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CLINUVEL PHARMACEUTICALS LIMITED

ACN 089 644 119

EXPLANATORY MEMORANDUM AND NOTICE OF ANNUAL GENERAL MEETING 2019

DATE:

WEDNESDAY, 20 NOVEMBER 2019

TIME:

10.00am (Melbourne time)

PLACE:

The Events Centre at Collins Square, Tower 2, Level 5, 727 Collins Street, Melbourne, VIC 3008, Australia

Explanatory memorandum

CLINUVEL PHARMACEUTICALS LIMITED ACN 089 644 119 (**Company**)

This Explanatory Memorandum has been prepared for the Shareholders of the CLINUVEL PHARMACEUTICALS LIMITED ACN 089 644 119 in connection with the business to be conducted at the Annual General Meeting of Shareholders of the Company which will be held at:

Location	The Events Centre at Collins Square, Tower 2, Level 5, 727 Collins Street, Melbourne, VIC 3008, Australia
Date	Wednesday 20 November 2019
Time	10.00am (Melbourne time)

This Explanatory Memorandum should be read in conjunction with, and form part of, the accompanying Notice. The Directors recommend that Shareholders read this Explanatory Memorandum in full before making any decision in relation to the Resolutions.

Terms used in this Explanatory Memorandum will, unless the context requires otherwise, have the same meaning given to them in the glossary as contained in this Explanatory Memorandum.

ORDINARY BUSINESS

RECEIPT OF THE FINANCIAL STATEMENTS AND REPORTS

Pursuant to section 317 of the Corporations Act, the Company is required to lay before the meeting the financial report and the reports of the Directors and the auditor to give Shareholders a reasonable opportunity to ask questions or make comment. There is no requirement for Shareholders to approve these reports (other than the non-binding vote in respect of the Remuneration Report forming part of the Directors' Report – see Resolution 1).

Resolution 1 - Adoption of the remuneration report

The Remuneration Report is set out in the Directors' Report of the Company's Annual Report for the year ended 30 June 2019. The Remuneration Report sets out the policy for the remuneration of the Directors and executives.

The Corporations Act requires the Remuneration Report be put to a non-binding vote of the Shareholders. The vote is advisory only and does not bind the Directors or the Company. However if 25% or more of votes that are cast are voted against the adoption of the Remuneration Report at two consecutive AGMs, Shareholders will be required to vote at the second of the AGMs on a "spill resolution" that another meeting be held within 90 days at which all the Company's Directors (other than the Managing Director) must be presented for re-election.

There is no requirement to allow for a possible 'spill' resolution at this Meeting as the 2018 Remuneration Report was accepted by greater than 75% of shares voted in the 2018 Annual General Meeting.

The Directors will consider the outcome of the vote on the Remuneration Report when reviewing the Company's remuneration policies.

Recommendation

The Directors recommend Shareholders vote in favour of Resolution 1.

Resolution 2 - Re-election of Mrs Brenda Shanahan

Under clause 57 of the Constitution, at each Annual General Meeting, one third of the Directors (or, if their number is not a multiple of three, then the number nearest to but not exceeding one third) must retire from office.

The Directors retire by rotation, with the Directors who have been the longest in office since being elected or re-elected being the Directors who must resign in any year. The Constitution ensures that no Director is able to remain in office for longer than three years without facing re-election. Under the Constitution and the ASX Listing Rules, the Managing Director is exempt from the requirement to retire by rotation (ie Dr Wolgen).

To comply with the requirements of clause 57 of the Constitution, Mrs Brenda Shanahan must retire at the Meeting. Mrs Shanahan wishes to continue as a Director and is entitled under the Constitution to seek re-election as a Director at the Meeting which coincides with her retirement, and accordingly offers herself for re-election as a Director.

Biographical Details

Mrs Shanahan is an established member of the Australian finance community who has also spent more than two decades working and investing in medical R&D and commercialisation. She is currently a non-executive director of Phoslock Water Solutions Ltd. Mrs Shanahan is also a non-executive director of DMP Asset Management Ltd and SG Hiscock Ltd, a director of the Kimberly Foundation of Australia Ltd, and Chair of the Aikenhead Centre for Medical Discovery in Melbourne.

Previously Mrs Shanahan was a member of the Australian Stock Exchange and an executive director of a stockbroking firm, a fund management company and an actuarial company. Until 2017, she was Chair of St Vincent's Medical Research Institute and also a non-executive director of Challenger Limited (ASX: CGF). Mrs Shanahan was formerly Chair of Challenger Listed Investments Ltd, the reporting entity for four ASX listed firms and formerly a non-executive director of Bell Financial Group (ASX: BFG).

Mrs Shanahan joined CLINUVEL in 2007, and was Non-Executive Chair of the Board from late 2007 until July 2010. Her depth of experience across global markets and medical research provides significant value to the current Board and to the Company as a whole.

Recommendation

The Directors, other than Mrs Shanahan, recommend Shareholders vote in favour of Resolution 2.

Resolution 3 – Re-election of Mrs Susan Smith

Under clause 55 of the Constitution, a Director appointed to fill casual vacancy holds office until the end of the next Annual General Meeting of the Company, at which the Director may be re-elected. Mrs Smith was appointed, after appropriate background checking, to fill a casual position earlier this year and therefore must retire at the Annual General Meeting. Mrs Smith wishes to continue as a Director, and as she is entitled under the Constitution to seek re-election as a Director at the Annual General Meeting which coincides with her retirement, offers herself for re-election as a Director.

