

## Notice of Annual General Meeting

Notice is hereby given that an Annual General Meeting of the shareholders of Verva Pharmaceuticals Limited ACN 074 636 847 (“**Company**” or “**Verva**”) will be held at the offices of Middletons Lawyers, Level 25, 525 Collins Street Melbourne at 9:00 am on Friday 29 April, 2011.

### Agenda

#### 1. Ordinary Business

##### Financial Statements and Reports

Verva’s Annual Report for the financial year ended 31 December 2010, including the directors’ report, the auditors’ report and audited financial statements, is available on-line at:

<http://www.vervapharma.com/investors/notices-and-reports>

To request a paper copy, please contact the Company:

e-mail [verva@vervapharma.com](mailto:verva@vervapharma.com)

tel: (03) 9869 5900

mail: c/o- MPR Group, HWT Tower, Level 19, 40 City Road, Southbank VIC 3006

##### Resolution 1 – Election of Kathy Nielsen as a Director

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

*“That pursuant to rule 13.2 of the Company’s Constitution and for all other purposes the Company elects Kathy Nielsen as a director of the Company.”*

##### Resolution 2 – Election of Ian Nisbet as a Director

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

*“That pursuant to rule 16.1 and 16.2 of the Company’s Constitution and for all other purposes Ian Nisbet, having retired as a Director of the Company, being eligible for re-election and having submitted himself for re-election, be appointed as a Director of the Company.”*

##### Resolution 3 – Election of Andrew Baker as a Director

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

*“That pursuant to rule 16.1 and 16.2 of the Company’s Constitution and for all other purposes Andrew Baker, having retired as a Director of the Company, being eligible for re-election and having submitted himself for re-election, be appointed as a Director of the Company.”*

#### 2. Special Business

##### Resolution 4: Variation of rights attaching to Class A Redeemable Preference Shares

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

*“That for the purposes of Section 8 of the terms attaching to the existing issued Class A Redeemable Preference Shares and for all other purposes, approval is granted for the variation of the rights attaching to those existing Class A Redeemable Preference Shares as described in the Explanatory Notes accompanying this Notice of Meeting.”*

##### Resolution 5: Entry into Subscription Agreement and issue of Class A Redeemable Preference Shares

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

*That, subject to shareholder approval of Resolution 4, for the purposes of section 254A(2) and section 611 (item 7) of the Corporations Act 2001 (C’th) (with respect to Genesis Bioscience Managers Pty Ltd ACN 101 781 346 as trustee for The Genesis IIFF Trust) approval is granted for the Company to enter into the Subscription Agreement and issue the Class A Redeemable Preference Shares (as amended pursuant to Resolution 4), and the fully paid ordinary shares into which those Class A Redeemable*

*Preference Shares may convert, pursuant to the terms of the Subscription Agreement, details of which are provided in the Explanatory Notes accompanying this Notice of Meeting."*

**Resolution 6: Approval of Board discretion to Issue further Class A Redeemable Preference Shares**

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

*"That, subject to shareholder approval of Resolution 4, for the purposes of section 254A(2) of the Corporations Act and for all other purposes, approval is granted to give the Board authority to undertake a private placement and issue of up to 10,638,298 Class A Redeemable Preference Shares (as amended pursuant to Resolution 4), and the fully paid ordinary shares into which those Class A Redeemable Preference Shares may convert, to institutional and sophisticated investors (being persons described in Sections 708(8) and 708(10) of the Corporations Act 2001) at an issue price to be determined in the discretion of the Board, but in any case not less than of AU\$0.047 and otherwise on the terms and conditions set out in the Explanatory Notes which accompanies this Notice of Meeting."*

**By Order of the Board:**



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**Mr Matthew Murphy**  
**Verva Pharmaceuticals Limited**  
Company Secretary  
06 April 2011

## Proxy Form

### Verva Pharmaceuticals Ltd.

(ACN 074 636 847)

### Annual General Meeting 29 April, 2011

I, \_\_\_\_\_  
of \_\_\_\_\_

being a shareholder of the Company appoint:

\_\_\_\_\_

of \_\_\_\_\_

or if no person is named, the Chairperson of the Annual General Meeting as my proxy to vote and act for me and on my behalf at the Annual General Meeting of shareholders of the Company to be held on 29 April, 2011 and any other day to which that Annual General Meeting is adjourned or postponed.

My proxy is authorised to exercise all / \_\_\_\_% of my voting rights. If 2 or more proxies are being appointed, the proportion of my/our total voting rights that this proxy is authorised to exercise is \_\_\_\_%

#### I direct my proxy to vote in the following manner:

No	Resolution	For	Against	Abstain
1	Election of Kathy Nielsen as a Director			
2	Re-Election of Ian Nisbet as a Director			
3	Re-Election of Andrew Baker as a Director			
4	Variation of rights attaching to Class A Redeemable Preference Shares			
5	Entry into Subscription Agreement and issue of Class A Redeemable Preference Shares			
6	Approval of Board discretion to Issue further Class A Redeemable Preference Shares			

If you have appointed the Chairperson as your proxy and you do not wish to direct the Chairperson how to vote, please place a mark in the box below:

By marking this box, you acknowledge that the Chairperson may exercise your proxy even if they have an interest in the outcome of the resolution and votes cast by the Chairperson other than as proxy holder will be disregarded because of that interest.

The Chairperson intends to vote in favour of the resolutions.

Date \_\_\_\_\_

Signature \_\_\_\_\_

*Signature of shareholder/s (note if the shareholder is a company, the proxy form should be signed in accordance with the shareholder company's constitution and with the Corporations Act 2001 (C'th)).*

**Notes to Proxy Form**

1. A shareholder who is entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote for the shareholder at that meeting.
2. A shareholder who is entitled to cast 2 or more votes may appoint 2 proxies, in which case they may specify the proportion or number of votes each proxy is appointed to exercise. If the shareholder appoints 2 proxies and the appointment does not specify the proportion or number of votes each proxy may exercise, each proxy may exercise half of the votes of the shareholder.
3. If no directions are given the proxy may vote as the proxy thinks fit or may abstain from voting.
4. A proxy need not be a shareholder of the Company. If a person attends a meeting both as a shareholder and as a proxy for another shareholder, such person will only be counted once on a show of hands.
5. The proxy form must be signed by the shareholder or the shareholder's attorney (in which case the power of attorney must have been previously noted by the Company or a certified copy of the power of attorney must accompany this proxy form).
6. To be valid, proxies must be received by the Company:
  - (a) at its registered office:  
Domestic:  
Verva Pharmaceuticals  
MPR Group Pty Ltd.  
Reply Paid 87061  
Southbank VIC 3006  
  
International:  
Verva Pharmaceuticals  
MPR Group Pty Ltd.  
Level 19 HWT Tower  
40 City Road  
Southbank VIC 3006  
AUSTRALIA
  - (b) successfully transmitted by facsimile to the Company's office on +61 (3) 9869 5999
  - (c) by e-mail of a signed proxy to [verva@vervapharma.com](mailto:verva@vervapharma.com) (PDF preferred)

in each case no later than 48 hours before the commencement of the Annual General Meeting.

## EXPLANATORY NOTES

These explanatory notes have been prepared to provide shareholders with sufficient information to assess the merits of the resolutions contained in the accompanying notice of Annual General Meeting of the Company to be held at the offices of Middletons Lawyers, Level 25, 525 Collins Street, Melbourne at **9:00 am on Friday 29 April, 2011**.

### Ordinary Business

#### **Resolution 1: Election of Kathy Nielsen as a Director**

Rule 13.2 of the Company's Constitution provides that any director appointed to fill a casual vacancy or as an addition to the Board may only hold office until the next annual general meeting and is then eligible for election at that meeting. As Dr Nielsen was appointed after the last annual general meeting of the Company (2 August 2010) to fill a casual vacancy created by the resignation of Matthew Morgan, she is due to retire at this Annual General Meeting and has submitted herself for election.

