



All Registry communications to:
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5 October 2020

Dear Acrux Shareholder,

I am pleased to provide you with details for virtual attendance, voting and participation at the 2020 Acrux Limited Annual General Meeting ('AGM') to be held on Thursday, 12 November 2020 at 10:00 am (AEDT).

Acrux respects shareholders' right to participate in the AGM and understands the importance of the meeting to shareholders. However, the health and safety of our shareholders, employees and the broader community is paramount. As a result of the potential health risks and the Government restrictions in response to the Coronavirus (COVID 19) pandemic, it will not be possible to host shareholders and members of the public in person at Acrux's AGM this year.

Acrux will be webcasting the AGM so that shareholders are able to view and listen to the presentation and submit questions before or during the meeting online and vote in real time. Shareholders are encouraged to participate in the AGM in the following ways:

- submitting written questions to the auditor or to Acrux prior to the Annual General Meeting;
- submitting proxies prior to the Annual General Meeting. Securityholders may provide specific instructions on how their appointed proxy must exercise their votes on each item of business and the proxy must follow such instructions; and
- listening to and submitting questions during the Annual General Meeting via the web-cast facility available at: <https://agmlive.link/ACR20>.

Your participation in the meeting is important to us and we encourage all shareholders and proxy holders to participate in the AGM virtually via the online platform at: <https://agmlive.link/ACR20>. To do this you will need a desktop or mobile/tablet device with internet access, and you will need to provide your details (including Shareholder Reference Number (SRN) or Holder Identification Number (HIN)) to be verified as a security holder or proxy holder.

Additionally, the *[Corporations \(Coronavirus Economic Response\) Determination \(No. 3\) 2020](#)* issued by the Federal Treasurer on 21 September 2020 permits a Notice of Meeting and other information regarding a meeting to be provided online where it can be viewed and downloaded. Accordingly, this year the Notice of Meeting will not be mailed to shareholders. Instead it is available for you to view and download at the Company's website at: <http://investors.acrux.com.au/investor-centre>.

All resolutions for the 2020 Annual General Meeting will be decided on a poll and we strongly encourage shareholders to submit their proxies as early as possible. We recommend logging in to the online platform at least 15 minutes prior to the scheduled start time for the AGM using the instructions provided in the Notice of Meeting and in the Virtual Annual General Meeting Online Guide, which can be accessed online at: <http://investors.acrux.com.au/investor-centre/?page=home>.

If you have not already done so, I encourage you to consider electing to receive Acrux communications including the Annual Report electronically, which can be done via the registry website (www.linkmarketservices.com.au), or by completing the enclosed election form.

Acrux appreciates your understanding as it navigates these unprecedented times. On behalf of the Board, I would like to take this opportunity to thank you for your continued support and cooperation during this difficult period.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'RD', followed by a horizontal flourish.

Ross Dobinson
Chairman

**ACRUX LIMITED ABN 72 082 001 152
(the Company)**

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the Annual General Meeting of the members of Acrux Limited will be held as a virtual meeting on Thursday, 12 November 2020 at 10:00 am (AEDT).

WEBCAST

You can view a live webcast of the meeting via the online platform at: <https://agmlive.link/ACR20>.

Virtual participation at the Annual General Meeting

The Company is pleased to provide shareholders with the opportunity to participate in the meeting virtually through an online platform provided by our share registrar Link Market Services. Further information on how to do this is set out in this Notice of Meeting and the Virtual Annual General Meeting Online Guide which can be accessed online <http://investors.acrux.com.au/investor-centre/?page=home>.

The Explanatory Notes that accompany and form part of this Notice of Annual General Meeting describe the various matters to be considered.

AGENDA

ORDINARY BUSINESS

Financial Statements and Reports

To receive and consider the financial report of the Company and the reports of the Directors and Auditor for the year ended 30 June 2020.

Resolution 1 Re-election of Mr Ross Dobinson as a Director

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

That Mr Ross Dobinson, who in accordance with clauses 58.3 and 58.4 of the Company's constitution ceases to hold office and offers himself for re-election as a Director, be re-elected as a Director of the Company.

Resolution 2 Adoption of Remuneration Report

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

That the Company's remuneration report for the year ended 30 June 2020 (**Remuneration Report**) be adopted and approved.

Voting Prohibition Statement:

A vote on this Resolution must not be cast (in any capacity) by or on behalf of either of the following persons:

- (a) a member of the Company's key management personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a closely related party of such a member, as defined in the *Corporations Act 2001* (Cth) (**Corporations Act**).

However, a person (**voter**) described above may cast a vote on this resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (c) the voter is appointed as a proxy in writing that specifies the way the proxy is to vote on this Resolution; or
- (d) the voter is the Chair of the meeting and the appointment of the Chair as proxy:
 - i. does not specify the way the proxy is to vote on this Resolution; and
 - ii expressly authorises the Chair to exercise the proxy even though this resolution is connected directly or indirectly with the remuneration of a member of the Company's key management personnel.