Biographical Details

Mrs Smith is the Chief Executive Officer of the Independent Doctors Federation, a membership organisation representing practicing physicians within the UK independent healthcare sector. Mrs Smith also manages an established consultancy business, providing advisory services to a range of healthcare organisations, investors and boards of directors. Prior to her current roles, Mrs Smith served for 14 years as Chief Executive Officer of The Princess Grace Hospital, London, and prior to that, 11 years as the Chief Executive Officer of The Portland Hospital for Women and Children, London. Mrs Smith's specific expertise is in implementation of operational strategies within complex and acute care environments, and in the interaction with healthcare authorities and UK regulators.

Based in London, Mrs Smith is also Non-Executive Board Chair of The Evewell (Harley Street) Limited, a specialist medical practice, Non-Executive Director of Elite Medicine Ltd, a precision medicine company, and a Trustee of the HCA International Foundation.

Recommendation

The Directors, other than Mrs Smith, recommends Shareholders vote in favour of Resolution 3.

Resolution 4 – Approval of grant of Performance Rights to a related party: Chief Executive Officer Dr Philippe Wolgen

BACKGROUND

ASX Listing Rule 10.14 states that a listed company must not permit a director to acquire securities under an employee incentive scheme without the approval of shareholders by ordinary resolution. Accordingly, ASX Listing Rule 10.14 requires Shareholders to approve the proposed grant of Performance Rights under Resolution 4 to Dr Philippe Wolgen.

The Board intends to grant Performance Rights under the Performance Rights Plan to the Chief Executive Officer. The Board wishes to ensure the total remuneration is structured at an optimum level of incentivisation for him to lead and advance the Company's program in striving to meet a number of corporate performance-related milestones with the overall objective to provide further shareholder value. The performance-related milestones are aimed at the commercial growth of the Company to further align the interests of the Chief Executive Officer with those of its Shareholders, taking into account the unique risk and complexity within the CLINUVEL business and the challenges the Company has been tasked to overcome. The Board wishes to ensure the total remuneration is competitive in international markets, industry and related fields of expertise and providing for specific skillsets, to incentivize for retention of specific talent and knowhow. The grant of these Performance Rights will provide long term incentives for outstanding performance and promote opportunities for further Share ownership in the Company.

The Board wishes to reduce overall the quantum of cash-based short and long term incentives for staff and for its Chief Executive Officer and would like to see these long term cash-based incentives be replaced by equity-based Performance Rights under the Performance Rights Plan. As an example provided, upon Shareholder approval of Resolution 4 the Business Generating Incentives in the current Employment Agreement of the Chief Executive Officer would be replaced in its entirety by Performance Rights that will vest upon the Company meeting specific Performance Conditions as set out in **Schedule A**. Further details of Dr Philippe Wolgen's remuneration package are set out in the Remuneration Report on pages 30 to 41 of the 2019 Annual Report.

RATIONALE TO PROPOSED GRANT OF PERFORMANCE RIGHTS

The Performance Conditions intend to reflect the ambitious business objectives of the Company and provide a strong basis for further growth within a fixed term. For a Performance Right to vest and become exercisable to a Share, the Performance Condition must be satisfied within the vesting period. For each Performance Condition, the vesting period is maximum 4 years from date of grant.

The Board regards the performance hurdles of each Performance Condition to be challenging and achievable for shareholder value to be increased during the course of the business operations and the fixed vesting period of the Performance Rights.

Each Performance Right will have a Performance Condition attached. A summary of the Performance Conditions that will apply to the Performance Rights is set out in **Schedule A**. In the Board's view, these Performance Conditions set out in **Schedule A** provide a link to the ultimate value of the Performance Rights with the continued growth of the Company and therefore provide a fair and adequate incentive for Dr Philippe Wolgen to ensure the Company continues its positive performance and success. The intended link between the Performance Rights and Company performance is highlighted as follows:

Performance Condition (see Schedule A)	Rationale
PC1	<ul style="list-style-type: none">To promote growth in Company value
PC2	<ul style="list-style-type: none">To ensure prudent financial management for further Company growthTo provide for financial stability to protect Shareholder value and to act as a counter cyclical buffer during adverse economic conditions
PC3	<ul style="list-style-type: none">To diversify the Company whilst maintaining profitability
PC4	<ul style="list-style-type: none">To increase the revenue base
PC5	<ul style="list-style-type: none">To build further value from internal product development
PC6	<ul style="list-style-type: none">To expand its existing pharmaceutical product into a new market and increase commercial opportunities
PC7	<ul style="list-style-type: none">To expand new products in new or existing markets and increase potential revenue base
PC8	<ul style="list-style-type: none">To incentivize and reward for unanticipated commercial opportunities which are demonstrably value accretive

A summary of the key terms of the Performance Rights Plan is set out in **Schedule B**.

ASX Listing Rules

If approval is given for the grant of the Performance Rights under ASX Listing Rule 10.14, approval is not required for the allocation and issue of Shares on vesting and exercise of any Performance Rights under ASX Listing Rule 7.1, and separate approval is not required under ASX Listing Rule 10.11 (which provides a general restriction against issuing securities to directors without shareholder approval).

For the purposes of ASX Listing Rule 10.15, the following information is provided to Shareholders with respect to Resolution 4 which is not already provided above:

Information	Disclosure
The maximum number of securities that may be acquired	1,513,750 Performance Rights (to acquire up to 1,513,750 Shares upon vesting)
The price for each security to be acquired under the scheme	The Performance Rights will be granted for no consideration. In addition, once vested, the Performance Rights become immediately exercisable. Following exercise of the Performance Rights, the Company must issue one Share for every Performance Rights exercised. The Shares will be issued for no consideration. No funds will be raised by the grant of the Performance Rights.
The date by which the entity will issue the securities	The Performance Rights will be issued as soon as practicable after the Meeting, but in any event no later than 12 months after the Meeting.
Details of securities issued to Directors under the Performance Rights Plan since the last approval	No Director (and associates of Directors) has received securities under the Performance Rights Plan since the last approval (being the approval obtained at the Company's 2017 Annual General Meeting).