Dr. Kathy Nielsen (PhD, M.Intell. Prop. Law, M.Pharm., GAICD) is the Senior Investment Manager at Queensland Biocapital Fund. Kathy has over 20 years in medical research, technology transfer and commercialisation - developing early stage technologies in the life sciences sector, with a focus on new therapeutics. She has identified and developed new products over diverse fields including biotechnology, medicinal chemistry, peptide technologies, natural products, stem cell technology, cleantech and nanotechnology. With expertise in intellectual property, a solid scientific background derived from several years in academia and significant industry experience (pharmaceutical and biotechnology), Kathy has driven inventive concepts through to high quality investment ready propositions and has played key roles in the establishment, fund raising and early stage operations for several start-up companies. Kathy's recent roles include Director of Intellectual Property (Xenome Ltd), Executive Officer and Director (ElaCor Pty Ltd) and Manager, Intellectual Property and Development (IMBcom Pty Ltd).

**The Chairman in his capacity as proxy holder intends to vote undirected proxies in favour of approving Resolution 1.**

#### **Resolutions 2 and 3: Re - Election of Ian Nisbet and Andrew Baker as Directors**

Rule 16.1 of the Company's Constitution provides that at least one third of the number of directors (excluding the managing director) must resign at each annual general meeting of the Company (**AGM**). As the Board comprises 5 Directors, 2 Directors must retire. The retiring directors hold office until the conclusion of this AGM, and if re-elected, also commence their new tenure from the conclusion of this AGM.

Rule 16.2 provides that if the Director who must retire is the 'longest serving' Director since their appointment or last election. As Ian Nisbet and Andrew Baker were both elected as Director at the 29 May 2009 AGM and as 2 Directors must retire at this AGM, each is the 'longest serving' and each must retire (but each is eligible for re-election). As Andrew Baker is retiring, his alternate Mr Steve Gourlay automatically ceases to hold office as a director upon Andrew's retirement, but Andrew is again entitled to nominate an alternate director in accordance with the provisions of the Constitution. The alternate does not need to be elected by shareholders.

Each of Dr Ian Nisbet and Dr Andrew Baker, being eligible for re-election, submits themselves for re-election as a Director of the Company pursuant to Resolutions 2 and 3 respectively.

Dr. Ian Nisbet (PhD) is currently a partner at Afandin Pty Ltd. Ian has more than 2 decades of pharmaceutical industry experience, including roles as CEO of Xenome Ltd.; CEO of Meditech Research Ltd.; Senior Director, Business Development and Oncology Alliance Management at Millennium Pharmaceuticals, Inc., Cambridge, Massachusetts, and more than 17 years at CSL Ltd. Ian was Board Chair for Adipogen Pharmaceuticals Pty Ltd. and currently sits on the Board of Velacor Pty Ltd.

Dr. Andrew Baker (PhD) is a Partner at GBS Venture Partners, Ltd. Andrew has over 18 years experience in the pharmaceutical and biotechnology industries, including 14 years working with Genentech, Bayer and as Deputy Director of Johnson & Johnson Research in Sydney. Andrew was a non-executive director for Adipogen Pharmaceuticals Pty Ltd. and currently sits on the Boards of Hatchtech Pty Ltd. and Spinifex Pty Ltd.

**The Chairman in his capacity as proxy holder intends to vote undirected proxies in favour of approving each of Resolutions 2 and 3.**

### Special Business

#### **1. Background to Special Business**

Following a successful fundraising in May 2009, the Company requires further funding to continue its research, development and commercialisation programs and is seeking **up to AU\$2,500,000** from "Sophisticated Investors" (being 'sophisticated investors' as defined in Section 708 of the Corporations Act which includes some existing shareholders) through the issue of Class A Redeemable Preference Shares (as amended pursuant to Resolution 4) referred to in these Explanatory Notes as the "**Class A Preference Shares**".

The investment will be made in two (2) series in accordance with the terms of the Subscription Agreement described in Section 3.3 below (**Subscription Agreement**):

- (a) The "**First Tranche**" of **AU\$1,500,000** through the issue of amended Class A Preference Shares in the capital of the Company at an issue price of **AU\$0.047** per share (being 31,914,894 Class A Preference Shares); and
- (b) The "**Second Tranche**" where the subscribers can elect to invest an additional **AU\$500,000** on the satisfaction of certain milestones through the issuance of amended Class A Preference Shares in the capital of the Company wherein each Class A Share is priced at **AU\$0.047** per share (being 10,638,298 Class A Preference Shares).

The Second Tranche may be invested on the Company achieving the milestones identified in Annexure C.

The amended Class A Preference Shares are participating, redeemable, convertible, fully paid shares in the Company. These shares have the same terms as the Class A Redeemable Preference Shares approved by shareholders at the Verva Annual General Meeting on 29 May 2009, except for the amendments proposed pursuant to Resolution 4 (as referred to in Section 2.3 below). Resolution 5 and the Subscription Agreement are conditional on the approval by shareholders of the variation of the existing Class A Redeemable Preference Shares (as proposed pursuant Resolution 4), with these amended preference shares (i.e. Class A Preference Shares as amended by Resolution 4) being the shares to be issued pursuant to the Subscription Agreement.

The amendments proposed to rights to attach to the existing Class A Preference Shares are detailed in **Annexure B** to these Explanatory Notes.

Prior to the date of this meeting, the existing Class A Shareholders will sign a written waiver of their pre-emptive rights with respect to the proposed issue of amended Class A Preference Shares under the Subscription Agreement and their approval of the proposed amendments to the terms of the Class A Redeemable Preference Shares, in accordance with the terms attaching to the existing Class A Redeemable Preference Shares and the terms of the Subscription Agreement (collectively the **Prior Approvals**). The Company will not enter the Subscription Agreement or issue any Class A Preference Shares without these Prior Approvals.

## 2. Resolution 4: Variation of rights attaching to existing Class A Redeemable Preference Shares

### 2.1 Proposed Resolution 4

The meeting has been convened to consider, and if thought fit, to pass the following resolution as a special resolution:

*"That for the purposes of Section 8 of the terms attaching to the existing issued Class A Redeemable Preference Shares and for all other purposes, approval is granted for the variation of the rights attaching to those existing Class A Redeemable Preference Shares as described in the Explanatory Notes accompanying this Notice of Meeting."*

### 2.2 Terms of Class A Preference Shares and Constitution Requirements

The Company's Constitution and the Terms of the existing Class A Redeemable Preference Shares specify the approvals required to vary the rights attaching to the Class A Redeemable Preference Shares.

Rule 3.9 of the Company's Constitution requires the variation in the rights attaching to a particular class of shares to be approved by the holders of at least 75% of the shares in that class, i.e., 75% of the existing holders of the existing Class A Redeemable Preference Shares must approve the variation in the rights attaching to the existing Class A Preference Shares.

For the variation to the Terms of the existing Class A Redeemable Preference Shares, Section 8 of the terms of the Class A Redeemable Preference Shares requires the approval by of the variation by:

- (a) 75% of the existing Class A Shareholders, and
- (b) special resolution of the Company.

Prior to the date of this meeting the existing holders of Class A Redeemable Preference Shares will consent in writing to the variation of the rights attaching to the existing Class A Redeemable Preference Shares. Pursuant to this Resolution 4, the Company is seeking the approval by special resolution of its shareholders to the variation in rights attaching to the existing Class A Redeemable Preference Shares.

### 2.3 Key terms of the Class A Preference Shares

A copy of the rights currently attaching to the existing Class A Redeemable Preference Shares is contained in Annexure A to these Explanatory Notes. The changes sought to the rights attaching to the existing Class A Redeemable Preference Shares are contained in Annexure B to these Explanatory Notes

### 2.4 Directors' Recommendation

The Verva directors recommend that shareholders vote in favour of this resolution.