Resolution 3 Approval of 10% Placement Capacity – Shares

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

That for the purposes of Listing Rule 7.1A and for all other purposes, approval is given for the issue of equity securities in the Company (**Equity Securities**) totalling up to 10% of the Company's fully paid ordinary shares on issue (**Shares**), calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions set out in the Explanatory Statement.

Voting Exclusion

The Company will disregard any votes cast in favour of this resolution by or on behalf of any person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue of Equity Securities under this resolution (except a benefit solely by reason of being a holder of ordinary securities or any associates of those persons, if the resolution is passed). However, the Company will not disregard a vote if it is cast by:

- a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form;
- the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the Chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting and is not an associate of a person excluded from voting, on the resolution; and
 - the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Resolution 4 Approval of Omnibus Equity Plan – to refresh approval as required by the ASX Listing Rules

To consider and if thought fit, pass the following resolution as an **ordinary resolution**:

That for the purposes of ASX Listing Rule 7.2 (Exception 13(b)) and for all other purposes, the Omnibus Equity Plan Rules (**OEP**) be adopted and approved and the Board be authorised to issue securities to Eligible Participants in accordance with the OEP.

Voting Exclusion

The Company will disregard any votes cast in favour of this resolution by or on behalf of a person who is eligible to participate in the OEP or any associates of such persons. However, the Company need not disregard a vote if it is cast by:

- a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form;
- the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the Chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:

- the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting and is not an associate of a person excluded from voting, on the resolution; and
- the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Resolution 5 Grant of Rights to Mr Norman Gray

To consider and if thought fit, pass the following resolution as an **ordinary resolution**:

That for the purposes of ASX Listing Rule 10.14 and for all other purposes, approval is given for the grant of Rights to Mr Norman Gray under the Company's Omnibus Equity Plan and in accordance with the terms set out in the Explanatory Statement.

Voting Exclusion

The Company will disregard any votes cast in favour of this resolution by or on behalf of Mr Norman Gray or any associates of him. However, the Company need not disregard a vote if it is cast by:

- a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form;
- the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the Chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting and is not an associate of a person excluded from voting, on the resolution; and
 - the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

By order of the Board



Deborah Ambrosini
Company Secretary
5 October 2020

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of the shareholders of the Company in connection with the business to be conducted at the Annual General Meeting to be held on Thursday, 12 November 2020 at 10:00 am (AEDT).

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. This Explanatory Statement is important and should be read carefully by all shareholders.

Receipt of Financial Statements and Reports

The Company's financial report and the reports of the Directors and Auditor for the year ended 30 June 2020 are placed before the meeting, giving shareholders the opportunity to discuss these documents and to ask questions. No resolution is required in respect of these documents.

The Company's financial report and the reports of the Directors and Auditor for the year ended 30 June 2020 are available on the Company's website at: www.acrux.com.au

1. Resolution 1: Re-election of Mr Ross Dobinson as Director

Resolution 1 seeks approval for the re-election of Mr Ross Dobinson as a Director of the Company. In accordance with clauses 58.3 and 58.4 of the Company's constitution, Mr Dobinson will hold office until the conclusion of the Annual General Meeting and being eligible, offers himself for re-election as a Director of the Company.

Set out below are biographical details for Mr Ross Dobinson.

Mr Dobinson joined the Board on 19 March 1998 as a Director, was appointed Chairman in January 2006 and then Executive Chairman from 1 July 2012 to October 2014. He has held the position of Non-executive Chairman since November 2014. In accordance with clause 58 of the Company's constitution, Mr. Dobinson retires by rotation and offers himself for re-election.

Mr Dobinson BBus. Acc., is a founder and former CEO of Acrux Limited.

Mr. Dobinson has a background in investment banking and stockbroking. He is a Director of Reliance Worldwide Corporation (ASX: RWC). He was previously a founding Director of Starpharma Holdings Limited (ASX: SPL), Executive Chairman of Hexima Limited (ASX: HXL), Chairman of TPI Enterprises Limited (now Palla Pharma Ltd. ASX: PAL), Director of Roc Oil Company Limited (ASX: ROC) and a Director of Racing Victoria Limited.

The Board (with Mr Ross Dobinson abstaining in relation to Resolution 1) recommends you vote in FAVOUR of Resolution 1.

2. Resolution 2: Adoption of Remuneration Report (Non-binding Advisory Vote)

General

The Corporations Act requires the Directors to report on certain information relating to remuneration arrangements for Directors and senior executives in the Company's Remuneration Report. The Remuneration Report can be found at pages 23 to 29 of the Company's 2020 Annual Report.

The Corporations Act further requires that each Australian listed public company put to a vote at its Annual General Meeting a resolution that the Remuneration Report be adopted. The vote is advisory only and does not bind the Company or the Directors of the Company. However, the Board will take the outcome of the vote into consideration when reviewing the remuneration policies and practices of the Company.