Corporations Act - Related Party Transactions

The grant of Performance Rights under Resolution 4 to Dr Philippe Wolgen constitutes the provision of financial benefits to a related party.

Section 208 of the Corporations Act prohibits a public company from giving a financial benefit to a related party of the public company unless the giving of the financial benefit falls within one of the permitted exceptions or prior shareholder approval is obtained to giving the financial benefit. For the purposes of Section 208 of the Corporations Act:

- directors of a company are considered to be a related party; and
- the issuing of securities or granting of an option is an example of the giving of a financial benefit.

Section 211 of the Corporations Act provides an exception for a financial benefit that is remuneration to a related party as an officer or employee of a public company (or other prescribed entity), where to give the remuneration would be reasonable given the circumstances of the public company (or entity giving the remuneration) and the related party's circumstances (including the responsibilities involved in the office or employment).

The Company considers that the exception in section 211 of the Corporations Act applies to the proposed grant of Performance Rights under Resolution 4 to Dr Philippe Wolgen given the circumstances of the Company and those of Dr Philippe Wolgen.

Corporations Act - Acceleration of vesting

Under Section 200B of the Corporations Act, a company may only give a person a benefit in connection with their ceasing to hold a managerial or executive office in the company or an associate of the corporate if it is approved by shareholders or an exemption applies.

As described in Schedule B, the Performance Rights may, subject to the Board's discretion, vest upon a holder of the Performance Right ceasing to be an employee or director of the Company or any of its group of companies. The Board has formed the view that should this occur in respect of Dr Philippe Wolgen, the affected Performance Rights may constitute a benefit in connection with his retirement from office under section 200B of the Corporations Act. That is, the term "benefit" is open to wide interpretation and may include the early vesting of Performance Rights under the Performance Rights Plan. Accordingly, Shareholder approval is being sought for any such benefit which Dr Philippe Wolgen may receive under the Performance Rights Plan.

If Shareholders approve Resolution 4, the maximum number of Performance Rights that may vest upon the cessation of engagement/employment of Dr Philippe Wolgen under the Performance Rights Plan will be the number of Performance Rights granted to him under Resolution 4 as detailed above (as applicable). However, the actual number of Performance Rights that may vest upon cessation of engagement/employment (if any) will depend on a range of factors. Accordingly, the value of any consequent benefit that may be received as a result of early vesting upon cessation of engagement/employment cannot presently be ascertained. Matters, events and circumstances that will, or are likely to, affect the calculation of that value include the following:

- the number of unvested Performance Rights held by Dr Philippe Wolgen prior to the cessation of engagement/employment;
- the extent to which the relevant Performance Conditions attaching to the Performance Rights before they vest and are exercisable are met at the time;
- the period that has elapsed at that time since the effective grant of the Performance Rights;
- the reasons for cessation of engagement/employment;
- the number of Performance Rights that vest; and
- the Company's share price at the date of vesting.

The Company will calculate the value of the benefit as being equal to the value of the number of Performance Rights that vest early, where that value is determined on the basis of the prevailing Share price of the Company at the time.

ELIGIBILITY TO PROPOSED PERFORMANCE RIGHTS

Following the Meeting and subject to Shareholder approval of Resolution 4, the Board intends to grant senior management Performance Rights under the Performance Rights Plan as a means to provide further incentivisation for their commitment to the Company's commercial development under Dr Philippe Wolgen's management direction. These Performance Rights will have similar or equal Performance Conditions to those attached to the Performance Rights to be granted to Dr Philippe Wolgen upon approval of this Resolutions, to align the interests of senior management with those of shareholders.

In addition, under Listing Rule 10.15 the Company advises that:

- under the Performance Rights Plan Each Director is an "Eligible Person" may be entitled to participate in the Performance Rights Plan. However, the Board has explicitly determined that non-executive Directors are no longer entitled to participate in the Performance Rights Plan.
- no loans will be made by the Company to Dr Philippe Wolgen in relation to the acquisition of the Performance Rights or any Shares resulting from the exercise of the Performance Rights; and
- a voting exclusion statement is included in the Notice.

Recommendation

All Directors, other than Dr Philippe Wolgen due to his personal interest in the outcome of the Resolution, recommend that Shareholders vote in favour of Resolution 4.

Resolution 5 - Increase in Non-Executive Directors' Fee Pool

The Company is seeking shareholder approval to increase the maximum aggregate amount payable to the non-executive Directors (NEDs) from \$550,000 per annum (inclusive of superannuation) to \$700,000 per annum (inclusive of superannuation), an increase of \$150,000 per annum.

The total NED fee pool was \$400,000 when the Company listed on the Australian Securities Exchange in 2001 and was increased to \$550,000 upon shareholder approval at the 2015 Annual General Meeting.

The current NED fee structure, inclusive of superannuation, is as follows:

	Board Fees	Audit & Risk Committee	Remuneration Committee	Nomination Committee
Chair	110,000	-	-	-
Non-Executive Director	65,000	-	-	-
Committee Chair	-	15,000	15,000	-
Committee Member	-	5,000	5,000	-

The current total fees paid to the NEDs is approximately \$405,000 per annum. At the existing NED fee structure, the current NED fee pool limit of \$550,000 may not be sufficient to allow the Company to appoint 2 additional NEDs without exceeding the limit. However, increasing the maximum aggregate amount payable to the NEDs to \$700,000 per annum will allow the Company to not only attract, appoint and retain 2 additional NEDs of the highest international caliber to join the Board - should the need arise – but also provide further flexibility, if required, to allow room to increase annual NED fees.

