



Notice of general meeting

ChemGenex Pharmaceuticals Ltd ABN 79 000 248 304

Notice is given that a general meeting of ChemGenex Pharmaceuticals Ltd (**Company**) will be held at:

Location	RBS Morgans Limited, Port Philip Room, Level 27, 367 Collins Street, Melbourne, Victoria
Date	Thursday 10 February 2011
Time	11.00am (AEDST)

Special business

Resolution 1 - Approval to issue Options to Dr Greg Collier

To consider, and if in favour, to pass the following resolution as an ordinary resolution:

'That, pursuant to section 208(1) Corporations Act and Listing Rule 10.11 and for all other purposes, the Company approves the issue of 4,578,667 Options each to acquire one share in ChemGenex Pharmaceuticals Limited at a price of \$0.475 per share to Dr Greg Collier (or nominee(s)) as set out in the Explanatory Memorandum.'

NB: In accordance with Listing Rule 7.2 Exception 14, if approval is obtained under Listing Rule 10.11, approval is not required under Listing Rule 7.1.

Dated 4 January 2011

By order of the Board

James Campbell
Company Secretary

Notes

- (a) Terms used in this Notice of Meeting which are defined in the Explanatory Memorandum have the meaning given to them in the Explanatory Memorandum.
- (b) A Shareholder who is entitled to attend and cast a vote at the meeting is entitled to appoint a proxy.
- (c) The proxy need not be a Shareholder of the Company. A Shareholder who is entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise.
- (d) If you wish to appoint a proxy and are entitled to do so, then complete and return the **enclosed** proxy form.

- (e) A corporation may elect to appoint a representative, rather than appoint a proxy, under the Corporations Act in which case the Company will require written proof of the representative's appointment which must be lodged with or presented to the Company before the meeting.
- (f) The Company has determined under regulation 7.11.37 Corporations Regulations 2001 that for the purpose of voting at the meeting or adjourned meeting, Shares are taken to be held by those persons recorded in the Company's register of shareholders as at 11.00am (AEDST) Tuesday 8 February 2011.
- (g) If you have any queries on how to cast your votes call James Campbell on (03) 5223 9902 during business hours.

Voting restrictions

Resolution 1:

No votes may be cast on the Resolution by Dr Greg Collier or any of his associates and votes cast by such a person will be disregarded. However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, under the directions on the proxy voting form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, under a direction on the proxy form to vote as the proxy decides.



Explanatory memorandum

ChemGenex Pharmaceuticals Ltd ABN 79 000 248 304

Resolution 1 – Approval to issue Options to Dr Greg Collier

1 Background

- 1.1 Approval is sought for the purpose of Listing Rule 10.11 (in which case approval is not required under Listing Rule 7.1) for the issue of up to 4,578,667 Options to Dr Greg Collier. This issuance was approved by the Remuneration Committee of the Company on 29 November 2010 and ratified by the Board of the Company on 21 December 2010, subject to shareholder approval. Noting that 3,300,000 Options held by Dr Collier lapsed in Q1 2010, the purpose of this issue is to restore Dr Collier's option allowance and provide further incentive for Dr Greg Collier to contribute to the creation of shareholder value. Pricing for this issuance is consistent with the issuance of Options for all other Company staff.
- 1.2 Listing Rule 10.11 requires the approval of ordinary shareholders to issue securities to a related party. Dr Collier is a director and therefore a 'related party' for the purposes of Listing Rule 10.11 (the definition which applies under section 228 of the Corporations Act).
- 1.3 Section 208(1) of the Corporations Act requires that a public company must not, without the approval of the Company's members, give a financial benefit to a related party. As stated in paragraph 1.2, Dr Collier is a director and therefore a 'related party'.

2 Other Important Information

- 2.1 **Listing Rule requirement – issue to a related party**
- 2.2 Listing Rule 10.11 requires prior shareholder approval for the issue of shares to a related party, in this case, Dr Greg Collier.
- 2.3 As required under Listing Rule 10.13, the following information is provided to shareholders for the purpose of this approval.

Required information	Details
Names of directors / related parties	Dr Gregory Collier
Maximum number of securities to be granted	4,578,667 Options each to acquire an ordinary share in the Company.
Date by which the Options will be issued to the Shareholder	As soon as possible following the required approvals, but in any event, within one month of the date of the meeting.
Issue price and exercise price	•No consideration is payable for the issue of the Options.

