an Award or a Share issued on exercise of an Award in respect of which a restriction on sale or disposal applies under this Plan.

**Restriction Period** means the period during which Awards, or Shares issued on exercise of Awards, must not be sold or disposed of, as specified in the Offer in respect of the Awards.

Rules means these rules as amended from time to time.

**Security Interest** means an interest in an asset which provides security for, or protects against default by, a person for the payment or satisfaction of a debt, obligation or liability including a mortgage, charge, bill of sale, pledge, deposit, lien, encumbrance, hypothecation, first right of refusal, voting right or arrangement for the retention of title or any agreement, option or other arrangement to grant such an interest or right.

**Share** means a fully paid ordinary share of the Company, including those issued under clause 3.2.

Shareholder means a holder of Company Shares.

**Tax Act** means the *Income Tax Assessment Act 1997 (Cth) (ITAA 1997)* or any legislation amending or replacing the provisions of that Act relating to the issue and exercise of Awards.

**Vesting Conditions** means any conditions described in the Offer that must be satisfied before an Award can be exercised or before an Award (or Share issued under an Award) is no longer subject to forfeiture.

**Vesting Date** means the date on which an Award is exercisable or is no longer subject to forfeiture following satisfaction of any Vesting Conditions.

#### 2.2 Interpretation

In these Rules, unless expressed to the contrary:

- (a) words importing:
  - (i) the singular includes the plural and vice versa;
  - (ii) any gender includes the other genders;
- (b) if a word or phrase is defined cognate words and phrases have corresponding definitions;
- (c) a reference to:
  - (i) a person includes a firm, unincorporated association, corporation and a government or statutory body or authority;
  - (ii) a person includes its Legal Personal Representatives, successors and assigns;
  - (iii) a statute, ordinance, code or other law includes regulations and other statutory instruments under it and consolidations, amendments, re-enactments or replacements of any of them;
  - (iv) a right includes a benefit, remedy, discretion, authority or power;
  - (v) "\$" or "dollars" is a reference to the lawful currency of Australia;
  - (vi) this or any other document includes the document as varied or replaced and notwithstanding any change in the identity of the parties; and
  - (vii) any thing (including, without limitation, any amount) is a reference to the whole or any part of it and a reference to a group of things or persons is a reference to any one or more of them.

#### 2.3 Headings

Headings are for convenience only and do not affect the interpretation of these Rules.

#### 3 AWARDS THAT MAY BE MADE UNDER THE PLAN

#### 3.1 Awards may be made by the Board

The Company may, at the discretion of the Board, offer and issue Awards to Employees (or the Employee's nominee) of the kind set out in this clause 3.

#### 3.2 Shares

The Company may offer or issue new Shares to any Eligible Employee on any Vesting Conditions in the Board's absolute discretion. These terms apply unless the Offer specifies otherwise:

- (a) An Offer may specify a Restriction Period for Shares.
- (b) The issue of new Shares under this clause 3.2 are subject to adjustment under clause 14.

#### 3.3 Options

The Company may offer or issue Options, which are rights to be issued a Share upon payment of the Exercise Price and satisfaction of specified Vesting Conditions. These terms apply unless the Offer specifies otherwise:

- (a) Options are Restricted Awards until they are exercised or expire.
- (b) An Offer may specify a Restriction Period for Shares issued on the exercise of Options.
- (c) Options are subject to adjustment under clause 14.

#### 3.4 Performance Rights

The Company may offer or issue Performance Rights, which are rights to be issued a Share for nil Exercise Price upon the satisfaction of Vesting Conditions specified in the Offer. These terms apply unless the Offer specifies otherwise:

- (a) Performance Rights are Restricted Awards until they are exercised or expire.
- (b) An Offer may specify a Restriction Period for Shares issued on the exercise of Performance Rights.
- (c) Performance Rights are subject to adjustment under clause 14.

#### 4 OFFERS OF AWARDS

#### 4.1 Company may make Offers

Subject to clause 5, the Company may make an Offer to any Employee.

#### 4.2 Form of Offer

Each Offer must be in writing (which includes email), include an Application if acceptance is required, and specify the following to the extent applicable:

- (a) the name and address of the Employee to whom the Offer is made;
- (b) the type of Awards being offered;
- (c) the number of Awards being offered;
- (d) the Date of Grant:
- (e) any Vesting Conditions for the Awards;
- (f) the Issue Price and/or Exercise Price for the Awards, or the manner in which the Issue Price and/or Exercise Price is to be determined;
- (g) the Expiry Date (if any);
- (h) any Restriction Period;
- (i) any other terms or conditions that the Board decides to include; and
- (j) any other matters required to be specified in the Offer by either the Corporations Act or the Listing Rules.