The Board does not currently intend to fully utilize the increased allocation in the near future. Details of the Directors' remuneration are contained in the remuneration report. The proposed increase in the maximum aggregate amount payable to the NEDs does not impact on the remuneration arrangements of the Chief Executive Officer.

There have been NIL securities issued to the NEDs of the Company with the approval of Shareholders under Listing Rules 10.11 or 10.14, within the preceding 3 years.

Recommendation

The Directors abstain from making a recommendation in relation to Resolution 5.

Glossary

1. Definitions

“**Annual Report**” means the annual report of the Company for the year ended 30 June 2019.

“**ASX**” means ASX Limited.

“**ASX Listing Rules**” means the official listing rules and requirements from time to time of the ASX.

“**Board**” means the board of Directors of the Company as constituted from time to time.

“**Chairman**” or “**Chair**” means the person appointed to chair the Meeting convened by the Notice.

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

“**Company**” or “**CLINUVEL**” means CLINUVEL PHARMACEUTICALS LIMITED ACN 089 644 119.

“**Constitution**” means the constitution of the Company.

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

“**Directors**” means the directors of the Company from time to time.

“**Explanatory Memorandum**” means the explanatory memorandum which forms part of the Notice.

“**Key Management Personnel**” means a person having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

“**Meeting**” means the Annual General Meeting of Shareholders of the Company convened by the Notice, to be held at The Events Centre at Collins Square, Tower 2, Level 5, 727 Collins Street, Melbourne, VIC 3008, Australia on 20 November 2019 at 10am Australian Eastern Daylight (AEDT) time.

“**Notice**” means this notice of meeting which comprises of the notice, Explanatory Memorandum and Proxy Form

“**Performance Condition**” means any condition which must be satisfied or circumstances which must exist before:

- (a) a Performance Right vests; and
- (b) a holder of the Performance Right, if they so determine, exercises the Performance Right,

as determined by the Board.

“**Performance Right**” means a right entitling a person who holds the performance right, subject to and only on satisfaction (or waiver) of any attaching Performance Conditions and upon vesting, to require the Company to allocate or provide (whether by way of issue or transfer) one Share to him or her, pursuant to a binding contract made by the Company and the person in the manner set out in the Clinuvel Performance Rights plans.

“**Proxy Form**” means the proxy form attached to the Notice.

“**Resolution**” means a resolution contained in this Notice.

“**Schedule**” means a schedule to this Notice.

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

“**Shareholder**” or “**Member**” means a registered holder of a Share.

2. Interpretation

- (a) The singular includes the plural and vice versa and words denoting any gender include all genders;
- (b) A reference to “\$”, “A\$” or “dollar” is a reference to Australian currency; and
- (c) A reference to a time is a reference to Australian Eastern Standard Time or Australian Eastern Daylight Time, whichever is appropriate.

Schedule A – Performance Conditions

Description of Performance Conditions	Performance Rights
<p>PC1</p> <p>Executive management and staff succeeding in steering the Company to a:</p> <ul style="list-style-type: none"> (i) Market capitalisation of a minimum A\$1,700,000,000 - as measured by a minimum of 15 trading days during the vesting period - 10% of the performance rights under PC1 shall vest, (ii) Market capitalisation of a minimum A\$2,100,000,000 - as measured by a minimum of 15 trading days during the vesting period - 15% of the performance rights under PC1 shall vest, (iii) Market capitalisation of a minimum A\$2,700,000,000 - as measured by a minimum of 15 trading days during the vesting period - 25% of the performance rights under PC1 shall vest, (iv) Market capitalisation of a minimum A\$5,000,000,000 - as measured by a minimum of 15 trading days during the vesting period - 25% of the performance rights under PC1 shall vest, (v) Market capitalisation of a minimum A\$7,500,000,000 - as measured by a minimum of 15 trading days during the vesting period - 25% of the performance rights under PC1 shall vest. <p>To achieve these targets within the vesting period, the Company must generate returns over a minimum of 15 trading days well above the performance of global biotech indices over a similar period, such as the Nasdaq Biotech Index which performed 30.32% over 5 years (ending June 2019) and 5.54% on an annualized basis over the same period.</p> <p>Only in case of a recession in the country of the Company's primary market exchange (recession defined by a contraction of gross domestic product for 2 consecutive quarters) when the Company's market capitalisation may be adversely impacted by market conditions outside management control, that the market capitalisation targets defined in PC1 (i) to (v) above will be replaced by the following performance targets:</p> <ul style="list-style-type: none"> (i) The Company's growth in share price outperforms either the Nasdaq Biotech Index or ASX Healthcare Index for 1 quarter - after the country has entered a recession - by more than 3.0%, 10% of the performance rights under PC1 shall vest, (ii) The Company's growth in share price outperforms either the Nasdaq Biotech Index or ASX Healthcare Index for 1 quarter - after the country has entered a recession - by more than 4.0%, 15% of the performance rights under PC1 shall vest, (iii) The Company's growth in share price outperforms either the Nasdaq Biotech Index or ASX Healthcare Index for 1 quarter - after the country has entered a recession - by more than 5.0%, 25% of the performance rights under PC1 shall vest, (iv) The Company's growth in share price outperforms either the Nasdaq Biotech Index or ASX Healthcare Index for 1 quarter - after the country has entered a recession - by more than 7.0%, 25% of the performance rights under PC1 shall vest, (v) The Company's growth in share price outperforms either the Nasdaq Biotech Index or ASX Healthcare Index for 1 quarter - after the country has entered a recession - by more than 9.0%, 25% of the performance rights under PC1 shall vest. 	<p>450,000</p>
<p>PC2</p> <ul style="list-style-type: none"> (i) Upon quarterly reporting of A\$60 million in cash and cash equivalents held for 2 consecutive quarters, 15% of PC2 shall vest, (ii) Upon quarterly reporting of A\$70 million in cash and cash equivalents held for 2 consecutive quarters, a further 20% of PC2 shall vest, (iii) Upon quarterly reporting of A\$80 million in cash and cash equivalents held for 2 consecutive quarters, a further 30% of PC2 shall vest, (iv) Upon quarterly reporting of more than A\$150 million in cash and cash equivalents held for 2 consecutive quarters, a further 35% of PC2 will be achieved. <p>Dividends paid out during the vesting period shall be added back to the calculation of the cash reserves. At any time during the vesting period, the ratio between cash and cash equivalents internally generated from the Company's operations and any debt and/or equity financing which increases cash and cash equivalents must be at minimum 2:3 ratio for any of the 4 performance targets under PC2 to be achieved.</p>	<p>105,000</p>