**The Chairman in his capacity as proxy holder intends to vote undirected proxies in favour of approving Resolution 4.**

## 3. Resolution 5: Entry into Subscription Agreement and issue of Class A Preference Shares.

### 3.1 Proposed Resolution

The meeting has been convened to consider, and if thought fit, to pass the following resolution as a special resolution:

*That, subject to shareholder approval of Resolution 4, for the purposes of section 254A(2) and section 611 (item 7) of the Corporations Act 2001 (C'th) (with respect to Genesis Bioscience Managers Pty Ltd ACN 101 781 346 as trustee for The Genesis IIFF Trust) approval is granted for the Company to enter into the Subscription Agreement and issue the Class A Redeemable Preference Shares (as amended pursuant to Resolution 4), and the fully paid ordinary shares into which those Class A Redeemable Preference Shares may convert, pursuant to the terms of the Subscription Agreement, details of which are provided in the Explanatory Notes accompanying this Notice of Meeting."*

### 3.2 Corporations Act Requirements

Section 254A(2) of the Corporations Act 2001 (C'th) (**Corporations Act**) requires that the terms of any preference shares to be issued either need to be set out in the Company's constitution or approved by special resolution of the Company. As the terms of the Class A Redeemable Preference Shares (as amended pursuant to Resolution 4) (**Class A Preference Shares**) are not expressly incorporated into in the Company's Constitution, pursuant to Resolution 5 the Company seeks shareholder approval to issue the amended Class A Preference Shares (and the ordinary shares into which the Class A Preference Shares may convert) pursuant to the terms of the Subscription Agreement (as described in Section 3.3 below).

Section 606(1) of the Corporations Act effectively provides that a person cannot acquire a "relevant interest" (as defined in the Corporations Act) in issued voting shares in a company if that person's voting power (or "relevant interest") in the company increases from (i) 20% (or below) to an amount more than 20%; or (ii) from a starting point that is above 20% and below 90%.

"Voting power" is calculated in accordance with section 610(1) of the *Corporations Act* to include both:

- (a) the person concerned and that person's "associates". "Associate" is defined in section 12 of the Corporations Act to include a person acting, or proposing to act, in concert in with the primary person in relation to the relevant company's affairs; and
- (b) any other person with whom that person is acting in concert.

**Table 1** shows the proposed relative share ownership of each of the Subscribers (ignoring any unissued options under the Company's ESOP).

An exception to the prohibition in Section 606 is Section 611 (item 7) of the Corporations Act, which essentially provides for the shareholders to approve in advance the issue of the Class A Preference Shares to a Subscriber (in this case GBS IIFF) which

would otherwise be in breach of Section 606 and accordingly to permit that Subscriber (GBS IIFF) to increase its relevant interest in the Company's shares. Shareholder approval is sought pursuant to Section 611 (item 7) of the Corporations Act to allow the Class A Preference Shares proposed to be issued pursuant to the Subscription Agreement to be issued to GBS IIFF.

### 3.3 Subscription Agreement

The Board is finalising and all parties will, prior to commencing this Annual General Meeting, execute a conditional subscription agreement substantially upon the terms described in these Explanatory Notes ("**Subscription Agreement**") with the following investors.

- QBF No 1 Pty Ltd as trustee for Queensland BioCapital Fund No 1 (**QBF 1**);
- QBF No 2 Pty Ltd as trustee for Queensland BioCapital Fund No 2 (**QBF 2**);
- Genesis Bioscience Managers Pty Ltd as trustee for The Genesis IIFF Trust (**GBS IIFF**);
- UIIT Pty Ltd as trustee for Universities Innovation Investment Trust No 1 (**UIIT 1**);
- UIIT Pty Ltd as trustee for Universities Innovation Investment Trust No 2 (**UIIT 2**); and
- UIIT Pty Ltd as trustee for Universities Innovation Investment Trust No 3 (**UIIT 3**).

(Collectively the "**Subscribers**")

The Subscribers (in aggregate) will pursuant to the Subscription Agreement invest via the First Tranche **AU\$1,500,000** in the Company, The Subscribers may also elect to invest up to a further AU\$500,000 in the Second Tranche. In return for the First Tranche and Second Tranche investments the Subscribers will be issued an aggregate of up to **42,553,191** amended Class A Preference Shares (Table 1). The funds are to be used by the Company for working capital purposes and achieving the anticipated program milestones shown in **Annexure C**.

The conditions precedent to the subscription are:

- (a) Completion of due diligence of the Company to the satisfaction of the Subscribers,
- (b) The Subscribers being satisfied (acting reasonably) that there has been no material adverse change in the business or affairs of the Company since 31 December 2010;
- (c) Satisfactory waiver of Pre-emptive Rights of current holders of Class A Redeemable Preference Shares;
- (d) The approval of Resolutions 4 and 5 as described in the Explanatory Notes.

The amendments proposed in Resolution 4 expand the rights of all holders of Class A Preference Shares and also have the effect of providing to those holders of Class A Preference Shares whose shares have been funded by the Genesis IIFF Trust (as described in Annexure C) additional rights described as the **Genesis IIFF Benefits** in the Subscription Agreement and Annexure B to this Notice of Meeting. The Genesis IIFF Benefits automatically terminate with respect to any Class A Preference Share which is transferred after the date Resolution 5 is passed.

As the Genesis IIFF Benefits vary the terms of the Class A Preference Shares, shareholder approval of the entry by the Company into the Subscription Agreement is also being sought pursuant to Section 8 of the terms of the Class A Redeemable Shares.

The Genesis IIFF Benefits prevail in the event of, and to the extent of, any conflict between the Genesis IIFF Benefits and any of the other terms of the Class A Preference Shares and the Constitution.

The terms of the Subscription Agreement will also include:

- (a) the Company and Subscribers providing each other with the usual warranties in relation to such a subscription, with corresponding indemnity by the Company in the event of a breach by the Company of any of its warranties,
- (b) the minimum amount of a warranty claim needed by a Subscriber before a claim can be made against the Company is AU\$100,000,
- (c) each Subscriber enters the Subscription Agreement as a trustee of a trust and so any liability of the Subscribers is limited to the extent the particular trustee is entitled and able to recover against the assets of their respective trusts,
- (d) The Company is to pay all stamp duty and reimburse the Subscribers for legal and other costs incurred in relation to the document preparation and execution, subject to a cap.

The Funds raised must only be used for the purpose of commercialising research and development activities (including by marketing, sales, distribution, administration, manufacturing products, product development or development of a prototype, pre-clinical studies, clinical trials, regulatory strategy, or protection of intellectual property).

The Directors believe that it is critical the Company secure further funding in the near future so as to fund its working capital for the purpose of achieving the objectives in the business plan. The Company's development stage and the current economic situation means alternative or more attractive sources of funding - including a public listing - are not available.

### 3.4 Effect on share capital structure

The relevant interest in the securities of the Company held by all shareholders before and after both tranches of the proposed financing is provided in Table 1. If shareholders approve this Resolution 5, the effect of the issue of the Class A Preference Shares (assuming conversion into fully paid ordinary shares) will be to substantially dilute the shareholding of existing ordinary shareholders and may effect a change in control in the Company. For illustration purposes, the dilution effects of the issue of any Placement Shares (see section 5 below) issued (if any) to persons other than the Subscribers has also been illustrated.

### 3.5 Possible impact of redemption of Class A Preference Shares

The Company may be required to redeem/convert the Class A Preference Shares, requiring the Company:

- (a) on a redemption to source funds for the repayment of the subscription funds (plus accrued dividends); and
- (b) on a Liquidity Event (as described in Annexure A ), in addition to the repayment under Clause 3.6(a) above, to issue that number of ordinary shares which would have been issued on a conversion of the Class A Preference Shares at that time.

This would have the effect of returning to the holder of the Class A Preference Shares both the amount they paid for the Class A Preference Shares (plus dividends) and the same number of fully paid ordinary shares as if the Class A Preference Shares were converted.