Required information	Details
	<ul style="list-style-type: none"> •\$0.475 is payable upon the exercise of each Option to acquire a Share.
Terms of Issue	<ul style="list-style-type: none"> •The Options may, with the Board's consent be issued to, transferred to, or exercised by Dr Collier's nominee(s). •Each Option will provide the right to acquire one ordinary share in ChemGenex (subject to the below). Each share acquired will be a fully paid ordinary share, ranking equally with all other ordinary shares and having identical rights to existing ordinary shares. •The Options do not confer a right to participate in any new issue of Shares without first exercising the Options then available to be exercised, and then only to the extent of ordinary shares then held by Dr Collier. •If there is any re-organisation (including consolidation, subdivision, reduction or return of issued capital of the Company), the number of Options and/or the exercise price will be adjusted by the Company in accordance with the Listing Rules or (if no such rules exist) in a manner which will not advantage or disadvantage Dr Collier as compared to ordinary shareholders. •The Options will vest on 30 November 2014. The Options will expire 12 months after they vest, unless otherwise affected by the Terms of Issue. •The Options will not vest if Dr Collier ceases to be an employee of the Company prior to the vesting date, unless the Company determines that Dr Collier has left the Company for a reason beyond his control as a good leaver (for example, due to sickness, invalidity or redundancy), in which case the Options will vest immediately, and Dr Collier will have 60 days to exercise them. •The Board may impose additional vesting and exercise conditions in relation to the Options, including key performance indicators or retention criteria. •Notwithstanding the conditions set out above, the Options will also immediately vest and become exercisable for a period of 60 days in the event of a 'change of control' event. If the Options are not exercised, they will lapse. A 'change in control' event shall mean an event which occurs, or in the opinion of the Board is likely to occur, whereby (a) any person (either alone or together with any associate of that person for the purposes of Chapter 6 of the Corporations Act 2001 (Cth), as though that Chapter applied to the Company) who (i) has a relevant interest in less than 50% of the issued shares of the Company, acquires a relevant interest in 50% or more of the issued shares of the Company; or (ii) did not have control over the Board, acquires such control, or (b) a change occurs in the nature and scale of the company's activities, or a

Required information	Details
	<p>disposal of the company's main undertaking, requiring shareholder approval.</p> <ul style="list-style-type: none"> •The Options will not be quoted on ASX. The Company intends to apply to ASX for quotation of any Shares issued on exercise of the Options. •The issue or exercise of the Options shall, if required, be conditional upon shareholder approval as a 'termination benefit' in the event the Corporations Act is amended pursuant to the Termination Payments Bill prior to the date of issue of the Options.
Intended use of funds	All funds raised by the Company from the exercise by Dr Collier of the Options will be used for general working capital purposes.

2.4 Corporations Act requirements - related party transactions

Section 208(1) of the Corporations Act provides that a public company must not, without the approval of the Company's members, give a financial benefit to a related party. Dr Greg Collier is a related party of the Company for the purposes of section 228(2) of the Corporations Act as he is a Director. To the extent the Options may be issued to a nominee of Dr Greg Collier, for example a trust, that nominee is a related party for the purpose of the law.

The issue of the Options will constitute the giving of a financial benefit to a related party for the purposes of section 229(3)(e) of the Corporations Act. None of the exceptions to the prohibition which are set out in sections 210 to 216 of the Corporations Act apply to the issue of the Options.

Specific information must also be provided to Shareholders in accordance with section 219 of the Corporations Act. The majority of this information is set out above in accordance with Listing Rule 10.13 with the balance of the information regarding the Directors' recommendations set out below.

2.5 Valuation of Options

Consistent with AASB 2 Share-based Payment, the Company discloses the following information regarding the value of the Options to be issued to Dr Greg Collier. A fair value for the Options has been calculated using the Black-Scholes methodology and based on a number of assumptions, as set out below. The Board believes this valuation model to be appropriate to the circumstances and has not used any other valuation or other models in proposing the terms of the Options.

The Board draws Shareholders' attention to the fact the stated valuation does not constitute and should not be taken as audited financial information. The reportable value of the director benefit may vary due to changes in assumptions and other factors. In particular, the figures were calculated effective as at 30 November 2010.

Valuation Input	
Valuation date	30 November 2010
Share value (Price as at 29 November 2010)	\$0.455
Exercise price	\$0.475
Dividend yield	0%
Volatility (per year)	55%
Risk free rate	6.00%
Maturity date	30 November 2015
Value of Options	\$0.241

Assumptions:

- (a) Options will be granted the business day after shareholder approval is obtained.
- (b) The share value is based on the closing ASX price on 29 November 2010;
- (c) The exercise price is approved by the Board and in General Meeting;
- (d) Dividend yield is based on history;
- (e) Volatility is based on historical share trading;
- (f) Risk free rate is based on details of Australian Government Bonds from the Reserve Bank; and
- (g) Maturity: Options expire five years from the issue date.