PC3	<p>Successful acquisition of a business entity, defined by:</p> <ul style="list-style-type: none"> (i) The acquired entity must have generated sales revenue within 6 months of transaction, 50% of PC3 shall vest, (ii) CUV Group becomes or remains profitable within 3 years (plus variability of one year) of transaction as measured by two successive quarters reporting profitability of the two or more combined entities, 50% of PC3 shall vest. <p>For PC3 to be achieved, the acquisition must be considered synergistic to the Company's business operations at the time of acquisition.</p>	105,000
PC4	<ul style="list-style-type: none"> (i) Upon receipt of first US revenues under the US post-marketing authorization for SCENESSE®, 34% of PC4 shall vest, (ii) US revenues in year 2 to exceed revenues by a minimum of 10% in year 1, a further 33% of PC4 shall vest, (iii) US revenues greater than US\$10,000,000 in a 12 month period leads to vesting of 33% of PC4. 	87,500
PC5	<ul style="list-style-type: none"> (i) Market launch of first non-pharmaceutical ('OTC') product(s) line developed by the VALLAURIX subsidiary entity, 15% of PC5 shall vest, (ii) Total revenues from OTC product lines developed by the VALLAURIX subsidiary entity achieving greater than A\$250,000 in accumulated gross sales, a further 30% of PC5 shall vest, (iii) First topical melanogenic formulation to be used either in animal or in human testing, a further 25% of PC5 shall vest, (iv) Upon the completion of the first clinical study of a SCENESSE® paediatric formulation (being the completion of a final clinical study report), a further 30% of PC5 shall vest. 	175,000
PC6	<ul style="list-style-type: none"> (i) Upon start (being the closure of recruitment period) of a Phase IIb vitiligo study in North America, 20% of PC6 shall vest, (ii) Upon disclosure to the securities exchange of the results to the Phase IIb vitiligo study in North America, 20% of PC6 shall vest, (iii) After the completion of the Phase IIb vitiligo study in North America and prior to the subsequent Phase IIb/III study, upon holding a Type-C meeting (FDA) and acceptance of study protocol for the Phase IIb/III vitiligo study in North America, a further 20% of PC6 shall vest, (iv) Upon start (being the closure of recruitment period) of the subsequent Phase IIb/III vitiligo study in North America, a further 20% of PC6 shall vest, (v) Upon disclosure to the securities exchange of the results to the subsequent Phase IIb/III vitiligo study in North America, 20% of PC6 shall vest. <p>The performance conditions listed in PC6 (i) to (v) above will be considered met if management is able to advance SCENESSE® or any other molecule or product to the same clinical stages in an indication other than vitiligo.</p>	262,500
PC7	<ul style="list-style-type: none"> (i) Upon the regulatory submission to either of EMA, FDA, TGA, PMDA and Swissmedic to approve SCENESSE® or any other molecule or product enhancing the pharmaceutical product, 25% of PC7 shall vest, (ii) Upon the regulatory approval by either of EMA, FDA, TGA, PMDA and Swissmedic of SCENESSE® or any other molecule constituting a successful evaluation of a scientific dossier, a further 75% of PC7 shall vest. 	212,500
PC8	<p>The Board to use its discretion to award performance rights depending on the extraordinary nature of the corporate event(s) achieved and the significant impact on Company's value. It is not certain that these performance rights will be issued during the fixed term of the Conditional Rights Plan, and hence these need to be regarded as a reserve pool enabling the Company to grant in the event of exceptional and unexpected performances which was unanticipated at the time of business planning.</p> <p>These corporate events shall include, but are not limited to, business generation in new markets without the Company engaging in merger and acquisition activity.</p>	116,250

Schedule B - Performance Rights Plan Summary

The Board may, from time to time grant Performance Rights to an Eligible Person (as defined below) upon the terms set out in the Plan and upon such additional terms and conditions, including any Performance Conditions, as the Board determines (which may include granting Performance Rights in tranches). For the avoidance of doubt, the Board has the sole discretion to determine which Eligible Persons are to be granted Performance Rights and when any such grants of Performance Rights are to be made.

The Board may only grant Performance Rights where an Eligible Person continues to satisfy any relevant conditions imposed by the Board (which may include, without limitation, that the Eligible Person continues to be an employee and/or director (as applicable) of the Company, any of its subsidiaries or any other entity declared by the Board to be a member of the group (“**Group Company**”) at the relevant time).

