

Recce Pharmaceuticals Ltd

Level 36, 1 Macquarie Place
Gateway Tower

Sydney NSW 2000



Recce Pharmaceuticals Ltd

Notice of 2018 Annual General Meeting

Explanatory Statement | Proxy Form

29 November 2018

12:00 PM AEDT

Address

Automic Group
Level 5
126 Phillip Street
Sydney NSW 2000

recce.com.au

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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Venue and Voting Information

The Annual General Meeting of the Shareholders to which this Notice of Meeting relates will be held at 12:00 pm AEDT on 29 November 2018 at Automic Group, Level 5, 126 Phillip Street, Sydney NSW 2000.

Your vote is important

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

Voting in person

To vote in person, attend the Annual General Meeting on the date and at the place set out above.

Voting by proxy

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

1. Lodge the Proxy Form online at <https://investor.automic.com.au/#/loginsah> 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.
2. Complete and sign the enclosed Proxy Form and return the form:
 - (a) by post to:
Automic, GPO Box 5193, Sydney NSW 2001; or
 - (b) by hand to:
Automic, Level 5, 126 Phillip Street, Sydney NSW 2000
 - (c) by fax to: (02) 8583 3040

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 bring to the Meeting 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 12:00 pm AEDT on 29 November 2018 at Automic Group, Level 5, 126 Phillip Street, Sydney NSW 2000 (**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 7:00 pm AEDT on 27 November 2018. 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 2018 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

Part A: 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 2018.”

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.

Part B: Re-election of Directors

2. **Resolution 2** – Re-election of Mr James Graham as Director

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

"That Mr James Graham, 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 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 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."

Part C: ASX Listing Rule 7.1A

4. **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) 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 those persons.

However, the Company will not disregard a vote if:

- (i) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (ii) it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Part D: Ratification of Prior Issue of Equity Securities

5. Resolution 5 – Ratification of Prior Issue of Equity Securities

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:

- (a) 620,347 Shares, issued on 1 December 2017 (**December Shares**);
- (b) 124,069 unlisted Options, issued on 1 December 2017 (**December Options**);
- (c) 654,022 Shares, issued on 17 January 2018 (**January Shares**);
- (d) 130,804 unlisted Options, issued on 17 January 2018 (**January Options**);
- (e) 328,084 Shares, issued on 16 February 2018 (**February Shares**);
- (f) 61,617 unlisted Options, issued on 16 February 2018 (**February Options**); and
- (g) 1,591,090 Shares, issued on 1 May 2018 (**May Shares**),

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) a person who participated in the issue and received December Shares, December Options, January Shares, January Options, February Shares, February Options or May Shares; or
- (b) an Associate of those persons.

However, the Company will not disregard a vote if:

- (i) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (ii) it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Part E: Issue of Director Fee Shares

6. **Resolution 6** – Related Party Approval of Issue of Shares to Dr John Prendergast

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

“That, subject to Resolution 7 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 250,000 fully paid ordinary shares to Dr John Prendergast, a Director of the Company (or his nominee) on the terms 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) any Director who is eligible to participate in the Employee Incentive Plan (or their nominee); and
- (b) an Associate of those persons.

However, the Company will not disregard a vote if:

- (i) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (ii) it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Part F: Adoption of Employee Incentive Plan

7. Resolution 7 – 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 9(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 7 by or on behalf of:

- (a) any Director of the Company (except one who is ineligible to participate in any employee incentive scheme in relation to the Company); or
- (b) an Associate of those persons.

However, the Company will not disregard a vote if:

- (i) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (ii) it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Part G: Renewal of Provisions in Constitution

8. Resolution 8 – Renewal of Proportional Takeover Provisions

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

“That, for the purposes of section 136 of the Corporations Act and for all other purposes, the constitution of the Company be repealed and replaced with a constitution in the form of the document tabled at this Meeting and signed by the Chair for the purposes of identification, effective immediately.”

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 12:00 pm AEDT on 29 November 2018 at Automic Group, Level 5, 126 Phillip Street, Sydney NSW 2000.

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 2018 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 <https://www.recce.com.au>.

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 22 November 2018.

Resolutions

Part A: 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 <https://www.recce.com.au/>.

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 2019 Annual General Meeting (**2019 AGM**), the Company will be required to put to the vote a resolution (**Spill Resolution**) at the 2019 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 2019 AGM. All of the Directors who were in office when the 2019 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 him to vote in accordance with his 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.

Part B: Re-election of Directors

Resolution 2 – Re-election of James Graham as Director

The Company's Constitution requires that, if the Company has 3 or more Directors, a third (or the number of Directors nearest to one third, rounded upwards in case of doubt) of those Directors must retire at each annual general meeting, provided always that no Director (except a Managing Director) shall hold office for a period in excess of 3 years or until the third annual general meeting following his or her appointment, whichever is the longer, without submitting himself or herself for re-election. The Directors to retire at an annual general meeting are those who have been longest in office since their last election. Where 2 or more Directors have served equally the longest, the retiring Director is determined either amongst the Directors, or by drawing lots. A Director who retires by rotation under clause 13.2 of the Company's Constitution is eligible for re-election.

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

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

Mr Graham is the current Executive Director (Marketing & Business Development) of the Company.

Mr Graham has closely been involved in the early growth of and direction of Recce Pharmaceuticals Ltd including initiating and facilitating funding.

Directors' recommendation

The Directors (excluding Mr Graham) recommend that Shareholders vote for this Resolution.