The Non-executive Directors' cash remuneration has not been increased since 2014. The director services of the Non-executive Chairman Mr Ross Dobinson are provided by Espasia Pty Ltd. The contract for services can be terminated by either party giving three months' notice in writing. For the 2019/20 financial year the contract provided for fees of \$118,000 per annum in respect of director services. For the 2019/20 financial year Non-executive Directors' fees were \$70,000 per annum, plus superannuation, for each Non-executive Director.

At the 2019 Annual General meeting it was agreed that all Directors, with the exception of Mr Norman Gray who was not a Director at the time of the meeting, would receive 50% of their remuneration in the form of equity issued at \$0.18 per share. Fees are paid as a combination of 50% in cash and 50% in equity after shareholder approval was received at the 2019 Annual General Meeting.

Voting consequences

Under the Corporations Act, if, at consecutive Annual General Meetings:

- (a) at least 25% of the votes cast on a remuneration report resolution are cast against the adoption of the remuneration report; and
- (b) at the first of those Annual General Meetings a Spill Resolution (as defined below) was not put to vote,

a company is required to put to its shareholders a resolution proposing the calling of another meeting of the company's shareholders (**Spill Meeting**) to consider the composition of the board (**Spill Resolution**). If more than 50% of the votes cast are in favour of the Spill Resolution, the company must convene the Spill Meeting within 90 days of the second of those Annual General Meetings. This is commonly known as the "two-strike" rule.

Previous voting results

At the Company's 2019 Annual General Meeting, less than 25% of the votes cast on the resolution to adopt the 2019 Remuneration Report were cast against the resolution. Accordingly, a Spill Resolution is not relevant to this Annual General Meeting.

The Board unanimously recommends that you vote in FAVOUR of Resolution 2.

3. Resolution 3: Approval of 10% Placement Capacity – Shares

3.1 General

ASX Listing Rule 7.1A provides that an eligible entity may seek Shareholder approval by special resolution passed at its annual general meeting to have the additional capacity to issue Equity Securities, in this case up to 10% of its issued capital, provided that the issue occurs over a 12-month period from the date of approval at the annual general meeting (**10% Placement Capacity**).

An entity will be an “Eligible Entity” if at the date of the relevant annual general meeting:

- (a) it is not included in the S&P/ASX 300 Index; and
- (b) has a maximum market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of equal to or less than A\$300 million.

The Company is an Eligible Entity as it is not included in the S&P/ASX 300 Index and has a current market capitalisation of \$32,062,007.

If Shareholders approve Resolution 3, the number of Equity Securities the Company may issue under the 10% Placement Capacity will be determined in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 (as set out below).

The effect of Resolution 3 will be to allow the Directors to issue Equity Securities up to 10% of the Company’s fully paid ordinary securities on issue under the 10% Placement Capacity during the period up to 12 months after the Meeting, without subsequent Shareholder approval and without using the Company’s 15% annual placement capacity granted under Listing Rule 7.1. If Resolution 3 is not passed, the Company will not be able to access the additional 10% Placement Capacity to issue equity securities without shareholder approval under Listing Rule 7.1A, and will remain subject to the 15% limit on issuing equity securities without shareholder approval set out in Listing Rule 7.1.

Resolution 3 is a special resolution. Accordingly, at least 75% of votes cast by Shareholders present and eligible to vote at the Meeting must be in favour of Resolution 3 for it to be passed.

3.2 ASX Listing Rule 7.1A

ASX Listing Rule 7.1A came into effect on 1 August 2012 and enables an Eligible Entity to seek shareholder approval at its annual general meeting to issue Equity Securities in addition to those which the Eligible Entity may issue under its 15% annual placement capacity.

Any Equity Securities issued must be in the same class as an existing class of quoted Equity Securities. The Company currently has one class of quoted Equity Securities on issue, being ordinary shares.

The exact number of Equity Securities that the Company may issue under an approval under Listing Rule 7.1A will be calculated according to the following formula, prescribed by Listing Rule 7.1A.2 (**Formula**):

$$(A \times D) - E$$

Where:

- A** is the number of Shares on issue 12 months before the date of issue or agreement:
- plus the number of Shares issued in the previous 12 months under an exception in ASX Listing Rule 7.2;
- plus the number of partly paid shares that became fully paid in the previous 12 months;
- plus the number of Shares issued in the previous 12 months with approval of holders of Shares under Listing Rules 7.1 or 7.4; and
- less the number of Shares cancelled in the previous 12 months.
- D** is 10%.
- E** is the number of Equity Securities issued or agreed to be issued under ASX Listing Rule 7.1A.2 in the 12 months before the date of issue or agreement to issue that are not issued with the approval of holders of Ordinary Securities under ASX Listing Rule 7.1 or 7.4.