Performance Rights

Unless the Board determines otherwise:

- each Performance Right entitles its holder to one Share upon vesting and exercise of that Performance Right;
- no payment is required for the grant of a Performance Right;
- each Performance Right is unlisted and will not be quoted on the ASX; and
- Performance Rights do not confer on the holder any entitlement to any dividends or other distributions by the Company or any right to attend or vote at any general meeting of the Company.

Eligible Persons

An Eligible Person means a person who the Board determines to be eligible to participate in the Plan (and may include a director of any Group Company).

Performance Conditions

A Performance Condition is any condition determined by the Board which must be satisfied or circumstances which must exist before a Performance Right vests and a person who holds a Performance Right can, if they so determine, exercise the Performance Right.

Vesting of Performance Rights

A Performance Right granted under the Plan will not vest unless:

- the Performance Conditions attaching to the Performance Right have been satisfied or have otherwise been waived by the Board; or
- the Board otherwise determines in accordance with the terms of the Plan (which includes in the event of a takeover, scheme of arrangement or winding-up of the Company as summarised in this schedule).

Lapsing of Performance Rights

An unvested Performance Right will lapse in various prescribed circumstances, unless the Board determines otherwise. Such circumstances include:

- the date and time specified by the Board on or before the grant of the Performance Right;
- if a participant ceases to be an employee and/or director of the Company or any of its subsidiaries for any reason or they cease to satisfy any other relevant conditions imposed by the Board at the time of grant of the Performance Rights;
- failure to meet the Performance Conditions attaching to the Performance Right or any Performance Conditions no longer, in the opinion of the Board, being capable of being satisfied in accordance with their terms;
- if, in the opinion of the Board, a participant acts fraudulently or dishonestly, is in breach of their duties or obligations to any Group Company, has committed act of harassment or discrimination or has done any act which has brought the Group or any Group Company into disrepute (this may also apply to vested Performance Rights if determined by the Board);
- the 7 year anniversary of the date of grant of the Performance Right.

Trading of Performance Rights

Each Performance Right granted under the Plan cannot be traded other than with prior written consent of the Board or by force of law upon death of the holder of the Performance Right (and then only to the holder’s legal personal representative) or if the holder of the Performance Right becomes bankrupt (and then only to the holder’s trustee in bankruptcy). Any attempt to trade the Performance Right by the participant other than the reasons described will result in the immediate lapsing of the performance rights (unless the Board determines otherwise).

Exercise of Performance Rights

The exercise of a Performance Right is conditional upon the Performance Right having vested. If a Performance Right has vested, the holder of the Performance Right is entitled, in accordance with the exercise procedure set out in the Plan, to require the Company to issue, or procure the transfer to, him or her (or their personal representative) the number of Shares to which they are entitled from the exercise of the Performance Right.

Capital Reorganisation

If Shares are issued pro rata to the Shareholders generally by way of bonus issue (other than an issue in lieu of dividends or by way of dividend reinvestment) involving capitalisation of reserves or distributable profit or any reorganisation (including consolidation, subdivision, reduction or return) of the issued capital of the Company is effected, the number of Performance Rights to which each participant is entitled, or any amount payable on vesting and exercise of the Performance Rights, or both as appropriate, will be adjusted in the manner determined by the Board to ensure that no advantage or disadvantage accrues to the participant as a result of such corporate actions (subject to compliance with the ASX Listing Rules applying to a reorganisation of capital at the time of the reorganisation).

Takeover, Scheme of Arrangement and Winding-up

In the event of a takeover bid (as defined in the Corporations Act) where the bidder and its associates acquire a relevant interest in at least 50% of the voting Shares of the Company, the Board may determine that all or a specified number of a participant's Performance Rights immediately vest. Any granted Performance Right which does not vest following the Board's determination will automatically and immediately lapse, unless the Board determines otherwise.

The Board may determine that all or a specified number of a participant's Performance Rights automatically vest where:

- a Court orders a meeting to be held in relation to a proposed compromise or arrangement for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies;
- any person becomes bound or entitled to acquire Shares in the Company under section 414 of the Corporations Act or Chapter 6A of the Corporations Act;
- any other merger, consolidation or amalgamation involving the Company occurs or is proposed where the Board determines that the relevant circumstances constitute a change in control of the Company;
- the Company or any other Group Company enters into an agreement or agreements to sell, in aggregate, a majority in value of the business or assets of the Group to a person or persons that are not Group Companies;
- the Company passes a resolution for voluntary winding up; or
- an order is made for the compulsory winding up of the Company.

If no determination is made or if the Board determines that some or all of a participant's Performance Rights do not vest, those Performance Rights will automatically and immediately lapse, unless the Board determines otherwise.

Shares issued under the Performance Rights Plan

Any Shares issued under the Plan upon vesting and exercise of a Performance Right will rank equally in all respects with other Shares for the time being on issue except as regards any rights attaching to such Shares by reference to a record date prior to the date of their issue. The Company will apply for quotation of Shares issued under the Plan. However, the Shares will be subject to the following transfer restrictions, and may not be traded on ASX while those transfer restrictions apply:

- A participant is not entitled to trade in any Shares issued under the Plan without the prior written consent of the Board until the earlier to occur of:
 - (a) 7 years after the date of grant of the Performance Rights;
 - (b) the date on which the participant ceases to be employed by the Company or any of its subsidiaries; or
 - (c) such other date as the Board determines.
- The Company may implement any other procedures it considers appropriate to restrict a participant from trading in Shares issued under the Performance Rights Plan in accordance with these transfer restrictions.