Resolution 3 – Election of Dr John Prendergast as Director

The Company's Constitution provides that the Directors may at any time appoint a person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed holds office only until the next 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 general meeting and is then eligible for election as a Director of the Company.

Dr John Prendergast was appointed as an additional Director of the Company on 23 April 2018 and has since served as a Director of the Company.

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

Dr Prendergast brings significant international experience in commercialising pharmaceuticals for global markets, most notably in the USA. He is currently Chairman and Co-founder of Palatin Technologies Inc. (NYSE: PTN), a US biotechnology company capitalised at over US\$260m, developing therapeutics for diseases with significant unmet medical need; Lead Director of Heat Biologies Inc. (NASDAQ: HTBX) and Co-founder/Executive Chairman of Nejo Inc.

Dr Prendergast has further held previous US biotechnology Board positions, most notably Lead Director of MediciNova Inc. valued at over US\$470m (Nasdaq: MNOV) and Osaka Securities Exchange (#4875) and Co-founder/Leader of Avigen Inc. which was acquired MediciNova in 2009 for US\$37m. Prior to a career in commercialising pharmaceutical technologies, Dr Prendergast was Managing Director of Paramount Capital Investments and The Castle Group. Dr Prendergast has also served as a member of

the Advisory Board for the Institute for the Biotechnology of infectious Diseases (IBID) at the University of Technology Sydney, now called the itthree institute. An Australian citizen based in the USA, Dr Prendergast received his M. Sc. And Ph.D. Degrees from the University of New South Wales, Sydney and a C.S.S. in Administration and Management from Harvard University. He has held Post-Doctoral Fellowships in the Department of Biochemistry and Molecular Biology, at Harvard University, and the institute for Blood Diseases at L'Hospital St. Louis in Paris, France.

Directors' recommendation

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

Part C: ASX Listing Rule 7.1A

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

ASX Listing Rule 7.1A enables eligible entities to seek Shareholder approval by Special Resolution passed at an annual general meeting to issue equity securities (which must be in the same class as an existing quoted class of equity securities of the Company) which do not exceed 10% of the existing ordinary share capital without further Shareholder approval. The ability of the Company to make an issue under Listing Rule 7.1A is in addition to its 15% placement capacity under Listing Rule 7.1.

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 is an eligible entity. If at the time of the Meeting the Company is no longer an eligible entity this Resolution will be withdrawn.

Approval under this Resolution is sought for the Company to issue equity securities under Listing Rule 7.1A.

If this Resolution is approved the Company may make an issue of equity securities under Listing Rule 7.1A at any time (either on a single date or progressively) up until the earlier of:

- (a) the date which is 12 months after the date of the 2018 Annual General Meeting; or
- (b) the 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).

Accordingly, the approval given if this Resolution is passed will cease to be valid on the earlier of 29 November 2019 or the date on which holders of the Company's ordinary securities approve a transaction under Listing Rules 11.1.2 or 11.2.

The maximum number of equity securities which may be issued in the capital of the Company under the approval sought by this Resolution will be determined in accordance with the following formula prescribed in Listing Rule 7.1A.2:

(A x D) – E

where:

- A** is the number of shares on issue 12 months before the date of issue or agreement to issue:
- (i) plus the number of fully paid shares issued in the 12 months under an exception in Listing Rule 7.2;
 - (ii) plus the number of partly paid shares that became fully paid in the 12 months;
 - (iii) plus the number of fully paid shares issued in the 12 months with approval of the holders of shares under Listing Rules 7.1 and 7.4 (this does not include an issue of fully paid ordinary shares under the entity's 15% placement capacity without Shareholder approval); and
 - (iv) less the number of fully paid shares cancelled in the 12 months.
- D** is 10%.
- E** is the number of equity securities issued or agreed to be issued under Listing Rule

7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with the approval of Shareholders under Listing Rules 7.1 or 7.4.

The ability of the Company to make an issue under Listing Rule 7.1A is in addition to its 15% placement capacity under Listing Rule 7.1. The effect of Resolution will be to allow the Company to issue equity securities under Listing Rule 7.1A without using the Company's 15% placement capacity under Listing Rule 7.1.

As at 3 October 2018, the Company has on issue 89,342,418 ordinary shares and therefore has capacity to issue:

- (a) subject to Shareholder approval for Resolution 5 being obtained, 13,401,362 equity securities under Listing Rule 7.1; and
- (b) subject to Shareholder approval for this Resolution being obtained, 8,934,241 equity securities under Listing Rule 7.1A.

The issue price of the equity securities issued under Listing Rule 7.1A will be determined at the time of issue. The minimum price at which the equity securities, the subject of this Resolution, will be issued is 75% of the volume weighted average market (closing) price (**VWAP**) of the Company's equity securities over the 15 days on which trades in that class were recorded immediately before either:

- (a) the date on which the price at which the equity securities are to be issued is agreed; or
- (b) if the equity securities are not issued within 5 ASX trading days of the date in paragraph (a) the date on which the securities are issued.

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

- (a) the market price for the Company's equity securities may be significantly lower on the issue date than on the date of the approval of this Resolution; and
- (b) the equity securities issued under Listing Rule 7.1A 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.