3.3 Technical information required by ASX Listing Rule 7.1A

Pursuant to and in accordance with ASX Listing Rule 7.3A, the Company provides the information below in relation to this Resolution 3:

(a) Minimum Price

The minimum price at which the Equity Securities may be issued is 75% of the volume weighted average price of Equity Securities in that class, calculated over the 15 ASX trading days on which trades in that class were recorded immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) if the Equity Securities are not issued within 5 ASX trading days of the date at 5.3(a)(i), the date on which the Equity Securities are issued.

(b) Date of Issue

The Equity Securities may be issued under the 10% Placement Capacity during the period commencing on the date of Shareholder approval at the Meeting and expiring on the first to occur of the following:

- (i) 12 months after the date of this Meeting; and
- (ii) the date of approval by Shareholders of any transaction under ASX Listing Rules 11.1.2 (a significant change to the nature or scale of the Company's activities) or 11.2 (disposal of the Company's main undertaking) in which case Shareholder approval for Resolution 3 will cease to be valid.

(c) Risk of Voting Dilution

Any issue of Equity Securities under the 10% Placement Capacity will dilute the interests of Shareholders who do not receive any Shares under the issue.

If Resolution 3 is approved by Shareholders and the Company issues the maximum number of Equity Securities available under the 10% Placement Capacity, the economic and voting dilution of existing Shares would be as shown in the table below.

The table below shows the dilution of existing Shareholders calculated in accordance with the formula outlined in ASX Listing Rule 7.1A.2, on the basis of the current market price of Shares and the current number of Equity Securities on issue as at the date of this Notice of Meeting.

The table also shows the voting dilution impact where the number of Shares on issue (variable A in the formula) changes and the economic dilution where there are changes in the issue price of Shares issued under the 10% Placement Capacity.

Number of Shares on Issue (Formula variable "A")	Dilution			
	Number of Shares issued under 10% Placement Capacity	Funds raised based on issue price of \$0.095 (50% decrease in current issue price)	Funds raised based on issue price of \$0.19 (Current issue price)	Funds raised based on issue price of \$0.285 (50% increase in current issue price)
168,747,403 (Current)	16,874,740	\$1,603,100	\$3,206,201	\$4,809,301
253,121,105 (50% increase)*	25,312,110	\$2,404,650	\$4,809,301	\$7,213,951
337,494,806 (100% increase)*	33,749,481	\$3,206,201	\$6,412,401	\$9,618,602

*The number of Shares on issue (variable "A" in the Formula) could increase as a result of the issue of Shares that do not require Shareholder approval (such as under a pro-rata rights issue or scrip issued under a takeover offer under Part 5.1 of the Corporations Act) or that are issued with Shareholder approval under Listing Rule 7.1.

The table above uses the following assumptions:

1. The number of Shares on issue is current as at 29 September 2020.
2. The issue price set out above is the closing price of the Shares on the ASX on 29 September 2020.
3. The Company issues the maximum possible number of Equity Securities under the 10% Placement Capacity.
4. The Company has not issued any Equity Securities in the 12 months prior to the Meeting that were not issued under an exception in ASX Listing Rule 7.2 or with Shareholder approval under ASX Listing Rule 7.1.
5. The calculations above do not show the dilution relevant to any one particular Shareholder. All Shareholders should consider the effects of dilution on their own shareholding, depending on their specific circumstances.

6. This table does not set out any dilution pursuant to Shareholder approvals under ASX Listing Rule 7.1.

Shareholders should note the possible risks that:

- i. the market price for the Company's Shares may be significantly lower on the issue date than on the date of Shareholder approval at the Meeting; and
- ii. the Shares may be issued at a discounted price to the market price for those Shares on the date of issue.

(d) Purpose of Issue under 10% Placement Capacity

The Company intends to use the funds raised under the 10% Placement Capacity for further development of its current and future pipeline and the general working capital of the Company.

(e) Allocation under the 10% Placement Capacity

The Company has not yet determined the recipients who will be allotted Equity Securities under the 10% Placement Capacity. However, these recipients are likely to be either or both of the Company's current Shareholders or new investors, none of who will be related parties of the Company.

The Company will determine the recipients of the Equity Securities at the time of the issue under the 10% Placement Capacity, by having regard to the following factors:

- i. the purpose of the issue;
- ii. alternative methods for raising funds available to the Company at that time, including, but not limited to, an entitlement issue or other offer where existing Shareholders may participate;
- iii. the effect of the issue of the Equity Securities on the control of the Company;
- iv. the circumstances of the Company, including, but not limited to, the financial position and solvency of the Company;
- v. prevailing market conditions; and
- vi. advice from corporate, financial and broking advisers (if applicable).

(f) Previous Approval under ASX Listing Rule 7.1A

The Company has previously obtained Shareholder approval under ASX Listing Rule 7.1A at the Company's 2019 Annual General Meeting.