Plan Trustee

The Company may, at the sole discretion of the Board, determine that any Performance Shares be acquired by a Plan Trustee and then, from time to time, transferred to a participant. The Company may determine and conclude agreements with the Plan Trustee, and enforce or prosecute any rights and obligations under such agreements, without reference or recourse to a participant under the Plan.

Other

- The Board may at any time by resolution amend all or any of the provisions of the Plan , provided that such amendment is in compliance with the ASX Listing Rules and provided that no amendment is made to the terms of any granted Performance Right without the prior written consent of the participant which reduces the rights of the participant in respect of that Performance Right, other than an amendment introduced primarily for the purposes of complying with present or future legislation, to correct a manifest error or mistake, to benefit the administration of the Plan or to take into consideration possible adverse tax implications.
- The Board may terminate or suspend the Plan at any time, provided that such termination or suspension does not materially adversely affect the then existing rights of participants.
- The Board may waive in whole or in part any terms or conditions (including any Performance Condition) in relation to any Performance Rights granted under the Plan, but will only exercise such a discretion in exceptional circumstances.
- The Board may decide on appropriate procedures for administering the Plan and make regulations for the administration and operation of the Plan.
- The Board may waive any breach of a provision of the Plan.
- The Board may resolve conclusively all questions of interpretation arising under or concerning the Plan and any dispute of any kind that arises under the Plan.
- Each participant must adhere to the Company's Share Trading Policy found on the Company's website and to the insider information provisions of the Corporations Act.
- No participant has any right to compensation or damages as a result of termination of his or her office, employment or other contract with a Group Company for any reason (whether lawful or unlawful) in connection with the participant ceasing to have rights under the Plan as a result of the termination

Notice of Annual General Meeting

CLINUVEL PHARMACEUTICALS LIMITED ACN 089 644 119

Notice is given that the Annual General Meeting of CLINUVEL PHARMACEUTICALS LIMITED ACN 089 644 119 (**Company**) will be held at:

Location	The Events Centre at Collins Square, Tower 2, Level 5, 727 Collins Street, Melbourne, VIC 3008, Australia
Date	Wednesday 20 November 2019
Time	10.00am (Melbourne time)

The Explanatory Memorandum provides additional information on matters to be considered at the Meeting. The Explanatory Memorandum and Proxy Form are part of this Notice.

Terms used in this Notice will, unless the context requires otherwise, have the same meaning given to them in the glossary contained in the Explanatory Memorandum.

ORDINARY BUSINESS

Receipt of the Financial Statements and Reports

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

Resolution 1 – Adoption of Remuneration Report

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

'That, in accordance with Section 250R of the *Corporations Act*, the Remuneration Report as set out in the Directors' Report for the year ended 30 June 2019 be adopted.'

Resolution 2 – Re-election of Mrs Brenda Shanahan

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

'That Mrs Brenda Shanahan, a Director retiring by rotation in accordance with clause 57 of the Constitution of the Company and the ASX Listing Rules, being eligible and having offered herself for re-election, be re-elected as a Director.'

Resolution 3 – Re-election of Mrs Susan Smith

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

'That Mrs Susan Smith, a Director retiring by rotation in accordance with clause 55 of the Constitution of the Company and the ASX Listing Rules, being eligible and having offered herself for re-election, be re-elected as a Director.'

Resolution 4 – Approval of grant of Performance Rights to a related party: Chief Executive Officer Dr Philippe Wolgen

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

'That, pursuant to section 200B of the Corporations Act, ASX Listing Rule 10.14 and for all other purposes, the Members of the Company approve the granting of 1,513,750 Performance Rights to Dr Philippe Wolgen, in the manner outlined in the Explanatory Memorandum.'

Note: if approval is obtained under ASX Listing Rule 10.14, approval is not required under ASX Listing Rule 7.1 or ASX Listing Rule 10.11, as set out in the Explanatory Memorandum.

SPECIAL BUSINESS

Resolution 5 - Increase in Non-Executive Directors' Fee Pool

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

'That, pursuant to ASX Listing Rule 10.17 and clause 60 of the Constitution of the Company, the Non-executive Directors' aggregate remuneration sum is increased by \$150,000, from \$550,000 to \$700,000 per annum (inclusive of superannuation).'

Voting Exclusion Statement

In accordance with ASX Listing Rule 14.11, the Company will disregard any votes cast on the respective resolutions by the following persons:

Resolution	Exclusion
1 – Adoption of Remuneration Report	<p>The Company will disregard any votes cast on Resolution 1 by or on behalf of any member of the Key Management Personnel whose remuneration is included in the Remuneration Report or any Closely Related Party of such person.</p> <p>In accordance with section 250BD of the Corporations Act, a vote on Resolution 1 must not be cast by or on behalf of a person appointed (including as a proxy), where that person is either a member of the Key Management Personnel or a Closely Related Party of such person whose remuneration is included in the Remuneration Report.</p> <p>A vote may be cast by such person if:</p> <ul style="list-style-type: none"> (a) the vote is not cast on behalf of a person who is otherwise excluded from voting and the appointment specifies how the proxy is to vote; or (b) the person appointed as proxy is the Chairman and the appointment does not specify how the Chairman is to vote but expressly authorises the Chairman to exercise the proxy even if the Resolution is connected with the remuneration of a member of the Key Management Personnel.
2 – Re-election of Mrs Brenda Shanahan	No voting restrictions are applicable to this Resolution 2 (however Mrs Brenda Shanahan will abstain from voting).
3 – Re-election of Mrs Susan Smith	No voting restrictions are applicable to this Resolution 3 (however Mrs Susan Smith will abstain from voting).
4 – Approval of grant of Performance Rights to a related party: Chief Executive Officer Dr Philippe Wolgen	<p>The Company will disregard any votes cast in favour on Resolution 4 by:</p> <ul style="list-style-type: none"> (a) any Director who is eligible to participate in the Performance Rights Plan in respect of which these Resolutions relate; and (b) an associate of any such Director. <p>In accordance with section 250BD of the Corporations Act, a vote on Resolution 4 must not be cast by or on behalf of a person appointed (including as a proxy), where that person is either a member of the Key Management Personnel or a Closely Related Party of such person.</p> <p>A vote may be cast by such person if:</p> <ul style="list-style-type: none"> (a) the vote is not cast on behalf of a person who is otherwise excluded from voting and the appointment specifies how the proxy is to vote; or (b) the person appointed as proxy is the Chairman and the appointment does not specify how the Chairman is to vote but expressly authorises the Chairman to exercise the proxy even if the Resolutions are connected with the remuneration of a member of the Key Management Personnel.
5 – Increase in Non-Executive Directors' Fee Pool	<p>The Company will disregard any votes cast in favour on Resolution 5 by:</p> <ul style="list-style-type: none"> (a) by a director and any associate of a director; and (b) as a proxy by a member of the key management personnel (and their Closely Related Parties). <p>A vote may be cast by such person if:</p> <ul style="list-style-type: none"> (a) the vote is not cast on behalf of a person who is otherwise excluded from voting and the appointment specifies how the proxy is to vote; or (b) the person appointed as proxy is the Chairman and the appointment does not specify how the Chairman is to vote but expressly authorises the Chairman to exercise the proxy even if the Resolution is connected with the remuneration of a member of the Key Management Personnel.

Dated 18 October 2019

By order of the Board




Darren Keamy
Company Secretary


Notes

- (a) A Shareholder who is entitled to attend and cast a vote at the Meeting is entitled to appoint a proxy.
- (b) The proxy need not be a Shareholder. 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.
- (c) If you wish to appoint a proxy and are entitled to do so, then complete and return the attached Proxy Form to Computershare Investor Services Pty Limited, GPO Box 242 Melbourne, Victoria 3001 Australia or alternatively by fax to 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia) by 10am (Melbourne time) Monday, 18 November 2019, being at least 48 hours before the holding of the Annual General Meeting.
- (d) 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.
- (e) The Company has determined under regulation 7.11.37 *Corporations Regulations 2001* (Cth) 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 7.00pm (Melbourne time) on Monday, 18 November 2019.
- (f) Online voting will be available at www.investorvote.com.au. You will require your SRN/HIN and the control number (printed on your proxy form). For Intermediary Online subscribers only (custodians) please visit www.intermediaryonline.com to submit your voting intentions.
- (g) The Annual General Meeting is a private meeting for shareholders. Only members of the Company and/or their proxies, and Company invited guests are entitled to attend.
- (h) If you have any queries on how to cast your votes call Darren Keamy on (03) 9660 4900 during business hours.

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

Need assistance?

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

 **Online:**
www.investorcentre.com/contact



YOUR VOTE IS IMPORTANT

For your proxy appointment to be effective it must be received by **10.00am (Melbourne time) Monday 18 November 2019.**

Proxy Form

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

APPOINTMENT OF PROXY

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

SIGNING INSTRUCTIONS FOR POSTAL FORMS

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

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

ATTENDING THE MEETING

If you are attending in person, please bring this form with you to assist registration.

Corporate Representative

If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Appointment of Corporate Representative" prior to admission. A form may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Lodge your Proxy Form:

XX

Online:

Lodge your vote online at www.investorvote.com.au using your secure access information or use your mobile device to scan the personalised QR code.

Your secure access information is



Control Number: 999999

SRN/HIN: I999999999

PIN: 99999

For Intermediary Online subscribers (custodians) go to www.intermediaryonline.com

By Mail:

Computershare Investor Services Pty Limited
GPO Box 242
Melbourne VIC 3001
Australia

By Fax:

1800 783 447 within Australia or
+61 3 9473 2555 outside Australia



PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

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

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

Proxy Form

Please mark to indicate your directions

Step 1 Appoint a Proxy to Vote on Your Behalf

XX

I/we being a member/s of Clinuvel Pharmaceuticals Limited hereby appoint

the Chairman of the Meeting **OR**

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of Clinuvel Pharmaceuticals Limited to be held at The Events Centre at Collins Square, Tower 2, Level 5, 727 Collins Street, Melbourne VIC 3008 on Wednesday, 20 November 2019 at 10.00am (Melbourne time) and at any adjournment or postponement of that meeting.

Chairman authorised to exercise undirected proxies on remuneration related resolutions: Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Items 1, 4 & 5 (except where I/we have indicated a different voting intention in step 2) even though Items 1, 4 & 5 are connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

Important Note: If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Items 1, 4 & 5 by marking the appropriate box in step 2.

Step 2 Items of Business

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

	For	Against	Abstain
Item 1 Adoption of the remuneration report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 2 Re-election of Mrs Brenda Shanahan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 3 Re-election of Mrs Susan Smith	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 4 Approval of grant of Performance Rights to a related party: Chief Executive Officer Dr Philippe Wolgen	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 5 Increase in Non-Executive Directors' Fee Pool	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

Step 3 Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1 Securityholder 2 Securityholder 3 / /
 Sole Director & Sole Company Secretary Director Director/Company Secretary Date

Update your communication details (Optional)

Mobile Number Email Address
 By providing your email address, you consent to receive future Notice of Meeting & Proxy communications electronically