The table set out below shows the dilution of existing Shareholders on the basis of:

- The market price of the Company's ordinary shares and the number of ordinary shares as at 3 October 2018.
- Two examples where the number of ordinary shares on issue ("A") has increased, by 50% and 100%. The number of ordinary shares on issue may increase as a result of issues of ordinary shares that do not require Shareholder approval (for example, pro-rata entitlements issues) or as a result of future specific placements under Listing Rule 7.1 that are approved by Shareholders.
- Two examples of where the issue price of ordinary shares has decreased by 50% and increased by 100% as against the market price as at 3 October 2018.

Variable "A" ASX Listing Rule 7.1A.2		Dilution		
		\$0.0875 50% decrease in issue price	\$0.175 issue price **	\$0.35 100% increase in issue price
"A" is the number of shares on issue, being 89,342,418 *** shares	10% voting dilution	8,934,241	8,934,241	8,934,241
	Funds raised	\$781,746	\$1,563,492	\$3,126,984
"A" is a 50% increase in shares on issue, being 134,013,627 *** shares	10% voting dilution	13,401,362	13,401,362	13,401,362
	Funds raised	\$1,172,619	\$2,345,238	\$4,690,477
"A" is a 100% increase in shares on issue, being 178,684,836 *** shares *	10% voting dilution	17,868,483	17,868,483	17,868,483
	Funds raised	\$1,563,492	\$3,126,985	\$6,253,969

Notes:

- (i) The table assumes that the Company issues the maximum number of equity securities available under Listing Rule 7.1A.
 - (ii) The table assumes that no options are exercised in ordinary shares before the date of the issue of equity securities under Listing Rule 7.1A.
 - (iii) 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.
 - (iv) The table shows the effect of an issue of equity securities under Listing Rule 7.1A, not under the Company's 15% placement capacity under Listing Rule 7.1.
 - (v) The issue of equity securities under the Listing Rule 7.1A consists only of ordinary shares. If the issue of equity securities includes options, it is assumed that those options are exercised into ordinary shares for the purposes of calculating the voting dilution effect on existing Shareholders.
- * Any issue of equity securities is required to be made in accordance with the Listing Rules. Any issue made other than under the Company's 15% capacity (Listing Rule 7.1) or the Company's additional 10% capacity (Listing Rule 7.1A) and not otherwise made under an exception in Listing Rule 7.2 (for example, a pro-rata rights issue) would require Shareholder approval.
- ** Based on the closing price of the Company's Shares on ASX on 3 October 2018.
- *** Based on the Company's Share structure as at 3 October 2018.

If this Resolution is approved the Company will have the ability to issue up to 10% of its issued capital without further Shareholder approval and therefore allow it to take advantage of opportunities to obtain further funds if required and available in the future.

As at the date of this Explanatory Statement, the Company has not formed an intention to offer any equity securities under Listing Rule 7.1A to any particular person or at any particular time. The total amount that may be raised by the issue of equity securities under Listing Rule 7.1A will depend on the

issue price of the equity securities which will be determined at the time of issue. In some circumstances, the Company may issue equity securities under Listing Rule 7.1A for non-cash consideration (for example, in lieu of cash payments to consultants, suppliers or vendors). While the Company has not formed an intention to offer any equity securities under Listing Rule 7.1A, the purposes for which the Company may issue equity securities under Listing Rule 7.1A include (but are not limited to):

- (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.

The Company may issue equity securities for non-cash consideration for any purpose under Listing Rule 7.1A.

Details regarding the purposes for which any particular issue under Listing Rule 7.1A is made will be more fully detailed in an announcement to the ASX made pursuant to Listing Rule 7.1A.4 and Listing Rule 3.10.5A at the time the issue is made. The identity of the allottees of equity securities under Listing Rule 7.1A will be determined at the time the Company decides to make an issue having regard to a number of factors including:

- (a) the capital raising and acquisition opportunities available to the Company and any alternative methods for raising funds or acquiring assets that are available to the Company;
- (b) the potential effect on the control of the Company;
- (c) the Company's financial situation and the likely future capital requirements; and
- (d) advice from the Company's corporate or financial advisors.

The allocation policy the Company may adopt for a particular issue of equity securities under Listing Rule 7.1A and the terms on which those equity securities may be offered will depend upon the circumstances existing at the time of the proposed capital raising under Listing Rule 7.1A. Subject to the requirements of the Listing Rules and the Corporations Act, the 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. As at the date of the Notice of Meeting, the Company has not formed an intention to offer any of the securities to existing security holders, or to any class or group of existing security holders. Alternatively, as at the date of the Notice of Meeting, the Company has not formed an intention to offer the securities exclusively to new investors who have not previously been security holders of the entity.

However, if and when a proposed capital raising is pursued by the Company, offers made under Listing Rule 7.1A may be made to 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. Any issue to related parties will be subject to Shareholder approval being obtained.

As the Company has previously obtained Shareholder approval under Listing Rule 7.1A, it is required by Listing Rule 7.3A.6 to provide details of all issues of equity securities in the 12 months preceding the date of the Meeting. The details of all issues of equity securities by the Company during the 12 months preceding the date of the Meeting are detailed 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
<i>Securities issued on 1 December 2017</i>				
620,347 fully paid ordinary shares	<p>Issued to satisfy the Company's obligations to issue Tranche 5 shares and options under the Share Purchase and Convertible Security Agreement with the Australian Special Fund, LP (Agreement), details of which were announced to ASX on 16 June 2017.</p> <p>The 620,347 fully paid ordinary shares rank equally with the existing fully paid ordinary shares on issue.</p>	Issue price of \$0.1612 per share, which represents a discount of 12.86% of the closing price on the date of issue.	<p>Cash consideration of \$100,000.</p> <p>100% of the funds have been used for working capital purposes, which includes the administrative costs associated with running a listed entity and technical costs associated with the development of the Company's lead compound, RECCE® 327. These technical costs include costs associated with advancing through the FDA process and subsequent clinical tests undertaken by the Company.</p>	The Australian Special Opportunity Fund, LP.
124,069 unlisted options	<p>As above.</p> <p>The 124,069 unlisted options have an exercise price of \$0.2096 per option, and expire on 30 November 2020.</p>	N/A – issued for nil consideration.	N/A – issued for nil consideration.	As above.