3.4 Voting Exclusion

A voting exclusion statement is included in this Notice of Meeting, above at item 3 to the agenda of Meeting. As at the date of this Notice, the Company has not invited any existing Shareholder to participate in an issue of Equity Securities under ASX Listing Rule 7.1A. Therefore, no existing Shareholders will be excluded from voting on Resolution 3.

The Board unanimously recommends that you vote in FAVOUR of Resolution 3.

4. Resolution 4: Approval of Omnibus Equity Plan - to refresh approval as required by the ASX Listing Rules

Resolution 4 seeks approval for the adoption of the employee incentive scheme entitled the Omnibus Equity Plan (**OEP**) in accordance with ASX Listing Rule 7.2 (exception 13(b)).

ASX Listing Rule 7.1 provides that a company must not, subject specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period. ASX Listing Rule 7.2 (exception 13(b)) sets out an exception to the ASX Listing Rule 7.1 which provides that issues under an employee incentive scheme are exempt for a period of 3 years from the date on which shareholders approve the issue of securities under the scheme as an exception to ASX Listing Rule 7.1.

If Resolution 4 is passed, the Company will be able to issue securities under the OEP to Eligible Participants over a period of 3 years without impacting on the Company's ability to issue up to 15% of its total ordinary securities without shareholder approval. If Resolution 4 is not passed, the Company will be able to issue securities under the OEP to eligible participants, but any issues of securities will reduce, to that extent, the Company's capacity to issue securities without shareholder approval under Listing Rule 7.1 for the 12 month period following the issue of the securities.

The OEP was previously approved by shareholders at the Company's 2017 Annual General Meeting. Since that date a total of 176,460 exempt shares and 9,244,095 Rights have been issued under the OEP.

In designing the OEP Rules and initial grants proposed under them, the Human Capital and Nomination Committee and the Board have taken into account:

- The advice of executive and board remuneration consultants Egan Associates (www.eganassociates.com.au) in relation to best practice long term incentive plans, common practices in relation to the quantum of grants and the type of securities issued.
- The advice of independent tax lawyers.
- The advice of independent valuation consultants.
- The circumstances of the Company, particularly the impact of external events on the Company's financial performance and over which employees had either no or very limited ability to either influence outcomes or mitigate impact, and the stage of development and likely time horizons for commercially relevant outcomes from the development of the Company's product pipeline.

The OEP Rules include, but are not limited to, the following features:

- **Offer:** The Board has discretion to make awards of options, rights, performance rights, performance shares and shares, including Exempt Share Awards under Division 83A of the Income Tax Assessment Act 1997 (Cth) and salary sacrifice share awards. The Board has further discretion to determine vesting conditions including service conditions or other performance hurdles, exercise prices, minimum holding periods, forfeiture conditions or events and other conditions of awards. The Board has further discretion to vary or waive these terms and conditions (subject to Corporations Act limitations on shareholder approval for awards to Directors).

- **Eligibility:** Participants under the OEP include permanent, full-time, or part-time employees, Non-Executive Directors, casual employees or contractors who work a pro-rata equivalent of 40% or more of a comparable full-time position and are Australian residents for tax purposes.
- **Shares:** The total number of ordinary shares over which rights or securities may be awarded under the OEP is capped at 5% of the issued share capital of the Company. Consistent with ASIC Class Order 14/1000, this cap includes any securities awarded under the ESOP, CSOP or OEP within the 3 years before any new award under the OEP, but excludes any rights or securities that have expired or that were issued without the need for disclosure (such as to senior managers of the Company).
- **Vesting:** Rights and options will vest in accordance with applicable performance hurdles, service conditions and exercise conditions. Where a Participant ceases to be employed by the Company or a related body corporate of the Company as a result of death or serious injury which prohibits continued employment, retirement or retrenchment or such other eligible circumstance as determined by the Board ('Qualifying Event'), the Board may, in its absolute discretion, determine that unvested rights and/or options become Vested.
- **Change of Control:** Where there is a change in control of the Company, the Board may in its absolute discretion determine that any unvested rights and/or options become vested.
- **Exercise:** Once options and rights have vested, they are generally able to be exercised prior to the lapsing and forfeiture events. On exercise, the participant must pay the relevant exercise price for those options and/or rights.
- **Quotation:** Options will not be quoted on the ASX. The Company will apply for Official Quotation of the shares issued on exercise of options and/or rights, in accordance with the ASX Listing Rules.
- **Cessation of eligibility:** Where a Participant ceases to be employed by the Company or a related body corporate of the Company, other than as a result of a Qualifying Event, any options, rights and performance rights or shares will be immediately forfeited, whether or not those awards have vested.
- **Restrictions:** Awards are non-transferrable (subject to certain limited exceptions). Awards and dealings in awarded securities are subject to the Company's share trading policies and the Corporations Law as it relates to share trading.
- **Amendments:** To the extent permitted by the ASX Listing Rules, the Board retains the discretion to vary the terms and conditions of the OEP.
- **Other terms:** Subdivision 83A-C (deferred inclusion of gain in assessable income) of the Income Tax Assessment Act 1997 (Cth) as amended by the Tax and Superannuation Laws Amendment (Employee Share Schemes) Act 2015 (Cth) applies to awards granted under the OEP, except in the case of certain Awards that are taxed-upfront.