### 3.6 Section 611, item 7 approval under the Corporations Act

#### (a) Information Requirements

In terms of the requirements for the Section 611 (item 7) approval by Verva shareholders, the following information is provided in relation to Resolution 5:

1. The identity of the person acquiring the shares:  
Genesis Bioscience Managers Pty Ltd (as trustee for The Genesis IIFF Trust) (**GBS IIFF**).
2. The maximum extent of the increase in "voting power" of GBS IIFF and of each of GBS IIFF's associates  
The changes in voting power are outlined in **Table 2**. The combined interests of GBS IIFF, together with its associates GBS Venture Partners, and the GBS Genesis Fund, immediately prior to the issue of the Class A Preference Shares is **24.7%**. After the issue of the Class A Preference Shares the change in voting power will be as follows:
  - a) subsequent to Tranche 1, it will increase by **3.1%** assuming no Placement Shares are issued or by **1.7%** if all the Placement Shares are issued; and
  - b) subsequent to Tranche 2 it will increase by a further **0.9%** (total **4.0%**) assuming no Placement Shares are issued or by a further **0.8%** (total **2.5%**) if all the Placement Shares are issued).
3. The voting power as a result of the issue of the Class A Preference Shares of GBS IIFF and of each of GBS IIFF's associates  
As the Class A Preference Shares entitle the holder to vote on an "as converted" basis, the voting power on the issue of the Class A Preference Shares to GBS IIFF and each of GBS IIFF's associates will be as follows:
  - a) subsequent to Tranche 1, it will be **27.8%** assuming no Placement Shares are issued or **26.4%** if all the Placement Shares are issued; and
  - b) subsequent to Tranche 2 it will be **28.7%** assuming no Placement Shares are issued or **27.2%** if all the Placement Shares are issued.
4. Interests of Directors  
Dr. Andrew Baker is a Partner at GBS Venture Partners.  
Dr. John Kurek is Investment Manager at Uniseed Management Pty Ltd.  
Dr Katherine Nielsen is Senior Investment Manager at QBF Pty Ltd.

#### (b) Voting Exclusion Statement for Resolution 5

The Company will disregard any votes cast in respect of Resolution 5 by:

- Genesis Bioscience Managers Pty Ltd; or
- any associate of Genesis Bioscience Managers Pty Ltd, The Genesis IIFF Trust, GBS Venture Partners and the GBS Genesis Fund.

However, the Company need not disregard a vote if:

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

### 3.7 Waiver of existing rights

By approving this Resolution 5 all shareholders, including the holders of all Class A Preference Shares, waive all their rights (including anti-dilution and pre-emptive rights) each would have otherwise had in relation to the proposed issue of Class A Preference Shares pursuant to the Subscription Agreement (as proposed in this Resolution 5) but for this waiver.

### 3.8 Directors' Recommendation

The Verva directors recommend that shareholders vote in favour of this resolution as the alternative is for an orderly realisation of the assets of the Company and its subsequent winding up.

**The Chairman in his capacity as proxy holder intends to vote undirected proxies in favour of approving Resolution 5.**

## 4. Analysis – No Independent Expert Report

The Company has not commissioned an independent expert report for Resolution 5 in the light of the following factors:

- (a) The Board regards current financing round pursuant to the Subscription Agreement as effectively an extension of the previous Series A investment round, being undertaken with virtually the same investors and at the same price of the previous round. While the Company has made technical progress since the previous financing round, the single largest driver of value appreciation is the clinical study that is at the core of both rounds of financing. Completion of the study (and the resulting data) will provide the basis for a re-valuation of the Company. The pricing of the original Series A investment was approved by Shareholders and the Directors believe that it remains a reasonable basis for valuing the Company. Current market conditions and the very large number of Verva shares currently on issue mean that an alternative means of funding (such as a Verva public listing) is unlikely to deliver meaningful development capital to Verva in the appropriate timeframe.
- (b) The proposed investment in amended Class A Preference Shares is contingent on participation of all of the Subscribers. The Board believes that if any Subscriber is precluded from making the current investment (as would be the case if the investment could not proceed on the basis of the amended Class A Preference Share terms), then the investment is unlikely to proceed, in which case the alternative for the Company would be for an orderly winding up of its research / development activities and attempting to dispose of its intellectual property.
- (c) There is no guarantee that a sale by the Company of its intellectual property would provide any return to the Company's shareholders (particularly having regard to the repayment entitlements of the current holders of the Class A Preference Shares which rank ahead of ordinary shareholders).

- (d) The Class A Preference Shares are being issued to the following shareholders, who have the shareholdings detailed in Table 1:
- QBF No 1 Pty Ltd as trustee for Queensland BioCapital Fund No 1 (**QBF 1**);
  - QBF No 2 Pty Ltd as trustee for Queensland BioCapital Fund No 2 (**QBF 2**);
  - Genesis Bioscience Managers Pty Ltd as trustee for The Genesis IIFF Trust (**GBS IIFF**);
  - UIIT Pty Ltd as trustee for Universities Innovation Investment Trust No 1 (**UIIT 1**);
  - UIIT Pty Ltd as trustee for Universities Innovation Investment Trust No 2 (**UIIT 2**); and
  - UIIT Pty Ltd as trustee for Universities Innovation Investment Trust No 3 (**UIIT 3**)

In the above circumstances the Board believes that the investment in the amended Class A Preference Shares should proceed and does not believe there is any material benefit for Verva shareholders in the Company paying for an independent expert valuation to opine on (i) whether the issue of the amended Class A Preference Shares to any of the Subscribers is reasonable and fair or (ii) whether there is a sufficient control premium being paid by the Subscribers to increase their aggregate relevant interest in shares in the Company to in excess of **84.5%** (assuming no Placement Shares are issued) or **85.3%** (if all Placement Shares are Issued) (Table 2) when the alternative is effectively winding up the Company with little prospect of any return to ordinary shareholders.

The Board believes that it has the experience and qualifications to provide Verva shareholders with sufficient information in these Explanatory Notes to make an informed assessment of the Resolutions and in particular where the Class A Preference Shares are issued the increase in relevant interest of each of the Subscribers.

## **5. Resolution 6: Approval of Board discretion to Issue further Class A Redeemable Preference Shares.**

### **5.1 Proposed Resolution**

The meeting has been convened to consider, and if thought fit, to pass the following resolution as a special resolution:

*"That, subject to shareholder approval of Resolution 4, for the purposes of section 254A(2) of the Corporations Act and for all other purposes, approval is granted to give the Board authority to undertake a private placement and issue of up to 10,638,298 Class A Redeemable Preference Shares (as amended pursuant to Resolution 4), and the fully paid ordinary shares into which those Class A Redeemable Preference Shares may convert, to institutional and sophisticated investors (being persons described in Sections 708(8) and 708(10) of the Corporations Act 2001) at an issue price to be determined in the discretion of the Board, but in any case not less than of AU\$0.047 and otherwise on the terms and conditions set out in the Explanatory Notes accompanying this Notice of Meeting."*

### **5.2 Regulatory Requirements**

For an explanation of 254A(2) of the Corporations Act and the attendant regulatory requirements please see section 3.2 above.

### **5.3 Class A Redeemable Preference Shares**

The rights attaching to any Class A Redeemable Preference Shares issued pursuant to this Resolution 6 shall be the same as the rights attaching to any Class A Redeemable Preference Shares to issue pursuant to Resolution 5. A copy of those rights is contained in Annexure A to these Explanatory Notes, as amended by the changes contained in Annexure B to these Explanatory Notes

### **5.4 Authority to Issue and Use of Funds**

The Board is seeking shareholder prior authority to issue further Class A Preference Shares (being Class A Redeemable Preference Shares amended pursuant to Resolution 4) (**Placement Shares**) for subscription of up to AU\$500,000 at an issue price (as determined in the Board's discretion) of at least AU\$0.047 per share, which equates to a maximum further issue of 10,638,298 Class A Preference Shares. If the Placement Shares are issued at a price higher than AU\$0.047 per share, then the total number of Placement Shares to issue will be less than 10,638,298 shares.