<i>Securities Issued on 17 January 2018</i>				
654,022 fully paid ordinary shares	<p>Issued to satisfy the Company's obligations to issue Tranche 6 shares and options under the Agreement.</p> <p>The 654,022 fully paid ordinary shares rank equally with the existing fully paid ordinary shares on issue.</p>	Issue price of \$0.1529 per share, which represents a discount of 17.35% of the closing price on the date of issue	<p>Cash consideration of \$100,000.</p> <p>Funds have been used for working capital purposes.</p>	The Australian Special Opportunity Fund, LP.
130,894 unlisted options	<p>As above.</p> <p>The 130,894 unlisted options have an exercise price of \$0.1988 per option, and expire on 10 January 2021.</p>	N/A – issued for nil consideration.	N/A – issued for nil consideration.	As above.
<i>Securities Issued on 16 February 2018</i>				
328,084 fully paid ordinary shares	<p>Issued to satisfy the Company's obligations to issue Tranche 7 shares and options under the Agreement.</p> <p>The 328,084 fully paid ordinary shares rank equally with the existing fully paid ordinary shares on issue.</p>	Issue price of \$0.1524 per share, which represents a discount of 10.35% of the closing price on the date of issue.	<p>Cash consideration of \$50,000.</p> <p>100% of the funds have been used for working capital purposes, which includes the administrative costs associated with running a listed entity and technical costs associated with the development of the Company's lead compound, RECCE® 327. These technical costs include costs associated with advancing through the FDA process</p>	The Australian Special Opportunity Fund, LP.

			and subsequent clinical tests undertaken by the Company.	
65,617 unlisted options	As above. The 65,617 unlisted options have an exercise price of \$0.1981 per option, and expire on 13 February 2021.	N/A – issued for nil consideration.	N/A – issued for nil consideration.	As above.
<i>Securities Issued on 1 May 2018</i>				
1,591,090 fully paid ordinary shares	Issued to satisfy the Company's obligations to issue shares upon conversion of the convertible security under the Agreement. The 1,591,090 fully paid ordinary shares rank equally with the existing fully paid ordinary shares on issue.	Issue price of \$0.1257 per share, which represents a discount of 18.9% of the closing price on the date of issue.	Cash consideration of \$200,000. 100% of the funds have been used for working capital purposes, which includes the administrative costs associated with running a listed entity and technical costs associated with the development of the Company's lead compound, RECCE® 327. These technical costs include costs associated with advancing through the FDA process and subsequent clinical tests undertaken by the Company.	The Australian Special Opportunity Fund, LP.

Total equity securities issued in previous 12 months* ("A")	3,514,123
Percentage that "A" represents based on the total number of equity securities on issue at the commencement of that 12 month period	3.10%

*Based on Company's fully diluted capital structure as at date of 2017 Annual General Meeting

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 Directors recommend that Shareholders vote for this Resolution.

Part D: Ratification of Prior Issue of Equity Securities

Resolution 5 – Ratification of Prior Issue of Equity Securities

Background

On 16 June 2017, the Company announced that it had entered into a Share Purchase and Convertible Security Agreement (**Agreement**), for a flexible funding commitment of up to \$6.05 million, with The Australian Special Opportunity Fund, LP (**ASOF**). Under the Agreement, ASOF would make an upfront investment followed by equity investments in monthly tranches. The issue of securities pursuant to the Agreement was to be completed by utilising the Company's existing capacity under Listing Rule 7.1.

ASX Listing Rule 7.4

This Resolution proposes that Shareholders of the Company approve and ratify the prior issue and allotment of the following securities to ASOF as required by the terms of the Agreement:

- (a) 620,347 Shares, issued on 1 December 2017 (**December Shares**);
- (b) 124,069 unlisted Options, issued on 1 December 2017 (**December Options**);
- (c) 654,022 Shares, issued on 17 January 2018 (**January Shares**);
- (d) 130,804 unlisted Options, issued on 17 January 2018 (**January Options**);
- (e) 328,084 Shares, issued on 16 February 2018 (**February Shares**);
- (f) 61,617 unlisted Options, issued on 16 February 2018 (**February Options**); and
- (g) 1,591,090 Shares, issued on 1 May 2018 (**May Shares**)

(collectively, the **ASOF Agreement Securities**).

As noted above, all of the ASOF Agreement Securities by utilising the Company's existing capacity under Listing Rule 7.1.

Listing Rule 7.1 allows the Board of an ASX listed entity to issue up to 15% of the Company's issued capital in any 12 month period without the approval of the Shareholders of the Company.

Listing Rule 7.4 provides that where a company in a general meeting ratifies the previous issue of securities made pursuant to Listing Rule 7.1 (and provided that the previous issue did not breach Listing Rule 7.1), those securities will be deemed to have been made with Shareholder approval for the purposes of Listing Rule 7.1.