#### 4.3 Applicable law

If required by Applicable Laws or the conditions to applicable ASIC relief, the Offer must include an undertaking by the Company to provide to a Participant, if a request is made before the Award is exercised and within a reasonable period of being so requested, the current Market Price of the Shares.

#### 4.4 Compliance with laws

No Offer will be made to the extent that any such Offer would contravene the Company's Constitution, the Listing Rules, the Corporations Act or any other Applicable Law.

#### 4.5 Acceptance

If acceptance of an Offer is required, it may be accepted:

- (a) by an Employee completing and returning the Application, as required by the Offer, by no later than the date specified in the Offer; and
- (b) if required, by the Employee making or directing payment of the total amount payable for the Awards (if any) accepted under the Offer, in the manner specified in the Offer.

#### 4.6 Lapse of Offer

An Offer which requires acceptance lapses if it is not accepted by the Employee to whom the Offer is made as required under clause 4.5.

#### 4.7 Acceptance by Employee

For the avoidance of doubt, an Offer may only be accepted by (and the relevant Award and any subsequent Share issues may only be granted or issued to) the Employee to whom the Offer is made.

#### 5 DILUTION LIMIT

- (a) An Offer of Awards must not be made if the total Awards (which have been offered since the Plan was last approved by Shareholders of the Company) would exceed15,000,000 Awards (**Limit**).
- (b) The Limit excludes any Awards which are then subsequently cancelled or lapsed in accordance with the terms of this Plan.

#### **6 VESTING AND EXERCISE OF AWARDS**

#### 6.1 Vesting Conditions

- (a) The Awards held by a Participant will vest in and become exercisable by that Participant upon the satisfaction of any Vesting Conditions specified in the Offer and in accordance with these Rules.
- (b) Vesting Conditions may be waived at the absolute discretion of the Board (unless such waiver is excluded by the terms of the Award).

#### 6.2 Automatic Exercise

The vesting of an Award on the satisfaction of any Vesting Conditions will not automatically trigger the exercise of the Award unless specified in the Offer.

#### 6.3 Exercise of Awards

- (a) A Participant is, subject to this clause 6, entitled to exercise an Award on or after the Vesting Date. Any exercise must be for a minimum number or multiple of Shares (if any) specified in the terms of the Offer.
- (b) Awards may be exercised by the Participant delivering to the Company a notice stating the number of Awards to be exercised together with the Issue Price (if any) for the Shares to be issued.

#### 6.4 Cashless Exercise

Notwithstanding clause 6.3, the Board may determine in its sole and absolute discretion that an Employee will not be required to provide payment of the Exercise Price by cash, cheque or some

other method acceptable to the Company, but that on exercise of the Options the Company will only allot and issue or transfer that number of Plan Shares to the Employee that are equal in value to the difference between the Exercise Price otherwise payable in relation to the Options and the then market value of the Plan Shares as at the time of the exercise (which is to be determined by reference to the volume weighted average market price (as that term is defined in the Listing Rules) of the Company's Share price during the five trading days (rounded down to the nearest whole Share)) immediately before the day on which:

- (a) the Participant has delivered to the registered office of the Company a notice of exercise pursuant to clause 6.3(b); and
- (b) the Board has exercised its discretion pursuant to this clause 6.4 that the Employee will be permitted to undertake a cashless exercise of the Options.

#### 7 ELECTION OF BOARD TO SETTLE AWARDS IN CASH

If the Board determines that for a taxation, legal, regulatory or compliance reason it is not appropriate to issue or transfer Shares, the Company may in lieu and final satisfaction of the Company's obligation to issue or transfer Shares as required upon the exercise of an Award by a Participant, make a cash payment to the Participant equivalent to the Fair Market Value as at the date of exercise of the Award (less any unpaid Exercise Price applicable to the exercise of the Award) multiplied by the relevant number of Shares required to be issued or transferred to the Participant upon exercise of the Award.

