

Meeting Transcript

Extraordinary General Meeting of Acrux Limited

10.00am, Tuesday 3 February 2015

➤ Welcome

FORWARD-LOOKING STATEMENTS



This presentation includes forward-looking statements that are subject to risks and uncertainties. Such statements involve known and unknown risks and important factors that may cause the actual results, performance or achievements of Acrux to be materially different from the statements in this presentation.

Actual results could differ materially depending on factors such as the availability of resources, the results of clinical studies, the timing and effects of regulatory actions, the strength of competition and the effectiveness of patent protection.

Chairman's Address

Ross Dobinson
Non-Executive Chairman



Good morning ladies and gentlemen. My name is Ross Dobinson, and I'm the Non-Executive Chairman of Acrux Limited. Before we commence proceedings could I ask that you turn off your mobile phones for the duration of the meeting?

It is my pleasure to welcome shareholders to the Acrux Extraordinary General Meeting to approve the issue of Options to our CEO, Michael Kotsanis. We would like to thank Pitcher Partners for the use of their facilities today.

The time is now 10.00 am and as there is a quorum of members present, I formally declare the Meeting open.

I would like to introduce the Non-Executive Directors:

- Ross Barrow,
- Bruce Parncutt

Tim Oldham is our third Non-Executive Director, however Tim is unable to attend today and passes on his apology.

And also the Senior Management Team:

- CEO & Managing Director – Michael Kotsanis
- CFO & Company Secretary – Sharon Papworth
- Commercial Director – Dr Nina Webster

At our Annual General Meeting on the 27th of November, I informed you an Extraordinary General Meeting would be held to formally approve the grant of Options to the CEO.

Before we proceed to the formal business of the meeting I would like to provide a summary of the CEO's total remuneration package, which consists of salary and benefits.

Base salary and superannuation total \$400,000 per annum.

Benefits consist of a Bonus and Options, which are subject to performance at an acceptable level as determined by the Board. In addition, the grant of the next Tranches of Options are conditional on member approval of the grant of Options having been obtained per ASX Listing Rule 10.14. The Company has a detailed corporate strategy that has material milestones that the Board believes will add meaningful shareholder value. These performance milestones are commercial in confidence and have been developed as part of the overall growth strategy for the Company. The performance targets the Board sets each year for the annual bonus are one measure of CEO performance but not the only ones that will be taken into account in assessing overall performance and therefore retention and eligibility to a Tranche of Options.

Bonus. The CEO is eligible to a bonus of up to 25% of his total remuneration, subject to the attainment of all Key Performance Indicators (KPIs) by both the CEO and the Company's senior management team. The level of achievement of these KPIs will be determined by the Company's Board.

Options are to be granted in three Tranches, assuming performance is such that the CEO remains employed by the Company at each Option issue date.

- (a) Initial Tranche - two million Options, following the signing of the Employment Agreement. The exercise price is \$1.32 per Option, being 25% higher than the Value Weighted Average Price (VWAP) of the shares five business days preceding the signing of the Employment Agreement dated 22 July, 2014.
- (b) Second Tranche – one million Options, following the anniversary of the signing of the Employment Agreement. The exercise price is the lesser of:
 - (i) the amount which is 25% higher than the VWAP of the shares over the five business days preceding 22 July 2015, being the first anniversary of the signing of the Employment Agreement; and
 - (ii) \$2.00.

- (c) Third Tranche - one million Options, on the second anniversary of the signing of the Employment Agreement. The exercise price is the lesser of:
 - (i) the amount which is 25% higher than the VWAP of the shares over the five business days preceding 22 July 2016, being the second anniversary of the signing of the Employment Agreement; and
 - (ii) \$2.50.

Options have a nil issue price, and once issued may be exercised at any time prior to the third anniversary of the date of issue of that Option. The Board will consider CEO performance when determining retention and eligibility to the second and third Tranches of Options. Shareholder value creation is supported through an increase in exercise price for each Tranche of Options.

We will now proceed to the formal business of the meeting. Each shareholder who registered today would have received a yellow voting card. On a show of hands to vote on the resolution to be put to the meeting I will ask you to raise your voting card to assist in the counting of votes.

Shareholders should be aware that the Company has received proxies representing almost 56.6 million shares, for the resolution. Details of these proxies will be provided prior to the resolution being put to the meeting by way of an overhead slide.

The Notice of Meeting was mailed to all registered members on the 23rd of December. I will take the Notice of the Meeting, including Explanatory Notes, and the CEO Share Option Plan as read.

If you wish to ask a question, please raise your hand. When you have been acknowledged, please identify yourself before speaking, and I would ask that you raise only one topic at a time. If a poll is required, it will be held at the appropriate time.

➤ **Item 1 – Grant of Options to Michael Kotsanis**

In accordance with the terms of the employment agreement between the Company and its Chief Executive Officer (CEO), Michael Kotsanis, the Board has resolved, subject to certain conditions which have been described, to grant Options to Mr Kotsanis under the Company's CEO Share Option Plan. The Company is now seeking member approval for the grant of the Options under Listing Rule 10.14.

Accordingly I move:

That approval is given for the grant of Options to the Company's Chief Executive Officer, Michael Kotsanis under the Company's CEO Share Option Plan as referred to in the Notice of Meeting and previously described.

Are there any questions or comments in relation to this resolution?

If there are no (further) questions, you will now see on the screen the proxy votes in relation to this resolution.

I note that a vote must not be cast on this resolution by or on behalf of a member of the Company's key management personnel, details of whose remuneration are included in the Remuneration Report of the Company, and/or their closely related parties, unless the vote is cast as a proxy in accordance with the directions contained in the proxy and the vote is not cast on behalf of a member of the key management personnel or their closely related parties.

As a member of the key management personnel of the Company, I am not permitted to cast any votes in respect of this resolution that arise from any undirected proxy. I will, however, vote any directed proxy in accordance with the direction contained in the proxy.

I now put the resolution.

All those in favour?

All those against?

➤ **Close of formal business;**

As that concludes the formal business of the meeting, I declare the meeting closed.

We will be happy to now take questions from the floor, followed by further discussion over coffee.