The Board has chosen to make awards to employees under the OEP in the form of performance rights that are granted on the basis of a four-year cycle. Each performance right will be a right to acquire one ordinary share at no cost. Each grant will vest after one year, provided that the total return to shareholders (TSR) over that period is equal to 12% and the employee remains employed.

Grants that do not vest in any year of the cycle may be "rolled over" into the next year of the cycle and will be subject to an additional 12% TSR hurdle. There will be no "roll-over" after the fourth year. The rights will expire 7 years after grant. The price for each performance right will be determined based on a 30 (calendar) day volume weighted average price (VWAP) up to and including the date of grant.

The Board has selected performance rights as the preferred form of award for the following reasons:

- Compared with options, fewer rights need to be issued to create comparable value for employees and therefore performance rights are less dilutive to shareholders.
- Unlike options that may become worthless if share prices fall below the exercise price after vesting, performance rights track the movements in the share price and retain some value in circumstances where options might not. This enables performance rights to provide stronger incentives for Company employees in circumstances where external factors beyond the control or ability of the employees or Company to mitigate have a negative impact on the Company.
- The performance hurdles applied require the Company's shares to outperform historical equities market averages in order for performance rights to vest.

Given the Board has an interest in this resolution they do not believe it is appropriate to provide a voting recommendation on Resolution 4.

5. Resolution 5: Grant of Rights to Mr Norman Gray

ASX Listing Rule 10.14 provides that a company must not issue securities to its directors under an employee incentive scheme, unless specific shareholder approval for the issue of securities to eligible directors is obtained.

In 2018 the Non-executive Board agreed to accept \$7,000 of equity in the form of Rights in lieu of an increase in cash remuneration. This was approved by Shareholders at the 2018 Annual General Meeting. In response to a Shareholder proposal received by the Company in 2019 the Non-executive Board agreed to accept half (50%) of their cash remuneration as equity in the form of Rights, consistent with the previous arrangement in lieu of an increase in Board remuneration. This was approved by Shareholders at the 2019 Annual General Meeting.

Additional persons (who require approval under ASX Listing Rule 10.14) who become entitled to participate in the Omnibus Equity Plan and who were not named in this explanatory statement will not participate until approval is obtained under ASX Listing Rule 10.14. As Mr Norman Gray was not Director of the Company at the 2019 AGM he was not entitled to participate in this approval.

If Resolution 5 is approved, the proposed change to Mr Gray's remuneration will take effect immediately. Under the resolution, Mr Gray will continue to receive the cash component of his Directors' fees monthly and his equity entitlements will vest on a quarterly basis, over a period of 2 years.

Upon approval Mr Gray will also receive the unpaid portion of his 2019 fees as equity in the form of Rights.

If approved, the Rights will vest on a quarterly basis in arrears, subject to the continuing employment of Mr Gray.

Shareholder approval is therefore sought for the purposes of ASX Listing Rule 10.14 for the Company to issue Rights to Mr Norman Gray under the Omnibus Equity Plan (OEP). The number of Rights will be calculated using a price of \$0.18 per share.

If approval is given for the grant of the Rights to Mr Gray under ASX Listing Rule 10.14, approval is not required under ASX Listing Rule 7.1 and the Rights issued to Mr Gray (and any shares issued pursuant to

the issue of the Rights) will not count towards the 15% share placement cap available under ASX Listing Rule 7.1.

If Resolution 5 is not passed, the Company will not be able to proceed with the issue of Rights to Mr Norman Gray in lieu of cash payments for his Director fees and will need to satisfy the payment of these fees out of the Company's cash reserves.

In accordance with the requirements of ASX Listing Rule 10.15, the following information is provided in relation to the proposed issue of Rights to Mr Gray:

- Mr Norman Gray is a Non-executive Director of the Company and is a related party of the Company for whom approval must be obtained under ASX Listing Rule 10.14.1.
- The rights will be issued as follows:

Non-executive Director	Current cash remuneration per annum ¹ \$	Proposed cash per annum \$	Value of proposed Rights vesting per annum \$	Maximum number of rights vesting per annum at \$0.18 Year 1	Maximum number of rights vesting per annum at \$0.18 Year 2
Mr Norman Gray	77,000	35,000	42,000	466,666	233,333
Total	77,000	35,000	42,000	466,666	233,333

¹ Superannuation is payable at the current Superannuation guarantee rates. These changes to fees will not impact the current superannuation contributions made by Acrux to Mr Norman Gray.