#### 8 ALLOTMENT OF SHARES ON EXERCISE OR VESTING OF AWARDS

#### 8.1 Rights attaching to Shares

The Shares issued under this Plan will upon allotment:

- (a) be credited as fully paid; and
- (b) rank equally for dividends and other entitlements where the record date is on or after the date of allotment, but will carry no right to receive any dividend or entitlement where the record date is before the date of allotment; and
- (c) be subject to any restrictions imposed under these Rules, and
- (d) otherwise rank equally with the existing issued Shares at the time of allotment.

#### 8.2 Quotation

If the Company is Listed, then as soon as practicable after the date of the allotment of Shares, the Company will, unless the Board otherwise resolves, apply for official quotation of such Shares on the ASX.

#### 8.3 New or existing Shares

- (a) The Company may, in its discretion, either issue new Shares or cause existing Shares to be acquired for transfer to the Participant, or a combination of both alternatives, to satisfy the Company's obligations under these Rules.
- (b) If the Company determines to cause the transfer of Shares to a Participant, the Shares may be acquired in such manner as the Company considers appropriate, including from a trustee appointed under clause 8.4.

#### 8.4 Trustee

The Company may appoint a trustee on terms and conditions which it considers appropriate to acquire and hold Shares, options, or other securities of the Company either on behalf of Participants or for the purposes of this Plan.

#### 9 RIGHTS ATTACHING TO SHARES

#### 9.1 Shares to rank equally

Any Plan Shares allotted and issued or transferred by the Company to a Participant will rank equally with all existing Shares on and from the date of issue or transfer.

#### 9.2 Dividends

A Participant will have a vested and indefeasible entitlement to any dividends declared and distributed by the Company on Plan Shares which, at the books closing date for determining entitlement to those dividends, are standing to the account of the Participant.

#### 9.3 Dividend reinvestment

The Participant may participate in any dividend reinvestment plan operated by the Company in respect of Plan Shares held by the Participant and such participation must be in respect of all Plan Shares held by the Participant. Shares issue under any dividend reinvestment plan operated by the Company will not be subject to any restrictions on dealing.

#### 9.4 Voting rights

A Participant may exercise any voting rights attaching to Plan Shares registered in the Participant's name.

#### 10 RESTRICTED AWARDS

#### 10.1 Restrictions

- (a) A Participant must not sell, transfer, mortgage, pledge, charge, grant security over or otherwise dispose of any Restricted Awards, or agree to do any of those things, during the Restriction Period.
- (b) The Company may implement any procedures it considers appropriate to ensure that Restricted Awards are not disposed of during the Restriction Period, including applying a holding lock in respect of Shares.
- (c) Without limiting its discretions under these Rules, the Board may at any time in its discretion waive or shorten the Restriction Period applicable to an Award.

#### 10.2 Pro rata bonus issues

If the Company makes a pro rata bonus issue to holders of Restricted Awards, the Shares issued to Participants under the pro rata bonus issue will be subject to the balance of the Restriction Period that applied to the Restricted Awards.

#### 10.3 Takeovers

If a takeover bid is made to acquire all of the issued Shares of the Company, or a scheme of arrangement, selective capital reduction or other transaction is initiated which has an effect similar to a full takeover bid for Shares in the Company, then Participants are entitled to accept the takeover bid or participate in the other transaction in respect of all or part of their Awards notwithstanding that the Restriction Period in respect of such Awards has not expired. The Board may determine in its sole and absolute discretion:

- (a) to waive unsatisfied Vesting Conditions in relation to some or all Awards (in such case, any unvested Awards which the Board determines will not vest under this clause 10.3(a) will automatically lapse); and
- (b) that the provisions in clause 6.4 may apply,

in the event of such a takeover or other transaction.

In the event that the takeover or other similar transaction does not proceed for any reason any discretion exercised by the Board to waive unsatisfied Vesting Conditions will be voided.

#### 11 CORPORATE CONTROL EVENT

On the occurrence of a Corporate Control Event, the Board may determine in its sole and absolute discretion that:

- (a) the Vesting Conditions (applicable to any Awards issued pursuant to this Plan) are deemed to have been satisfied and/or waived (in such case, any unvested Awards which the Board determines will not vest under this clause 11(a) will automatically lapse); and
- (b) the provisions in clause 6.4 may apply.

#### 12 CESSATION OF EMPLOYMENT

On the occurrence of cessation of employment for any reason, the Board will determine, in its sole and absolute discretion, the manner in which all unvested and vested Awards will be dealt with, including the application of any Clawback Policy.