The effect of approval of this Resolution is to allow the Board of the Company to issue additional securities within the 15% limit under Listing Rule 7.1 after this Resolution is adopted, instead of having to wait 12 months after the issue.

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:
 - (i) 620,347 December Shares and 124,069 December Options;
 - (ii) 654,022 January Shares and 130,804 January Options;
 - (iii) 328,084 February Shares and 61,617 February Options; and
 - (iv) 1,591,090 May Shares.

- (b) The issue prices of each of the Shares were as follows:
- (i) December Share: \$0.1612 per Share;
 - (ii) January Share: \$0.1529 per Share;
 - (iii) February Share: \$0.1524 per Share; and
 - (iv) May Share: \$0.1257 per Share.
- (c) Each of the December Options, January Options and February Options were issued for nil consideration.
- (d) The December Shares, January Shares, February Shares and May Shares were fully paid on issue and ranked equally in all aspects with all existing fully paid ordinary shares previously issued by the Company.
- (e) Each of the ASOF Options are exercisable to Shares on a 1 for 1 basis. The other key terms of the ASOF Options are as follows:

Key term	December Options	January Options	February Options
Exercise price	\$0.2096 per Option	\$0.1988 per Option	\$0.1981 per Option
Expiry date	30 November 2020	10 January 2021	13 February 2021

- (f) Full terms of the ASOF Options are set out in Annexure B of this Notice of Meeting
- (g) The ASOF Agreement Securities were issued to ASOF pursuant to the Agreement.
- (h) Funds raised from the issue of the ASOF Agreement Securities were used by the Company for working capital purposes, which includes the administrative costs associated with running a listed entity and technical costs associated with the development of the Company's lead compound, RECCE® 327. These technical costs include costs associated with advancing through the FDA process and subsequent clinical tests undertaken by the Company.

Directors' recommendation

The Directors recommend that Shareholders vote for this Resolution.

Part E: Issue of Director Fee Shares

Resolution 6 – Related Party Approval of Issue of Shares to Dr John Prendergast

Background

Shareholder approval is being sought to adopt an employee incentive scheme entitled the “Employee Incentive Plan” (**EIP**) under Resolution 7 of this Notice of Meeting.

Subject to Resolution 7 being passed, this Resolution seeks Shareholder approval to issue and allot 250,000 fully paid ordinary shares (**Director Fee Shares**) to Dr Prendergast, a current Director of the Company, as part of his remuneration under the Employee Incentive Plan.

Dr Prendergast was appointed as a Director of the Company on 23 April 2018. Under his letter of appointment, Mr Prendergast agreed to receive his Directors’ fees as follows:

- (a) a cash fee of AUD\$50,000 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 250,000 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 6 to issue the 250,000 Director Fee Shares to Dr Prendergast under the EIP.

Related Party Approvals

ASX Listing Rule 10.14 provides that the Company, as a listed company, must not 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 4), separate approval is not required under Listing Rule 10.11, and in accordance with Listing Rule 7.2 (exception 14), separate approval is not required under Listing Rule 7.1.

The proposed issue of Director Fee Shares to Dr Prendergast under the EIP 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 Prendergast is a current Director of the Company, Dr Prendergast is a “related party” of the Company. Therefore, the proposed issue of Director Fee Shares to Dr Prendergast 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 Prendergast 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 Prendergast is reasonable remuneration, given the circumstances of the Company and the responsibilities to be held by Dr Prendergast 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 Prendergast 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 Prendergast 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 Prendergast 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 6 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 Prendergast (or his nominees) under the EIP is provided to Shareholders for the purposes of ASX Listing Rule 10.15:

- (a) The related party is Dr Prendergast, a Non-Executive Director of the Company.
- (b) The maximum number of Director Fee Shares to be issued to Dr Prendergast is 250,000.
- (c) The Director Fee Shares are being issued for nil cash consideration.
- (d) No securities have been issued to persons referred to in ASX Listing Rule 10.14 under the EIP to date. The EIP will commence after Shareholder approval is obtained for Resolution 7.
- (e) Each Director of the Company are all persons referred to in Listing Rule 10.14 who are eligible to participate in the EIP.
- (f) There is no loan applicable to the issue of the Director Fee Shares.
- (g) The Director Fee Shares will be issued within 12 months of Shareholder approval being obtained by the Company (or otherwise, as determined by the ASX in the exercise of their discretion).

Directors' recommendation

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

Part F: Adoption of Employee Incentive Plan

Resolution 7 – Adoption of Employee Incentive Plan

Background

This Resolution seeks Shareholder approval for the Company to adopt an employee incentive scheme entitled the "Employee Incentive Plan".

A copy of the EIP is set out in Annexure A of this Notice of Meeting.

The purpose of the EIP 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 EIP 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.

ASX Listing Rules

Shareholder approval of the EIP is sought for all purposes under the Corporations Act and the ASX Listing Rules, including ASX Listing Rule 7.2 (exception 9(b)), so that Shares issued in accordance with the EIP will be excluded from the calculation of the maximum number of new shares that can be issued by the Company in any 12 month period (currently 15% of shares previously on issue) for a period of three years from the date of approval.

If this Resolution is approved by Shareholders, it will have the effect of enabling the securities issued by the Company under the EIP to be automatically excluded from the formula to calculate the number of securities which the Company may issue within the 15% in any 12 month limit under Listing Rule 7.1 during the next three-year period.