2.6 **Trading history**

For the 12 month period to 16 December 2010, the Company's shares traded in the range of \$0.265 to \$1.01. As at close of trade on 30 November 2010, the shares closed at \$0.455.

2.7 **Reason for the financial benefit**

The reasons for giving the financial benefit, being the issue of the Options the subject of this resolution, are:

- (a) the Company wishes to maximise the use of its cash resources towards clinical development and equity based incentives such as options are used to supplement cash based remuneration;
- (b) the exercise (strike) price and the other Option terms are designed to incentivise Dr Collier to maximise the Company's development and growth, as represented by an increased share price;
- (c) equity based incentives, such as options, assist in the alignment of shareholders and directors' interests; and
- (d) the remuneration package is designed to attract and retain suitably qualified and experienced directors, with expertise in growing biotechnology companies.

2.8 Remuneration

The Board is of the opinion that the issue of the Options constitutes reasonable remuneration and will serve to incentivise Dr Collier in his future undertakings on behalf of the Company, in addition to his existing remuneration entitlements summarised in this section.

Under Dr Greg Collier's current employment contract which commenced on 1 July 2007 and terminates on 30 June 2012, Dr Greg Collier receives a total remuneration package ('TRP') of \$440,000 per annum inclusive of base salary and directors fees, superannuation and car allowance.

In addition to his TRP, Dr Greg Collier may receive a bonus of up to 30% per annum of the TRP and is eligible to participate in equity incentives subject to requisite approval by Shareholders at a General Meeting. For the year ended 30 June 2010 Dr Greg Collier received a \$132,000 bonus. For the current financial year ended 30 June 2011, Dr Greg Collier has received a \$13,200 bonus. Dr Greg Collier holds 3,380,000 options previously issued and approved by Shareholders prior to this meeting.

The Directors believe the issue of Options is reasonable having regard to the circumstances of the Company, the roles and responsibilities of Dr Collier and the nature of the Company's operations.

2.9 Existing Interests and the dilution on other members' interests

The effect that the exercise of the Options will have on the interests of the director relative to other members' interests is set out in the following table. The table assumes no further issues of Shares in, or reconstruction of the capital of the Company during, the time between issue and exercise of the Options. The table also assumes no issue of Shares under Resolution 1 of this Notice of General Meeting.

As at the date of this Notice of Meeting:	
The total number of Shares on issue	283,348,870
Shares currently held by Dr Collier (including indirect interests)	410,143
Percentage of Shares currently held by Dr Collier	0.14%
Options held by Dr Collier prior to this Meeting (including indirect interests)	3,380,000
Options to be issued under this resolution to Dr Collier following this Meeting	4,578,667
Shares that will be held following the exercise of all Options held by Dr Collier	7,958,667
Percentage of Shares that would be held by Dr Collier assuming no other Options held by other parties were exercised	2.81%
Percentage of Shares that would be held by Dr Collier assuming all other Options held by other parties were exercised (fully diluted basis)	2.55%

3 Directors' recommendation

Each of the Directors (excluding Dr Gregory Collier), wish to recommend that shareholders vote in favour of this resolution to grant the Options to Dr Gregory Collier because the issue of the Options will provide appropriate incentive to maximise the return to shareholders over the long term and assist in developing a unity of purpose for both Dr Collier as a member of ChemGenex management and shareholders.

Dr Gregory Collier does not wish to make a recommendation in respect to this resolution as he is directly interested in its outcome. The Non-Executive Directors consider that the incentive represented by the issue of the Options is a cost effective and efficient incentive when compared to other forms of incentive.

The primary purpose of the Options is to reward performance and provide an incentive to Dr Gregory Collier. Given this purpose, the Non-Executive Directors do not consider that there is any opportunity cost or benefit foregone to the Company in granting the Options, the subject of this resolution.

Glossary of terms

In the attached Notice of Meeting and Explanatory Memorandum the following words and expressions have the following meanings:

Term	Definition
ASIC	means the Australian Securities and Investments Commission.
Associates	has the meaning given in section 12 Corporations Act.
ASX	means ASX Limited.
Company	means ChemGenex Pharmaceuticals Ltd ACN 000 248 304.
Corporations Act	means the <i>Corporations Act 2001</i> (Cth).
Directors	means the directors of the Company from time to time.
Explanatory Memorandum	means this Explanatory Memorandum.
Listing Rules	means the official listing rules of the ASX.
Notice of Meeting	means the notice of general meeting which accompanies this Explanatory Memorandum.
Options	Means options to subscribe for Company shares
Relevant Interest	has the meaning given in the Corporations Act.
Resolution	means the resolution set out in the Notice of Meeting to be considered and voted on by Shareholders.
Shares	means a share in the capital of the Company, the terms of which are contained in the constitution of the Company.
Shareholders	means the holders of the Shares in the Company from time to time.