#### 13 HEDGING UNVESTED AWARDS

Participants must not enter into transactions or arrangements, including by way of derivatives or similar financial products, which limit the economic risk of holding unvested Awards.

#### 14 ADJUSTMENTS

This clause 14 applies to Shares, Options and Performance Rights, and other Awards where the Participant may be entitled to acquire Shares in the future on exercise of the Award.

#### 14.1 New issue of Shares

A Participant is not entitled to participate in a new issue of Shares or other securities made by the Company to holders of its Shares without exercising the Awards, in the case of Options and Performance Rights, before the record date for the relevant issue.

#### 14.2 Bonus issues

If, prior to the exercise of an Award, the Company makes a pro-rata bonus issue to the holders of its Shares, and the Award is not exercised prior to the record date in respect of that bonus issue, the Award will, when exercised, entitle the holder to one Share plus the number of bonus shares which would have been issued to the holder if the Award had been exercised prior to the record date.

#### 14.3 Other reorganisations of capital

If, prior to the exercise of an Award, the Company undergoes a reorganisation of capital (other than by way of a bonus issue or issue for cash) the terms of the Awards of the Participant will be changed to the extent necessary to comply with the Listing Rules as they apply at the relevant time.

#### 14.4 General

- (a) Unless otherwise permitted by the Listing Rules, the number of Shares which the Participant is entitled to receive on exercise of an Award will only be adjusted in accordance with this clause 14.
- (b) The Company must give notice to Participants of any adjustment to the number of Shares which the Participant is entitled to receive on exercise of an Award in accordance with the Listing Rules.

#### 15 POWER OF ATTORNEY

#### 15.1 Participant appoints

- (a) In consideration of the issue of the Awards, each Participant irrevocably appoints each Director and the secretary for the time being of the Company severally as his or her attorney, to do all acts and things and to complete and execute any documents, including share transfers, in his or her name and on his or her behalf that may be convenient or necessary for the purpose of giving effect to the provisions of these Rules or the terms of an Award.
- (b) The Participant (or after his or her death, his or her Legal Personal Representative) will be deemed to ratify and confirm any act or thing done under this power and must indemnify the attorney in respect of doing so.

#### 16 TAX OR SOCIAL SECURITY CONTRIBUTIONS

#### 16.1 Tax and social security contributions

Where the Company, or a subsidiary (within the meaning of the Corporations Act) of the Company, must account for any tax or social security contributions (in any jurisdiction) for which a Participant is liable because of the issue or transfer of Shares, payment of cash to the Participant or the vesting or exercise of an Award (the Amount), either the Company or subsidiary of the Company may withhold the Amount in its discretion or the Participant must, prior to the Participant's Shares being issued or transferred or cash being paid to the Participant, or the Award vesting or being exercised (as applicable), either:

- (a) pay the Amount to the Company; or
- (b) make acceptable arrangements with the Company for the Amount to be made available to the Company.

#### 17 POWERS OF THE BOARD

#### 17.1 Administration by Board

The Plan will be administered by the Board, or a committee of the Board, which will have an absolute discretion to:

- (a) determine appropriate procedures for administration of the Plan consistent with these Rules;
- (b) resolve conclusively all questions of fact or interpretation arising in connection with the Plan or these Rules;
- (c) delegate to any one or more persons, for such period and on such conditions as they may determine, the exercise of any of their powers or discretions under the Plan or these Rules:
- (d) formulate special terms and conditions (subject to the Listing Rules), in addition to those set out in these Rules to apply to Participants employed and/or resident in and/or who are

citizens of countries other than Australia. Each of these special terms and conditions will be restricted in their application to those Participants employed and/or resident in and/or who are citizens of other jurisdictions; and

(e) amend these Rules, provided that such amendments do not materially prejudice the rights of existing Participants.

#### 17.2 Subject to Listing Rules

While the Company is Listed, the Board may only exercise its powers in accordance with the Listing Rules.

#### 18 COMMENCEMENT, SUSPENSION, TERMINATION AND AMENDMENT OF PLAN

#### 18.1 Commencement

Subject to the passing of any necessary resolution approving the establishment of the Plan and the issue of the Awards, the Plan will take effect when the Board decides.

#### 18.2 Suspension, termination or amendment

The Plan may be suspended, terminated or amended at any time by the Board, subject to any resolution of the Company required by the Listing Rules.