The following further information is provided for the purposes of Listing Rule 7.2 (exception 9(b)):

- (a) The full terms of the EIP is attached as Annexure A of this Notice of Meeting.
- (b) No securities have been issued to, or for the benefit of, eligible participants under the EIP to date. The EIP will commence after Shareholder approval is obtained for this Resolution.

Directors Recommendation

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

Part G: Renewal of Provisions in Constitution

Resolution 8 – Renewal of Provisions in Constitution

The Company's current constitution was adopted on 30 June 2015.

The Company wishes to renew the proportional takeovers provisions in its current Constitution.

Further details in relation to this renewal are set out as follows:

Renewal of proportional takeover provisions

The Company's Constitution contains provisions concerning "Partial Takeover Plebiscites" in clause 36 (**Proportional Takeover Provisions**). The Proportional Takeover Provisions provide that the Company can refuse to register Shares acquired under a proportional takeover bid unless an approving resolution is passed by Shareholders.

Section 648G(1) of the Corporations Act provides that a company's proportional takeover provisions will cease to have effect at the end of three years from the date of adoption (or renewal, as the case may be). clause 36 of the Company's Constitution was adopted by on 30 June 2015. The Company accordingly seeks the Shareholder approval of this Resolution to renewal of the Proportional Takeover Provisions, which, for the purposes of the Corporations Act, requires the same process to amend or adopt a new constitution for the purposes of 136(2) of the Corporations Act. Shareholder approval will not result in a change to the wording of clause 36 of the Company's current Constitution.

The following information is provided for the purposes of Section 648G of the Corporations Act.

Proportional takeover bid

A proportional takeover bid is a takeover bid where the offer made to each Shareholder is only for a proportion of the Shareholder's Shares. If a Shareholder accepts, in full, an offer under a proportional takeover bid, the Shareholder will only dispose of a specified portion of their Shares in the Company and retain the balance of the Shares.

The Proportional Takeover Provisions are designed to assist Shareholders to receive proper value for their Shares if a proportional takeover bid is made for the Company by providing, in the Constitution, that:

- (a) in the event of a proportional takeover bid being made for Shares in the Company, Shareholders are required to vote and collectively decide whether to accept or reject the offer; and
- (b) the majority decision of the Company's members will be binding on all Shareholders.

Effect of the proposed provisions

Where offers have been made under a proportional takeover bid in respect of a class of securities in a company, the registration of a transfer giving effect to a contract resulting from the acceptance of an offer made under such a proportional takeover bid is prohibited unless and until a resolution to approve the proportional takeover bid is passed by Shareholders or otherwise, as pursuant to the terms of the Proportional Takeover Provisions.

In more detail, the effect of the Proportional Takeover Provisions is as follows:

- (a) if a proportional takeover bid is made for Securities of the Company, the Directors must ensure that a meeting of Shareholders is convened to vote on a resolution to approve that bid;
- (b) the bidder and persons associated with the bidder may not vote;
- (c) approval of the bid will require a simple majority of the votes cast;

- (d) the meeting must take place more than 14 days before the last day of the bid period (**Resolution Deadline**);
- (e) if the resolution is rejected before the Resolution Deadline, the bid cannot proceed and any transfers giving effect to takeover contracts for the bid will not be registered;
- (f) the bid will be taken to have been approved if, as at the end of the day before the Resolution Deadline, the resolution has not been voted on;
- (g) if the resolution is approved, the transfers must be registered (subject to other provisions of the Corporations Act and the Constitution); and
- (h) the Directors will breach the Corporations Act if they fail to ensure the resolution is voted on. However, the bid will still be taken to have been approved if it is not voted on within the Resolution Deadline.

The Proportional Takeover Provisions do not apply to full takeover bids. If the Proportional Takeover Provisions are renewed, they will cease to apply at the end of three years after renewal unless renewed by a Special Resolution of Shareholders.

Reasons for the proposed provisions

In the absence of the Proportional Takeover Provisions, a proportional takeover bid may result in control of the Company changing without Shareholders having an opportunity to dispose of all their Shares. By making a partial bid, a bidder can obtain practical control of the Company by acquiring less than a majority interest. Shareholders could be exposed to the risks of passing control to the bidder without payment of an adequate control premium for all their Shares and being left with a minority interest in the Company. Such Shareholders could suffer potential further loss if the takeover bid were to cause a decrease in the Share price or otherwise make the Shares less attractive and, therefore, more difficult to sell.

Knowledge of any acquisition proposals

As at the date of this Notice of Meeting, no Director is aware of any proposal to acquire, or to increase the extent of, a substantial interest in the Company.

Advantages and disadvantages during the period in which they have been in effect

The Directors consider that the Proportional Takeover Provisions had no advantages or disadvantages for them during the period in which they have been in effect.

The advantages and disadvantages of the Proportional Takeover Provisions for Shareholders include those set out below, which were applicable during the period in which they have been in effect.

Potential advantages and disadvantages

The renewal of the Proportional Takeover Provisions will enable the Directors to formally ascertain the views of the Shareholders in respect of a proportional takeover bid. Without such provisions, the Directors are dependent upon their perception of the interests and views of Shareholders. Other than this advantage, the Directors consider that the Proportional Takeover Provisions have no potential advantages or disadvantages for them and that they remain free to make a recommendation on whether an offer under a proportional takeover bid should be accepted.