These Shares will be issued as fully paid Class A Redeemable Preference Shares ranking equally in all respects with all other fully paid Class A Redeemable Preference Shares then on issue in the Company. The authority is sought for the Board to issue some or all of the Placement Shares, and issue them over the period of **six (6)** months from the approval date of this Resolution 6.

The allottees will be institutional and sophisticated investors (being persons described in Sections 708(8) and 708(10) of the Corporations Act 2001) selected by the Board for the issue. The allottees will not include any of the Subscribers pursuant to the Subscription Agreement (see discussion in Section 3 above).

Should any of these Placement Shares be issued, the funds received under the Placement Shares will be used generally for clinical trial expenditure and working capital requirements of the Company.

### **5.5 Waiver of existing rights**

By approving this Resolution 6 all shareholders, including the holders of all Class A Preference Shares, waive all their rights (including anti-dilution and pre-emptive rights) each would have otherwise had in relation to a further issue of Class A Preference Shares (as proposed in this Resolution 6) but for this waiver.

### **5.6 Possible impact of redemption of Class A Preference Shares**

Please refer to discussion at Section 3.6 and Section 4 above.

### **5.7 Directors' Recommendation**

The Verva directors recommend that shareholders vote in favour of this resolution.

**The Chairman in his capacity as proxy holder intends to vote undirected proxies in favour of approving Resolution 6**

## 6. Further information

The Directors of the Company are not aware of any other information which is relevant to the consideration by shareholders of the proposed resolutions set out in the notice of Annual General Meeting.

The Directors recommend shareholders read these Explanatory Notes in full and, if desired, seek advice from their own independent financial or legal adviser as to the effect of the proposed resolutions before making any decision in relation to the proposed resolutions.

SHAREHOLDERS	ORDINARY			SERIES A		SERIES A		SERIES A		TOTAL SHARES <sup>1</sup>			OWNERSHIP (FULLY DILUTED) <sup>2</sup>		
	PRE	SERIES A	SERIES A	TRANCHE 1	TRANCHE 2	PRE	POST T1	POST T2	PRE	POST T1	POST T2	PRE	POST T1	POST T2	
QBF (QBF1 & QBF2)	5,648,617	48,812,008	13,962,766	4,654,255	-	54,460,625	68,423,391	73,077,646	33.5%	33.3%	33.8%	33.5%	33.3%	33.8%	
QIC	1,081,260	-	-	-	-	1,081,260	1,081,260	1,081,260	0.7%	0.5%	0.5%	0.7%	0.5%	0.5%	
GBS Genesis	1,459,304	35,104,564	-	-	-	36,563,868	36,563,868	36,563,868	22.5%	17.8%	16.9%	22.5%	17.8%	16.9%	
GBS Genesis IIF Trust	-	-	13,962,766	4,654,255	-	-	13,962,766	18,617,021	0.0%	6.8%	8.6%	0.0%	6.8%	8.6%	
GBS Venture Partners	3,325,953	-	-	-	-	3,325,953	3,325,953	3,325,953	2.0%	1.6%	1.5%	2.0%	1.6%	1.5%	
Westscheme	-	8,404,255	-	-	-	8,404,255	8,404,255	8,404,255	5.2%	4.1%	3.9%	5.2%	4.1%	3.9%	
MTAA Superannuation	-	5,106,313	-	-	-	5,106,313	5,106,313	5,106,313	3.1%	2.5%	2.4%	3.1%	2.5%	2.4%	
UIIT (UIIT1, 2, 3)	2,235,141	18,735,646	3,989,362	1,329,787	-	20,970,787	24,960,149	26,289,936	12.9%	12.2%	12.2%	12.9%	12.2%	12.2%	
PLACEMENT SHARES <sup>3</sup>	-	-	10,638,298	-	-	-	10,638,298	10,638,298	0.0%	5.2%	4.9%	0.0%	5.2%	4.9%	
All Other Shareholders	31,680,760	-	-	-	-	31,680,760	31,680,760	31,680,760	19.5%	15.4%	14.7%	19.5%	15.4%	14.7%	
<b>Sub Total</b>	<b>45,431,035</b>	<b>116,162,786</b>	<b>42,553,191</b>	<b>10,638,298</b>	<b>-</b>	<b>161,593,821</b>	<b>204,147,012</b>	<b>214,785,310</b>	<b>99.3%</b>	<b>99.4%</b>	<b>99.4%</b>	<b>99.3%</b>	<b>99.4%</b>	<b>99.4%</b>	
<b>OPTIONS &amp; WARRANTS</b>															
Options Outstanding	1,197,500	-	-	-	-	1,197,500	1,197,500	1,197,500	0.7%	0.6%	0.6%	0.7%	0.6%	0.6%	
<b>Sub Total</b>	<b>1,197,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,197,500</b>	<b>1,197,500</b>	<b>1,197,500</b>	<b>0.7%</b>	<b>0.6%</b>	<b>0.6%</b>	<b>0.7%</b>	<b>0.6%</b>	<b>0.6%</b>	
<b>TOTAL SHARES (FULLY DILUTED)</b>	<b>46,628,535</b>	<b>116,162,786</b>	<b>42,553,191</b>	<b>10,638,298</b>	<b>-</b>	<b>162,791,321</b>	<b>205,344,512</b>	<b>215,982,810</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	

<sup>1</sup>Assumes 1:1 conversion ratio. <sup>2</sup> Includes all outstanding options exercised. <sup>3</sup> Assumes price of placement shares = AU\$0.047

**TABLE 2 – Relative share ownership on an undiluted basis (excluding options)****A. If all Placement Shares are issued**

SHAREHOLDERS	TOTAL SHARES ON ISSUE <sup>1</sup>			OWNERSHIP (UNDILUTED) <sup>2</sup>		
	PRE	POST T1	POST T2	PRE	POST T1	POST T2
<b>SERIES A</b>						
QBF (QBF1 & QBF2)	48,812,008	62,774,774	67,429,029	30.2%	30.7%	31.4%
GBS Genesis	35,104,564	35,104,564	35,104,564	21.7%	17.2%	16.3%
GBS Genesis IIFF Trust	-	13,962,766	18,617,021	0.0%	6.8%	8.7%
Westscheme	8,404,255	8,404,255	8,404,255	5.2%	4.1%	3.9%
MTAA Superannuation	5,106,313	5,106,313	5,106,313	3.2%	2.5%	2.4%
UIIT (UIIT1, 2, 3)	18,735,646	22,725,008	24,054,795	11.6%	11.1%	11.2%
PLACEMENT SHARES <sup>3</sup>	-	10,638,298	10,638,298	0.0%	5.2%	5.0%
<b>Sub Total</b>	<b>116,162,786</b>	<b>158,715,977</b>	<b>169,354,275</b>	<b>71.9%</b>	<b>77.7%</b>	<b>78.8%</b>
<b>ORDINARY SHARES</b>						
QBF (QBF1 & QBF2)	5,648,617	5,648,617	5,648,617	3.5%	2.8%	2.6%
QIC	1,081,260	1,081,260	1,081,260	0.7%	0.5%	0.5%
GBS Genesis	1,459,304	1,459,304	1,459,304	0.9%	0.7%	0.7%
GBS Genesis IIFF Trust	-	-	-	0.0%	0.0%	0.0%
GBS Venture Partners	3,325,953	3,325,953	3,325,953	2.1%	1.6%	1.5%
Westscheme	-	-	-	0.0%	0.0%	0.0%
MTAA Superannuation	-	-	-	0.0%	0.0%	0.0%
UIIT (UIIT1, 2, 3)	2,235,141	2,235,141	2,235,141	1.4%	1.1%	1.0%
All Other Shareholders	31,680,760	31,680,760	31,680,760	19.6%	15.5%	14.7%
<b>Sub Total</b>	<b>45,431,035</b>	<b>45,431,035</b>	<b>45,431,035</b>	<b>28.1%</b>	<b>22.3%</b>	<b>21.2%</b>
<b>TOTAL (UNDILUTED)</b>	<b>161,593,821</b>	<b>204,147,012</b>	<b>214,785,310</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