#### 19 CONNECTION WITH OTHER SCHEMES

#### 19.1 Connection with other schemes

- (a) The Company and any related body corporate of the Company are not restricted to using the Plan as the only method of providing incentive rewards to Employees.
- (b) The Company and any related body corporate of the Company may approve other incentive schemes.
- (c) Participation in the Plan does not affect, and is not affected by, participation in any other incentive scheme of the Company or any related body corporate of the Company unless the terms of that incentive scheme provide otherwise.

#### 20 GENERAL PROVISIONS

#### 20.1 Participants bound

Participants issued Awards under this Plan are bound by these Rules and by the Constitution of the Company.

#### 20.2 Notices

- (a) Any notice required to be given by the Company to a Participant or any correspondence to be made between the Company and a Participant may be given or made by the Board or its delegate on behalf of the Company.
- (b) Any notice to be given by the Company may be given by email, and any reference to the Company giving or providing information or documents in writing includes doing so by email.

#### 20.3 Effect on employee entitlements

(a) Participation in the Plan does not affect an Employee's terms of employment or appointment with the Company. In particular, participation in the Plan does not detract from any right the Company may have to terminate the employment or appointment of an Employee.

(b) Participation in the Plan, or the issuing of any Awards, does not form part of the Employee's remuneration for the purposes of determining payments in lieu of notice of termination of employment, severance payments, leave entitlements, or any other compensation payable to an Employee upon the termination of employment.

### 20.4 Governing law

These Rules are governed by and are to be construed in accordance with the laws of the State of New South Wales.



Recce Pharmaceuticals Ltd | ACN 124 849 065

## **Proxy Voting Form**

If you are attending the virtual Meeting please retain this Proxy Voting Form for online Securityholder registration.

**Holder Number:** 

Your proxy voting instruction must be received by **9.00 AM AEDT on Saturday, 28 November 2020,** being **not later than 48 hours** before the commencement of the Meeting. Any Proxy Voting instructions received after that time will not be valid for the scheduled Meeting.

#### **SUBMIT YOUR PROXY**

## Complete the form overleaf in accordance with the instructions set out below. YOUR NAME AND ADDRESS

The name and address shown above is as it appears on the Company's share register. If this information is incorrect, and you have an Issuer Sponsored holding, you can update your address through the investor portal: https://investor.automic.com.au/#/home Shareholders sponsored by a broker should advise their broker of any changes.

#### STEP 1 - APPOINT A PROXY

If you wish to appoint someone other than the Chair of the Meeting as your proxy, please write the name of that Individual or body corporate. A proxy need not be a Shareholder of the Company. Otherwise if you leave this box blank, the Chair of the Meeting will be appointed as your proxy by default.

#### **DEFAULT TO THE CHAIR OF THE MEETING**

Any directed proxies that are not voted on a poll at the Meeting will default to the Chair of the Meeting, who is required to vote these proxies as directed. Any undirected proxies that default to the Chair of the Meeting will be voted according to the instructions set out in this Proxy Voting Form, including where the Resolutions are connected directly or indirectly with the remuneration of KMP

#### STEP 2 - VOTES ON ITEMS OF BUSINESS

You may direct your proxy how to vote by marking one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

#### APPOINTMENT OF SECOND PROXY

You may appoint up to two proxies. If you appoint two proxies, you should complete two separate Proxy Voting Forms and specify the percentage or number each proxy may exercise. If you do not specify a percentage or number, each proxy may exercise half the votes. You must return both Proxy Voting Forms together. If you require an additional Proxy Voting Form, contact Automic Registry Services.

#### SIGNING INSTRUCTIONS

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

Joint holding: Where the holding is in more than one name, all Shareholders 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 Proxy Voting Form when you return it.

**Companies**: To be signed in accordance with your Constitution. Please sign in the appropriate box which indicates the office held by you.

Email Address: Please provide your email address in the space provided.

By providing your email address, you elect to receive all communications despatched by the Company electronically (where legally permissible) such as a Notice of Meeting, Proxy Voting Form and Annual Report via email.

#### CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate 'Appointment of Corporate Representative' should be produced prior to admission. A form may be obtained from the Company's share registry online at https://automic.com.au.

#### Lodging your Proxy Voting Form:

#### Online:

Use your computer or smartphone to appoint a proxy at

https://investor.automic.com.au/#/loginsah

or scan the QR code below using your smartphone

Login & Click on 'Meetings'. Use the Holder Number as shown at the top of this Proxy Voting Form.