- Mr Norman Gray's current total remuneration package is set out in the table above.
- If this resolution is passed, the Rights will be issued to the Mr Norman Gray as soon as practically possible. The first tranche will vest on 17 February 2021 and the final tranche will be vest on 16 November 2022.
- The Rights will vest quarterly in arrears commencing 17 February 2021 and in accordance with good governance principles, are subject only to continuing service and do not include a performance vesting condition.
- The Rights will be issued to Mr Norman Gray for nil cash consideration and therefore no funds will be raised.
- There will be no loan applicable to the grant of Rights.
- Each Right will give the recipient a right to acquire one ordinary share in the Company for nil consideration.
- The primary purpose of the reduction in the cash component of compensation and issue of the Rights to Mr Norman Gray is to provide an alternative to preserve the Company's cash reserves.
- A summary of the material terms of the EOP are set out under the Explanatory Notes to Resolution 4 above.
- Mr Norman Gray has not previously been issued any Rights under the EOP.
- Any additional persons (who require approval under ASX Listing Rule 10.14) who become entitled to participate in the Omnibus Equity Plan and who were not named in this explanatory statement will not participate until approval is obtained under ASX Listing Rule 10.14.

- Details of any securities issued under the Omnibus Equity Plan will be published in each annual report of the Company relating to the period in which securities have been issued, and that approval for the issue of securities was obtained under Listing Rule 10.14.
- The issue will also align the interests of Mr Norman Gray with those of shareholders towards long term sustained superior growth.

The Board (with Mr Norman Gray abstaining in relation to Resolution 5) recommends you vote in FAVOUR of Resolution 5.

NOTES

Entitlement to Vote and Proxies

Only registered holders of the Company's shares as at Tuesday, 10 November 2020 at 7:00 pm (AEDT) are eligible to vote at the Annual General Meeting.

All Resolutions will be by Poll

In accordance with clause 39.1 of the constitution, the Chairman intends to call a poll on each of the resolutions proposed at the AGM. The Chairman considers voting by poll to be in the interests of the shareholders as a whole and ensures the views of as many shareholders as possible are represented at the meeting.

Direct Voting – Virtual Participation Using Link Group's Online Platform

In accordance with clause 30.4 of the Company's constitution, and to facilitate shareholder participation, the Chairman has determined that shareholders will have the opportunity to participate in the AGM through the Company's online platform at <https://agmlive.link/ACR20>. If you choose to participate in the meeting in this way, you will be able to view the AGM live, lodge a direct vote in real time and ask questions online

Shareholders participating in the meeting using the Company's online platform will be able to vote between the commencement of the AGM (10.00am AEST on Thursday, 12 November 2020) and the closure of voting as announced by the Chairman during the AGM.

More information regarding online participation at the AGM (including how to vote and ask questions online during the AGM) is available in the Online Platform Guide. The Online Platform Guide will be lodged with the ASX and will also be available on our website at <http://investors.acrux.com.au/investor-centre/?page=home..>

The virtual meeting is viewable from desktops, mobile/tablet devices and laptops. To participate and vote online you will need your Shareholder Reference Number (SRN) or Holder Identification Number (HIN) to be verified as securityholder or proxy holder. Proxy holders will need their proxy number which will be provided by Link Market Services no later than 24 hours prior to the meeting and following lodgement of the proxy appointment.

Please ensure that your internet browser is compatible, by following the instructions in the Online Platform Guide – we recommend confirming this prior to determining whether to participate in the AGM using the Company's online platform. It is also recommended that shareholders who elect to participate in the AGM through the Company's online platform log in to the online portal at least 15 minutes prior to the scheduled start time for the meeting.

Voting by Proxy

A member entitled to attend and vote at this Annual General Meeting is entitled to appoint not more than two proxies using the enclosed proxy form. A proxy need not be a member of the Company. The proxy may be an individual or a body corporate. Your proxy's authority to speak and vote for you at the meeting is suspended if you are present at the meeting.

If you appoint one proxy that proxy may vote on a show of hands. Where two proxies are appointed, each proxy may be appointed to represent a specific proportion of your voting rights on a poll but neither proxy has a vote on show of hands. If you appoint two proxies and the appointment does not specify the proportion or number of your votes each proxy may exercise, section 249X of the Corporations Act 2001 provides that each proxy may exercise half of the votes (ignoring fractions). If you appoint another member as your proxy, that person will have only one vote on a show of hands and does not have to vote on a show of hands in accordance with any direction by you.

You may direct your proxy how to vote by marking X in one of the four boxes opposite each item of business. All your votes will be cast in accordance with your direction unless you indicate only a portion of votes are to be cast

on any item by inserting the percentage of your voting rights applicable to the proxy appointed by the proxy form in the appropriate box. If you do not mark any of the boxes relating to the items of business, your proxy may vote as he or she chooses. If you mark more than one box relating to the same item of business any vote by your proxy on that item will be invalid.