<sup>1</sup> Assumes 1:1 conversion ratio.<sup>2</sup> Only shares on issue; excludes outstanding options<sup>3</sup> Assumes price of Placement Shares prices = AU\$0.047**B. If no Placement Shares are issued:**

SHAREHOLDERS	TOTAL SHARES ON ISSUE <sup>1</sup>			OWNERSHIP (UNDILUTED) <sup>2</sup>		
	PRE	POST T1	POST T2	PRE	POST T1	POST T2
<b>SERIES A</b>						
QBF (QBF1 & QBF2)	48,812,008	62,774,774	67,429,029	30.2%	32.4%	33.0%
GBS Genesis	35,104,564	35,104,564	35,104,564	21.7%	18.1%	17.2%
GBS Genesis IIFF Trust	-	13,962,766	18,617,021	0.0%	7.2%	9.1%
Westscheme	8,404,255	8,404,255	8,404,255	5.2%	4.3%	4.1%
MTAA Superannuation	5,106,313	5,106,313	5,106,313	3.2%	2.6%	2.5%
UIIT (UIIT1, 2, 3)	18,735,646	22,725,008	24,054,795	11.6%	11.7%	11.8%
<b>Sub Total</b>	<b>116,162,786</b>	<b>148,077,680</b>	<b>158,715,977</b>	<b>71.9%</b>	<b>76.5%</b>	<b>77.7%</b>
<b>ORDINARY SHARES</b>						
QBF (QBF1 & QBF2)	5,648,617	5,648,617	5,648,617	3.5%	2.9%	2.8%
QIC	1,081,260	1,081,260	1,081,260	0.7%	0.6%	0.5%
GBS Genesis	1,459,304	1,459,304	1,459,304	0.9%	0.8%	0.7%
GBS Genesis IIFF Trust	-	-	-	0.0%	0.0%	0.0%
GBS Venture Partners	3,325,953	3,325,953	3,325,953	2.1%	1.7%	1.6%
Westscheme	-	-	-	0.0%	0.0%	0.0%
MTAA Superannuation	-	-	-	0.0%	0.0%	0.0%
UIIT (UIIT1, 2, 3)	2,235,141	2,235,141	2,235,141	1.4%	1.2%	1.1%
All Other Shareholders	31,680,760	31,680,760	31,680,760	19.6%	16.4%	15.5%
<b>Sub Total</b>	<b>45,431,035</b>	<b>45,431,035</b>	<b>45,431,035</b>	<b>28.1%</b>	<b>23.5%</b>	<b>22.3%</b>
<b>TOTAL (UNDILUTED)</b>	<b>161,593,821</b>	<b>193,508,715</b>	<b>204,147,012</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

<sup>1</sup> Assumes 1:1 conversion ratio.<sup>2</sup> Only shares on issue; excludes outstanding options

## **Annexure A**

### **Existing Class A Redeemable Preference Shares terms (prior to the adoption of Resolution 4)**

Below are the terms of the Series A Redeemable Preference Shares prior to any amendment. Certain definitions relevant to the interpretation of this Annexure are contained in Clause 10 below.

#### **1. Conversion to Ordinary Shares**

##### **1.1 Subject to law**

This clause applies subject to clause 2 (“Anti-dilution”), the Corporations Act and any other applicable laws.

##### **1.2 When shares may be converted**

Class A Preference Share will convert into fully paid ordinary shares in the following circumstances:

- (a) if a Class A Preference Shareholder notifies the Company in writing that the Class A Preference Shareholder wants to exercise its option to convert some or all of the Class A Preference Shareholder's Class A Preference Shares - at the time and in relation to the Class A Preference Shares specified in the notice;
- (b) if a Class A Preference Shareholder notifies the Company following a Liquidity Event that the Class A Preference Shareholder wants to exercise its option to receive a capital sum under clause 4.2 (“Right to Redeem or return of capital”) of this Annexure at the time and in relation to the Class A Preference Shares for which amounts are paid under clause 4.4(a) (“Payment of capital sum and conversion”) of this Annexure;
- (c) on an IPO, if the price per share issued under the IPO is at least 5 times the subscription price paid per Class A Preference Shares held by the Class A Preference Shareholder - all Class A Preference Shares will convert automatically when the new shares are issued;
- (d) on a Trade Sale, at an effective price or value per Class A Preference Share (determined as if immediately post-completion of the sale) at least 5 times the subscription price paid per Class A Preference share held by the Class A Preference Shareholder - all Class A Preference Shares will convert automatically at the time when the shares are transferred; or
- (e) with the approval of the holders of at least 75% of the Class A Preference Shares - all Class A Preference Shares will convert automatically at the time specified in the relevant resolution.

##### **1.3 Conversion Ratio**

A Class A Preference Share will convert into an ordinary share under clause 1.2 (“When shares may be converted”) at the following conversion ratio:

- (a) if there has not been a Relevant Issue, one (1.0); and
- (b) if there has been a Relevant Issue, then:

$$CR = \frac{SP}{NCP}$$

where:

CR = conversion ratio

SP = subscription price paid for the Class A Preference Share.

NCP= conversion price immediately following the latest Relevant Issue, calculated in accordance with Clause 2 (“Anti-dilution”) of this Annexure.

##### **1.4 Rights after conversion**

At the time of conversion and without any further act, a Class A Preference Share:

- (a) has the same rights as a fully paid ordinary share; and
- (b) ranks equally with other fully paid ordinary shares on issue.

##### **1.5 Effect of conversion**

Conversion under this clause 1 (“Conversion to ordinary shares”) does not constitute a cancellation, redemption or termination of the Class A Preference Share or the issue, allotment or creation of new shares, but has the effect of varying the status of, and the rights attaching to, the Class A Preference Share so that it becomes an ordinary share.

#### **2. Anti-dilution**

- (a) If the Company makes a Relevant Issue, the Company will recalculate the conversion price (used to calculate the conversion ratio under clause 1.3 (“Conversion Ratio”) of the Class A Preference Shares which have not been converted, in accordance with the following formula:

$$NCP = \frac{PNS \times PCP + A}{TNS}$$

where:

NCP = new conversion price applicable immediately after the Relevant Issue.

PNS = number of issued shares in the capital of the Company immediately prior to the Relevant Issue.

PCP = previous conversion price calculated as:

- (i) if no prior Relevant Issue has occurred, the subscription price paid per Class A Preference Shares; or
- (ii) if a Relevant Issue has occurred previously, the issue or exercise price paid for the Securities issued under the immediately preceding Relevant Issue.

A = total amount raised by the Relevant Issue.

TNS = total number of issued shares in the capital of the Company immediately after the Relevant Issue.

- (b) Any adjustment under this clause 2 ("Anti-dilution") will not be taken to be a modification of the rights attaching to the Class A Preference Shares.

### 3. Dividend rights

- (a) Each Class A Preference Share confers on the holder a right to receive a dividend ("Dividend") calculated at a rate of 8% per annum payable on the occurrence of a Liquidity Event, or an IPO or Trade Sale to which clause 1.2(c) or 1.2(d) ("**When shares may be converted**") of this Annexure ("Terms of Class A Preference Shares") applies. Any Dividend is cumulative and will rank for payment in priority to all other classes of shares.
- (b) If, and to the extent that, the Directors decide under the terms of issue, each Class A Preference Share may, in addition to any right to receive a Dividend under clause 3(a) ("Dividend rights"), participate equally with the ordinary shares in the distribution of profits available for dividends.