Proxy form

Section 1: Name and address of shareholder

Full name _____

Address _____

Section 2: Appointment of proxy

I, being a shareholder of the Company and entitled to attend and vote appoint

the Chairman of the meeting
(mark with an 'X')

OR

Write here the full name of the person or body corporate you are appointing if this person is **someone other than** the Chairman of the meeting.

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the meeting, as my proxy to attend, to vote under the following directions (or if no directions have been given, as the proxy sees fit), and to act generally on my behalf, at the general meeting of the Company to be held at:

Location	RBS Morgans Limited, Port Philip Room, Level 27, 367 Collins Street, Melbourne, Victoria
Date	Thursday 10 February 2011
Time	11.00am (AEDST)

and at any adjournment of that meeting.

Section 3: Voting instructions

Voting directions to proxy – please mark to indicate your directions.

Resolution Approval to issue Options to Dr Greg Collier

For **Against** **Abstain*** **Discretion**

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

If you do not wish to direct the Chairman as your proxy to vote, please place a mark in this box.

By marking this box you acknowledge that the Chairman may exercise your proxy even if he or she has an interest in the outcome of the resolution, and that votes cast by him or her, other than as proxy holder, would be disregarded because of that interest.

The Chairman intends to vote all undirected proxies in favour of the Resolution being passed.

Section 4: Signing by shareholder

This section **must** be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Individual or Shareholder 1

Sole Director and Sole Secretary

Shareholder 2 (if joint holding)

Director/Company Secretary
(delete one)

Shareholder 3 (if joint holding)

Director

Please provide the information below in case we need to contact you.

Contact name

Contact day time telephone

_____/_____/_____
Date

Instructions for completion of proxy form

Section 1: Name and address of shareholder

- 1 Insert your name and address. If it is a joint holding, insert details of all holders.

Section 2: Appointment of proxy

- 2 If you wish to appoint the Chairman of the meeting as your proxy, mark the box. If the person or body corporate you wish to appoint as your proxy is someone other than the Chairman of the meeting, write the full name of that person or body corporate in the space provided. A proxy may be an individual or a body corporate. If you leave this section blank or your named proxy does not attend the Meeting, the Chairman of the meeting will be your proxy. A proxy need not be a shareholder of the Company.
- 3 If you are entitled to cast two or more votes at the general meeting, you are entitled to appoint two persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional proxy form may be obtained by telephoning the Company. Alternatively you may copy this form.
- 4 To appoint a second proxy:
- (a) on each of the first proxy form and second proxy form state the percentage of your voting rights or number of securities applicable to that form (if the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise one half of your votes, and fractions of votes will be disregarded); and
 - (b) return both forms in the same envelope.

Section 3: Voting instructions

- 5 You may direct your proxy how to vote on an item of business by placing a mark in one of the three boxes opposite that item of business. All of your securities will be voted in accordance with your direction unless you indicate a proportion of voting rights on any item by inserting the percentage or number of securities you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may decide whether or how to vote on that item. If you mark more than one box on an item, your vote on that item will be invalid.

Section 4: Signing by shareholder

- 6 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 must sign.
Power of attorney	To sign under power of attorney, either the power of attorney must have already been lodged with the Company's share registry for notation or the original (or a certified copy) of the power of attorney must accompany this document.
Companies	In the following cases, subject to the Company's constitution, the

	<p>following person must sign:</p> <p>(a) Australian proprietary company with a sole director who is also the sole company secretary – that person must sign;</p> <p>(b) Australian proprietary company with a sole director and no company secretary – that person must sign;</p> <p>(c) other Australian companies – two directors, or one director and one company secretary must sign; and</p> <p>(d) foreign company – in accordance with the laws of the jurisdiction of incorporation and constituent documents.</p>
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Corporate Representatives

- 7 If a representative of the corporation is to attend the meeting the appropriate 'Certificate of Appointment of Corporate Representative' should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's registry.

Section 5: Lodging of proxy

- 8 This proxy form (and the original or a certified copy of any power of attorney under which it is signed) must be received by the Company not later than close of business on the date set out below, by mail or facsimile.

Last time and date for lodgement	7.00pm (AEDST) 7 February 2011
By mail	Level 4, 199 Moorabool Street, Geelong, Victoria 3220
By facsimile	(03) 5229 0100

* Any proxy form received after that time will not be valid.