#### BY MAIL:

Automic GPO Box 5193 Sydney NSW 2001

#### IN PERSON:

Automic

Level 5, 126 Phillip Street Sydney NSW 2000

#### BY EMAIL:

 $\underline{meetings@automicgroup.com.au}$ 

#### BY FACSIMILE:

+61 2 8583 3040

#### All enquiries to Automic:

**WEBCHAT:** https://automicgroup.com.au/

**PHONE:** 1300 288 664 (Within Australia) +61 2 9698 5414 (Overseas)

#### STEP 1 - How to vote

#### APPOINT A PROXY:

I/We being a Shareholder entitled to attend and vote at the Annual General Meeting of Recce Pharmaceuticals Ltd, to be held virtually at 9.00 AM AEDT on Monday, 30 November 2020 hereby:

Appoint the Chair of the Meeting (Chair) OR if you are not appointing the Chair of the Meeting as your proxy, please write in the box provided below the name of the person or body corporate you are appointing as your proxy or failing the person so named or, if no person is named, the Chair, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, and subject to the relevant laws as the proxy sees fit and at any adjournment thereof.

The Chair intends to vote undirected proxies in favour of all Resolutions in which the Chair is entitled to vote.

Unless indicated otherwise by ticking the "for"," against" or "abstain" box you will be authorising the Chair to vote in accordance with the Chair's voting intention.

#### AUTHORITY FOR CHAIR TO VOTE UNDIRECTED PROXIES ON REMUNERATION **RELATED RESOLUTIONS**

Where I/we have appointed the Chair as my/our proxy (or where the Chair becomes my/our proxy by default), I/we expressly authorise the Chair to exercise my/our proxy on Resolutions 1 and 9-15 (except where I/we have indicated a different voting intention below) even though Resolutions 1 and 9-15 are connected directly or indirectly with the remuneration of a member of the Key Management Personnel, which includes the Chair.

#### VIRTUAL PARTICIPATION AT THE AGM:

The company is pleased to provide shareholders with the opportunity to attend and participate in a virtual Meeting through an online meeting platform powered by Automic, where shareholders will be able to watch, listen, and vote online.

To access the virtual meetina:

- Open your internet browser and go investor.automic.com.au
- Login with your username and password or click 'register" if you haven't already created an account. Shareholders are encouraged to create an account prior to the start of the meeting to ensure there is no delay in attending the virtual meeting

Further information on how to do this is set out in the Notice of Meeting. The Explanatory Notes that accompany and form part of the Notice of Meeting describe the various matters to be considered.

STEP 2 - Y	our voting	direction

Boo	solutions	For	Against	Abstain	Posol	Lutions	For	Agginst	Abstain
Res	Solutions	FOI	Aguirist	Abstairi	Resor		FOr	Aguinst	Abstairi
1.	Adoption of Remuneration Report				9.	Adoption of Employee Insentive Plan			
2.	Re-election of Dr John Prendergast as Director				10	Approval of Issue of Shares to Alan W. Dunton, MD, Director of the Company			
3.	Election of Alan W. Dunton, MD as Director				11.	Approval of Issue of Options to James Graham, Director of the Company			
4.	ASX Listing Rule 7.1A Approval of Future Issue of Securities				12.	Approval of Issue of Options to Michele Dilizia, Director of the Company			
5.	Ratification of Prior Issue of Shares				13.	Approval of Issue of Options to Johr Prendergast, Director of the Company			
6.	Ratification of Prior Issue of Placement Shares	D			14.	Approval of Issue of Options to Alan W. Dunton, MD, Director of the Company			
7.	Ratification of Prior Issue of Placement Shares				15.	Approval of Issue of Options to Justin Ward, Director of the Company			
8.	Ratification of Prior Issue of Options								
	<b>ase note:</b> If you mark the abstain box t I and your votes will not be counted in					ır proxy not to vote on that Reso	lution on a sh	now of hands	or on a

#### STEP 3 – Signatures and contact details

Individual or Securityholder 1							Securityholder 2							Securityholder 3													
Sole Director and Sole Company Secretary Contact Name:						[	Direct	or							Dire	ctor /	Comp	oany	Secre	etary							
Emo	ail <b>A</b> do	lress:																									
Cor	tact D	aytim	ne Tel	epho	ne												D	ate (C	D/MN	//YY)							
																				/			/				
Bu providing your email address, you elect to receive all of your communications despatched by the Company electronically (where legally permissible).																											