### 4. Liquidity Event

#### 4.1 Notice of Liquidity Event

Immediately following a Liquidity Event, the Company must notify each Class A Shareholder that a Liquidity Event has occurred.

#### 4.2 Right to Redeem or return of capital

On receipt of a notice under clause 4.1 ("Notice of Liquidity Event"), a Class A Preference Shareholder may by notice in writing to the Company:

- (a) require the Company to redeem some or all of the Class A Preference Shareholder's Class A Preference Shares; or
- (b) require the Company to pay a return of capital in respect of each of the Class A Preference Shareholder's Class A Preference Shares, up to the amount paid on the Class A Preference Share.

#### 4.3 Redemption Rights

On request of a Class A Preference Shareholder under clause 4.2(a) ("Right to redeem or return of capital"), the Company must:

- (a) pay the Class A Preference Shareholder the redemption price for each Class A Preference Share being redeemed, being the amount paid on the Class A Preference Share;
- (b) cancel each Class A Preference Share being redeemed; and
- (c) for each Class A Preference Share being redeemed, issue to the Class A Preference Shareholder ordinary fully paid shares at the conversion ratio under clause 1.3 ("Conversion Ratio").

#### 4.4 Payment of capital sum and conversion

- (a) On request of a Class A Preference Shareholder under clause 4.2(b) ("Right to redeem or return of capital"), the Company must pay such return of capital to the Class A Preference Shareholder.
- (b) Each Class A Preference Share for which a Class A Preference Shareholder has received a return of capital under 4.4(a) ("Right to redeem or return of capital"), will convert to ordinary fully paid shares under clause 1 ("Conversion to ordinary shares") at the conversion ratio under clause 1.3 ("Conversion Ratio").

#### 4.5 Dividends on Liquidity Event

In addition to payments under clause 4.3(a) ("Redemption Rights") and 4.4(a) ("Payment of capital and conversion"), each Class A Preference Share confers on its holder the right in a Liquidity Event, or an IPO or Trade Sale to which clause 1.2(c) or 1.2(d) ("**When shares may be converted**") applies of accrued but unpaid dividends under clause 3(a) ("Dividend rights") in priority to all other classes of shares.

#### 4.6 No other rights to profits

A Class A Preference Share does not confer on its holder any right to participate in the profits or property of the Company except as set out in this Annexure ("Terms of Class A Preference Shares").

### 5. Voting

Each Class A Preference Shareholder's entitlement to vote at meetings of the Company is to be calculated as though its Class A Preference Shares had been converted to ordinary shares in accordance with clause 1 ("Conversion to ordinary shares").

### 6. Pre-emptive rights

#### 6.1 Notice of issue to be given

Subject to clause 2 ("Anti-dilution"), if the Company proposes to issue new shares, the Company must give a notice to each Class A Preference Shareholder, specifying:

- (a) the total number of new shares to be offered;
- (b) the number of new shares for which the Class A Preference Shareholder is entitled to subscribe, being the number of new shares which correlate to the proportion which the Class A Preference Shareholder's shareholding in Class A Preference Shares bears to the aggregate shareholding of all Class A Preference Shareholders in the Company;
- (c) the issue price of each new share;
- (d) the date by which the offer of new shares must be accepted; and
- (e) the date for subscription, and any other terms of the offer of the new shares.

#### 6.2 Notice of acceptance

Within 10 Business Days of receipt of a notice of issue in accordance with clause 6.1 ("Notice of issue to be given"), a Class A Preference Shareholder who wants to take up all or part of its entitlement to the new shares must give a notice of acceptance to the Company specifying:

- (a) the number of new shares that the Class A Preference Shareholder wants to take up; and
- (b) the number or value (if any) of new shares in excess of the Class A Preference Shareholder's entitlement, for which the Class A Preference Shareholder would be prepared to subscribe.

**6.3 Failure to give a notice of acceptance**

If a Class A Preference Shareholder fails to give a notice of acceptance within the period stated in clause 6.2 (“Notice of acceptance”), that Class A Preference Shareholder is taken to have waived its right to participate in that issue of new shares.

**6.4 Allocation of Declined Shares**

If a Class A Preference Shareholder does not take up all of its entitlement to new shares offered under clause 6.1 (“Notice of issue to be given”), then the Declined Shares must be offered (on the same terms as specified in the relevant notice of issue) first to those Class A Preference Shareholders who have offered to take up new shares additional to their entitlements in the proportions which each relevant Class A Preference Shareholder’s shareholding of Class A Preference Shares bears to the aggregate shareholding of all Class A Preference Shareholders who have offered to take up new shares additional to their entitlements. The process is to be repeated in respect of any remaining Declined Shares until all of the Declined Shares are taken up, or until no Class A Preference Shareholder accepts an offer to take up further Declined Shares. Each offeree shall have a period of 5 Business Days in which to accept an offer, failing which the offeree is deemed to have rejected the offer.

**6.5 Issue of remaining Declined Shares to third parties**

Subject to compliance with clause 6.4 (“Allocation of Declined Shares”), if the Class A Preference Shareholders do not take up all of the Declined Shares, the Company may, during the period of 10 Business Days following completion of the offers of new shares under clause 6.4 (“Allocation of Declined Shares”), issue the remaining Declined Shares to any third parties the Directors determine, on terms no less favourable than were offered to the Class A Preference Shareholders.

**6.6 Issue of other Securities**

Subject to clause 6.7 (“Excluded issues”), the right of first refusal under this clause 6 (“Pre-emptive rights”) also applies to a proposed issue of any other Securities by the Company.

**6.7 Excluded issues**

The right of first refusal under this clause 6 (“Pre-emptive rights”) does not apply to any of the following:

- (a) **(Share option scheme)** Securities issued to employees, directors or consultants of the Company under an ESOP, provided that the total ESOP is not more than 10% of the issued capital of the Company; or
- (b) **(capital structure)** Securities issued in connection with any share split, dividend or recapitalisation by the Company, or on conversion of any convertible Securities,

provided that such issues of Securities are approved by a resolution of the Directors who together comprise not less than 75% of the Directors who are not disqualified from voting on that resolution, and who are present and voting on that resolution.

**7. Amendment to the terms**

Subject to complying with all applicable laws, the Company may, without the consent of the Class A Preference Shareholders, amend or add to the terms of the Class A Preference Shares under this Annexure (“Terms of Class A Preference Shares”) if, in the opinion of the Company, the amendment or addition is:

- (a) of a formal, minor or technical nature;
- (b) to correct a manifest error;
- (c) made to comply with any applicable law; or
- (d) not likely to be or become materially prejudicial to the Class A Preference Shareholders.

**8. Variation of rights**

Subject to clause 7 (“Amendment to the terms”) and the terms of issue of a Class A Preference Share as determined by the Directors and under this Annexure (“Terms of Class A Preference Shares”), the rights attaching to a Class A Preference Share may only be varied or cancelled by a special resolution of the Company and:

- (a) by a special resolution passed at a meeting of Class A Preference Shareholders entitled to vote; or
- (b) with the written consent of holders of at least 75% of the issued Class A Preference Shares.

**9. Further issue of shares**

If the Company issues new preference shares that rank equally with the Class A Preference Shares, the issue will not be taken to vary the rights attached to the existing Class A Preference Shares unless otherwise determined by the Directors in the terms of issue of the existing Class A Preference Shares.

**10. Definitions re Class A Preference Shares**

“**Liquidity Event**” means the occurrence of:

- (a) an Insolvency Event; or
- (b) following a Trade Sale and following a resolution of the Board or the Shareholders approving the distribution and payment to Shareholders of the proceeds of sale, a final determination being made of the amount that will be paid to Shareholders (including by way of dividend, in a winding up, by return of capital or share buyback); or
- (c) an IPO; or
- (d) an acquisition by the Company, where the subject of the acquisition is valued at 75% or more of the value of the Company immediately prior to the acquisition; or
- (e) a winding up of the Company

other than an IPO or Trade Sale to which clause 1.2(c) or 1.2(d) (“When shares may be converted”) of this Annexure (“Terms of Class A Preference Shares”) applies.