The potential advantages of the Proportional Takeover Provisions for Shareholders include:

- (a) providing the right to discuss, in a meeting called specifically for that purpose, and then decide, by majority vote, whether an offer under a proportional takeover bid should proceed;
- (b) assisting the prevention of Shareholders being locked in as a minority;

- (c) increasing the bargaining power of Shareholders which may assist in ensuring that any proportional takeover bid is adequately priced;
- (d) potentially increasing the likelihood of a full takeover bid rather than a proportional takeover bid; and/or
- (e) enabling individual Shareholders to better assess the likely outcome of the proportional takeover bid, by knowing the view of the majority of Shareholders, which may assist in deciding whether to accept or reject an offer under the bid;

The potential disadvantages of the Proportional Takeover Provisions for Shareholders include:

- (a) imposing a hurdle to, and potentially discouraging the making of, provisional takeover bids which, in turn, may reduce any takeover speculation element in the price of Shares;
- (b) potentially reducing the likelihood of success of a proportional takeover bid;
- (c) possible reduction or loss of opportunities for Shareholders sell some or all of their Shares at a premium; and/or
- (d) potentially causing some Shareholders to form the view that the Proportional Takeover Provisions impose an unreasonable restriction on their ability to freely deal with their Shares.

Accordingly, the Company has prepared an updated Constitution (**New Constitution**) which renews clause 36, which prescribes the procedure to be followed when a proportional off-market bid is made. Apart from the renewal of the Proportional Takeover Provisions, no other amendments have been to the Company's existing Constitution.

Prior to the Meeting, a copy of the New Constitution is available for review by Shareholders at the Company's registered office during normal business hours. A copy of the New Constitution can also be sent to Shareholders of the Company upon a request being made to the Company Secretary on (02) 8072 1400.

A complete signed copy of the New Constitution will be tabled at the Meeting.

Pursuant to section 136(2) of the Corporations Act, a modification to the Company's Constitution (which includes renewal of the Proportional Takeover Provisions) can only be effected by way of a Special Resolution passed by its Shareholders. Therefore, this Resolution is a Special Resolution that can only be passed if at least 75% of the total votes cast by Shareholders entitled to vote on this Resolution are voted in its favour.

Professional Advice

If you have any doubt or do not understand this Resolution, it is strongly recommended that you seek advice from a solicitor or other professional advisor.

Directors' Recommendation

The Directors recommend Shareholders vote for this Resolution.

Enquiries

Shareholders are asked to contact the Company's Share Registry on 1300 288 664 (within Australia) or +61 2 9698 5414 (outside Australia) 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 2018 Annual Report to Shareholders for the period ended 30 June 2018 as lodged by the Company with ASX on 28 September 2018.

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.

ASOF Options means the December Options, January Options and February Options as described in Resolution 5 of the Explanatory Statement.

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 September 2018 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.

EIP means the employee incentive scheme entitled "Employee Incentive Plan" for which Shareholder approval is being sought for the adoption of under Resolution 7 of this Notice of Meeting.

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 2018 including the Explanatory Statement.

Option means an option to acquire 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.

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 Automatic Registry Services

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 2019AGM if a threshold of votes is cast against the adoption of the Remuneration Report at the Meeting and the 2019AGM.

Spill Resolution means the resolution required to be put to Shareholders at the 2019AGM if a threshold of votes is cast against the adoption of the Remuneration Report at the Meeting and the 2019 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.

Annexure A – Employee Incentive Plan

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).

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) 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;
- (a) 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
- (b) 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 any employee on parental leave, long service leave or other special leave as approved by the relevant Group Company); or
- (b) a director of a Group Company who holds a salaried employment or other salaried office in a Group Company (excluding, for the avoidance of doubt, a non-executive director).

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 3.3.

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.

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 AND CLASS ORDER RELIANCE

- (a) Subject to approval by Shareholders, the number of Awards which may be granted under this Plan (assuming all Options and Performance Rights were exercised) must not at any time exceed in aggregate 10% of the total issued capital of the Company at the date of any new proposed Awards.
- (b) If Shareholder approval is not obtained under clause 5(a) above, an Offer of Awards must not be made if the total of:
 - (i) the number of Shares which are the subject of the Offer of Awards; and
 - (ii) underlying Shares issued or that may be issued as a result of any Offers of Award, or similar offer of Shares under a predecessor or other employee incentive plan, made at any time during the previous 3 year period in reliance on relief granted by ASIC (however obtained),

would exceed 5% of the number of Shares on issue at the time of the Offer.

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.

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, in its discretion, waive unsatisfied Vesting Conditions in relation to some or all Awards 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 will determine, in its sole and absolute discretion, the manner in which all unvested and vested Awards will be dealt with.

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.

Annexure B – Terms of the ASOF Options

1.1 Nature of Options

- (a) Each Option shall grant the holder of that Option the right but not the obligation to be Issued by the Company one Share at the Option exercise price.
- (b) Each Option shall be exercisable by the Option holder complying with its obligations pursuant to its terms, at any time after the time of its grant, and prior to the date that is thirty six (36) calendar months after the date the Option was granted (the *Option Expiration Date*) after which time it will lapse.