The enclosed proxy form provides further details on appointing proxies and lodging proxy forms. Proxies and the original or a certified copy of the power of attorney (if the proxy form is signed by an attorney) must be received not later than 10:00 am (AEDT) on Tuesday, 10 November 2020:

- by lodging it on-line at the registry's website (www.linkmarketservices.com.au) in accordance with the instructions given there. (You will be taken to have signed your proxy form if you lodge it in accordance with the instructions given on the website); or
- by post addressed to Link Market Services Limited; or
- by facsimile to Link Market Services Limited on fax number +61 2 9287 0309.

Documents received after that time will not be valid for the scheduled meeting.

The Chairman of the Meeting Acting as Your Proxy

You may appoint the Chairman of the meeting as your proxy. In addition, the Chairman of the meeting is deemed appointed where a completed proxy form is submitted which does not contain the name of the proxy or where the person appointed on the form is absent from the meeting or does not vote in accordance with your directions. If you direct the Chairman how to vote on an Item of business, the Chairman must vote in accordance with your direction. If you appoint the Chairman of the meeting as your proxy or the Chairman of the meeting is appointed as your proxy by default, and you do not mark a voting instructions box for Items 2, 4 and 5, then by completing and submitting the proxy form, you will be expressly authorising the Chairman of the meeting to exercise the proxy as the Chairman sees fit in respect of Items 2, 4 and 5 even though Items 2, 4 and 5 are connected directly or indirectly with the remuneration of the Company's key management personnel. The Chairman intends to vote all available proxies in favour of each Item of business.

Bodies Corporate

A body corporate may appoint an individual as its representative to exercise any of the powers the body may exercise at meetings of the Company's shareholders. The appointment may be a standing one. Unless the appointment states otherwise, the representative may exercise all of the powers that the appointing body could exercise at a meeting or in voting on a resolution. The representative should bring to the meeting evidence of his or her appointment, including any authority under which the appointment is signed, unless it has previously been given to the Company.

LODGE YOUR VOTE

ONLINE
www.linkmarketservices.com.au

BY MAIL
Acrux Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia

BY FAX
+61 2 9287 0309

BY HAND
Link Market Services Limited
1A Homebush Bay Drive, Rhodes NSW 2138; or
Level 12, 680 George Street, Sydney NSW 2000

ALL ENQUIRIES TO
Telephone: +61 1300 554 474



X999999999999

PROXY FORM

I/We being a member(s) of Acrux Limited and entitled to attend and vote hereby appoint:

APPOINT A PROXY

☐ **the Chairman of the Meeting (mark box)**

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name and email of the person or body corporate you are appointing as your proxy. An email will be sent to your appointed proxy with details on how to access the virtual meeting.

Name

Email

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Annual General Meeting of the Company to be held at **10:00am (AEDT) on Thursday, 12 November 2020 (the Meeting)** and at any postponement or adjournment of the Meeting.

The Meeting will be conducted as a virtual meeting and you can participate by logging in: Online at <https://agmlive.link/ACR20> (refer to details in the Virtual Meeting Online Guide).

Important for Resolutions 2, 4 & 5: If the Chairman of the Meeting is your proxy, either by appointment or by default, and you have not indicated your voting intention below, you expressly authorise the Chairman of the Meeting to exercise the proxy in respect of Resolutions 2, 4 & 5, even though the Resolutions are connected directly or indirectly with the remuneration of a member of the Company's Key Management Personnel (**KMP**).

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting.

Please read the voting instructions overleaf before marking any boxes with an ☒.

Resolutions

	For	Against	Abstain*		For	Against	Abstain*
1 Re-election of Mr Ross Dobinson as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	5 Grant of Rights to Mr Norman Gray	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
3 Approval of 10% Placement Capacity – Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
4 Approval of Omnibus Equity Plan – to refresh approval as required by the ASX Listing Rules	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				

i * If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a poll and your votes will not be counted in computing the required majority on a poll.

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Joint Shareholder 2 (Individual)

Joint Shareholder 3 (Individual)

Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name and email address of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

DEFAULT TO 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 those 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 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 placing a mark in 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 A SECOND PROXY

You are entitled to appoint up to 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's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares 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 half your votes. Fractions of votes will be disregarded; and
- return both forms together.

SIGNING INSTRUCTIONS

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

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, 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 indicate the office held by signing in the appropriate place.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting virtually the appropriate "Certificate of Appointment of Corporate Representative" must be received at registrars@linkmarketservices.com.au prior to admission in accordance with the Notice of Annual General Meeting. A form of the certificate may be obtained from the Company's share registry or online at www.linkmarketservices.com.au.

LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **10:00am (AEDT) on Tuesday, 10 November 2020**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using:



ONLINE

www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Proxy Form).



BY MAIL

Acrux Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia



BY FAX

+61 2 9287 0309



BY HAND

delivering it to Link Market Services Limited*
1A Homebush Bay Drive
Rhodes NSW 2138
or
Level 12
680 George Street
Sydney NSW 2000

* During business hours (Monday to Friday, 9:00am–5:00pm)