1.2 Exercise of Options

- (a) Without limiting the generality of, and subject to, the other provisions of the terms of issue, an Option holder may exercise any of its Options at any time prior to their expiration, by delivery of:
 - (i) a copy, whether facsimile or otherwise, of a duly executed Option exercise form (the Exercise Form), to the Company during normal business hours on any Business Day at the Company's principal executive offices (or such other office or agency of the Company as it may designate by notice to the Option holder); and
 - (ii) payment of an amount equal to the Option exercise price multiplied by the number of Shares in respect of which the Options are being exercised at the time, by wire transfer to the account specified by the Company from time to time or by bank draft delivered to the Company during normal business hours on any Business Day at the Company's principal executive offices (or such other office or agency of the Company as it may designate by notice to the Option holder).
- (b) As soon as reasonably practicable, but in any event no later than two (2) Business Days after receipt of a duly completed Exercise Form and the payment referred to in clause 1.2(a)(ii), the Company must cause its securities registrar to:
 - (i) Issue and Electronically Deliver the Shares in respect of which the Options are so exercised by the Option holder; and
 - (ii) provide to the Option holder holding statements evidencing that such Company Shares have been recorded in the Company's share register.

1.3 Bonus Issues

If prior to an exercise of an Option, the Company makes an issue of Equity Securities by way of capitalisation of profits or out of its reserves (other than pursuant to a dividend reinvestment plan) pursuant to an offer of such Equity Securities to at least all the holders of Equity Securities resident in Australia, then on exercise of the Option, the number of Equity Securities over which an Option is exercisable shall be increased by the number of Equity Securities which the holder of the Option would have received if the Option had been exercised before the date on which entitlements to the issue were calculated.

1.4 Rights Issues

If prior to an exercise of an Option, any offer or invitation is made by the Company to at least all the holders of Equity Securities resident in Australia for the subscription for cash with respect to Equity Securities, options or other securities of the Company on a pro rata basis relative to those holders' Shareholding at the time of the offer, the Option exercise price shall be reduced as specified in the Listing Rules in relation to pro-rata issues (except bonus issues).

1.5 Reconstruction of Capital

In the event of a consolidation, subdivision or similar reconstruction of the issued capital of the Company, and subject to such changes as are necessary to comply with the Listing Rules applying to a reconstruction of capital at the time of the reconstruction:

- (a) the number of the Equity Securities to which each Option holder is entitled on exercise of the outstanding Options shall be reduced or increased in the same proportion as, and the nature of the Equity Securities shall be modified to the same extent that, the issued capital of the Company is consolidated, subdivided or reconstructed (subject to the same provisions with respect to rounding of entitlements as sanctioned by the meeting of shareholders approving the consolidation, subdivision or reconstruction); and
- (b) an appropriate adjustment shall be made to the Option exercise price of the outstanding Options, with the intent that the total amount payable on exercise of the Options shall not alter.

1.6 Cumulative Adjustments

Full effect shall be given to the provisions of clauses 1.3 to 1.5, as and when occasions of their application arise and in such manner that the effects of the successive applications of them are cumulative, the intention being that the adjustments they progressively effect will be such as to reflect, in relation to the Shares issuable on exercise of the Options outstanding, the adjustments which on the occasions in question are progressively effected in relation to Equity Securities already on issue.

1.7 Notice of Adjustments

Whenever the number of Shares over which an Option is exercisable, or the Option exercise price, is adjusted pursuant to this Agreement, the Company must give notice of the adjustment to all the Option holders, within three (3) Business Days.

1.8 Rights Prior to Exercise

Prior to its exercise, an Option does not confer a right on the Option holder to participate in a new issue of securities by the Company.

1.9 Redemption

The Options shall not be redeemable by the Company.

1.10 Assignability and Transferability

The Options shall be freely assignable and transferable, subject to the provisions of Chapter 6D of the Corporations Act and the applicable Law.

If you are attending the meeting in person, please bring this with you for Securityholder registration.

Holder Number:

Vote by Proxy: RCE

Your proxy voting instruction must be received by **12:00pm (AEDT) on 27 November 2018**, 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 Meeting.

SUBMIT YOUR PROXY VOTE ONLINE

Vote online at <https://investor.automic.com.au> and logins

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

- ✓ **Save Money:** help minimise unnecessary print and mail costs for the Company.
- ✓ **It's Quick and Secure:** provides you with greater privacy and security. It also helps to reduce the risk of documents being lost in transit.
- ✓ **Receive Vote Confirmation:** instant confirmation that your vote has been received. It also allows you to amend your vote if required.



SUBMIT YOUR PROXY VOTE BY POST

Complete the form and return it in accordance with the instructions set out below.

YOUR NAME AND ADDRESS

The name and address shown above must be the name and address of the Shareholder's share register. If you are a Shareholder, you may use the computer-generated address shown on the Investor Portal. Sponsored holders should update their details through the Investor Portal: <https://investor.automic.com.au>. If you are a Shareholder sponsored by a broker should advise the broker of any changes.

VOTING UNDER THE PROXY APPOINTING A PROXY

If you wish to appoint someone other than the Chairman of the Meeting as your proxy, you must 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 Chairman of the Meeting will be appointed as your proxy by default.

DEFAULT TO THE CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote these proxies as directed. Any undirected proxies that default to the Chairman 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.

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

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

You must sign this form as follows in the spaces provided.

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

Joint holding: Where the holding is in more than one name, all of the 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>.

ATTENDING THE MEETING

Completion of a Proxy Voting Form will not prevent individual Shareholders from attending the Meeting in person if they wish. Where a Shareholder completes and lodges a valid Proxy Voting Form and attends the Meeting in person, then the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the Meeting.

POWER OF ATTORNEY

If a representative as power of attorney of a Shareholder of the Company is to attend the Meeting, a certified copy of the Power of Attorney, or the original Power of Attorney, must be received by the Company in the same manner, and by the same time as outlined for proxy forms.