“**Relevant Issue**” is an issue of new securities in the Company convertible into shares at a price per security less than the subscription price paid per Class A Share.

## **Annexure B**

### **Proposed amendments to existing Class A Redeemable Preference Shares terms (Resolution 4)**

The following changes are included in the rights attaching to the Class A Redeemable Preference Shares (being the Class A Amendments), incorporated by the insertion of a new clause 10 in the terms of the Class A Preference Shares headed

"10. **Additional Rights**" (and renumbering the existing clause 10 as clause 11, with any consequential renumbering required as well) and the addition of new definitions, as follows:

#### **"10. Additional Rights**

The provisions of this Section 10 apply to the Class A Redeemable Preference Shares and to the extent there is any inconsistency between this Section 10, the other rights of the Class A Redeemable Preference Shares and the Constitution, the provisions of this Section 10 will prevail to the extent of the inconsistency.

#### **10.1 General Rights**

##### 10.1.1 Veto

Subject to the provisions of the Corporations Act, the Class A Preference Share Majority will have the right to veto an IPO, trade sale or other liquidity event unless holders of Class A Redeemable Preference Shares are to receive cash and/or quoted securities (valued at the issue price of those securities pursuant to the IPO or trade sale) greater than five times their original subscription amount for the relevant Class A Redeemable Preference Shares.

##### 10.1.2 Redemption in 5 years

Subject to the provisions of the Corporations Act, at the election of the Class A Preference Share Majority the Company shall redeem the outstanding Class A Redeemable Preference Shares in three equal annual instalments beginning on the fifth anniversary of the closing date. The redemption price will be equal to the original purchase price of the Class A Redeemable Preference Shares plus accrued cumulative but unpaid dividends.

##### 10.1.3 Further Issues

The Company must not issue Securities to any person without the prior consent of the Class A Preference Share Majority, except those contemplated in this agreement or in the case of a pro rata issue of Securities to all existing shareholders in the Company.

##### 10.1.4 Anti Dilution

Clause 2 of the rights attaching to the Class A Redeemable Preference Shares is deleted and the following applies in its place:

"2. Between the date the Company issues a Class A Preference Share and the date being 12 months of the date that Class A Preference Share is converted, the Company must not without the Class A Preference Share Majority approval

- (a) issue a Security of the same category as a Class A Preference Share at a price which is less than the price of AU\$0.047 per share, or
- (b) do another thing or omit to do something that would have the effect (directly or indirectly) of a Class A Preference Shareholder being diluted within that 12 months, or
- (c) issue any ordinary shares to any person at a price which is less than the effective price of the ordinary shares received by any Class A Preference Shareholder on conversion of its Class A Preference Shares.

If the Company breaches (a) or (b) above it must promptly issue all such Class A Preference Shareholders with Securities so that those holders are not diluted by the issue or conversion to which the breach relates. If the Company breaches (c) above the Company must issue all such Class A Preference Shareholders with the Required Number of ordinary shares.

For the purposes of this clause, Required Number of ordinary shares means the number calculated by the formula:

$$(A \div B) - C$$

where:

**A** is the product of the effective price at that time multiplied by the number of ordinary shares issued to such Class A Preference Shareholder before that time on the conversion of the relevant Class A Preference Shares previously held by such Class A Preference Shareholder;

**B** is the lower price; and

**C** is the number of ordinary shares previously issued to such Class A Preference Shareholder as a result of the conversion of the relevant Class A Preference Shares at the exercise price.

If the calculation at any time results in a negative number, the required number is zero.

The effective price of each of the ordinary shares at any time (that time) is to be calculated according to the formula:

$$(X + Y) \div Z$$

where:

**X** is the price paid or payable by such Class A Preference Shareholder for the Class A Preference Shares the conversion of which resulted in the issue to such Class A Preference Shareholder of the ordinary shares;

**Y** is the additional amount (if any) paid or payable by such Class A Preference Shareholder to convert those Class A Redeemable Preference Shares; and

**Z** is the number of ordinary shares into which those Class A Preference Shares have converted (which may be or include a fraction of one Eligible Investment)."

Where for the purposes of this clause 10.1, the following new Definitions to be added to Clause 11 (previously Clause 10 as provided in Annexure A)

**Class A Preference Share Majority** means the holders of at least 75% of the Class A Redeemable Preference Shares.

**Security** means a Class A Preference Share in the capital of the Company or an option thereover or a convertible note."

## 10.2 Genesis IIFF Benefits

The Australian Government operates an *Innovation Investment Follow-on Fund* program (IIFF) under which Genesis Bioscience Managers Pty Ltd (Genesis IIFF) has been granted follow-on funding to be invested in the Company. The follow-on funding and hence the proposed investment by Genesis IIFF into the Class A Redeemable Preferences Shares in the Company is subject to terms and conditions set by the Commonwealth (Funding Rules). The Funding Rules are generally fixed and not negotiable. Outlined below is a summary of some of the material provisions which together with clause 10.1.4 above (collectively Genesis IIFF Benefits) applying to Genesis IIFF's investment in the Company.

The following additional rights form part of the rights attaching Class A Preference Shares under this Subscription Agreement whose funding for those Class A Preference Share is sourced from the Genesis IIFF Trust, until such time as, and to the extent that, the Subscriber transfers any interest in a Class A Preference Share.

### 10.2.1. Definitions

**Agreement** means the Subscription Agreement dated **06 April 2011** to which this Schedule forms Schedule 7A.

**Commitment** means the dollar amount that Genesis IIFF agrees to pay to the Company for the acquisition of Class A Preference Shares as set out in the Agreement.

**Company** means Verva Pharmaceuticals Limited ACN 074 636 847.

**Commonwealth** means the Commonwealth of Australia.

**Funding Rules** means the terms and conditions agreed between Genesis IIFF Manager and the Commonwealth which govern the operation of Genesis IIFF (including the provision and terms of the Commitment) as set out in the Trust Deed of Genesis IIFF and the Commonwealth Unit Funding Agreement between the Manager and the Commonwealth.

**Genesis IIFF Manager** means Genesis Bioscience Managers Pty Ltd ABN 54 101 781 346.

**Genesis IIFF** means the Genesis IIFF Manager as trustee of the Genesis IIFF Trust.

**Genesis IIFF Trust** means Genesis IIFF Trust constituted by and under trust deed dated on or about 18 November, 2009.

**Programme Delegate** the Minister or otherwise officer from time to time authorised to act as 'Programme Delegate' in respect of the Programme.

**Programme** means Commonwealth's Innovation Investment Follow-on Fund program.

**R&D Activities** means systematic investigation or experimentation activities:

- (a) that involve innovation, technology transfer into Australia or technical risk;
- (b) that are carried out in Australia; and
- (c) the object of which is new knowledge (with or without a specific practical application) or new or improved materials, products, devices, processes or services.

This definition may be varied by the Program Delegate, where in the opinion of the Program Delegate the definition set out above (if applicable, as previously varied by the Program Delegate) is inconsistent with, or varies from, the definition of "R&D Activities" in the Industry Research and Development Act 1986 (C'th). Any variations to this definition will apply to new activities carried out by the Company on and from the date of the variation.

**Security** means a share in the capital of the Company or an option thereover or a convertible note.

### 10.2.2 Paramount

- (a) The Genesis IIFF Benefits prevail over any other provisions of the Agreement and all other rights attaching to the Class A Preference Shares, notwithstanding any other provision of the Agreement.
- (b) The Commitment and the obligations of Genesis IIFF under the Agreement are subject to the Funding Rules.
- (c) Neither Genesis IIFF nor Genesis IIFF Manager will be liable to the Company for any costs, loss or other amounts that arise as a result (directly or indirectly) of Genesis IIFF or Genesis IIFF Manager doing a thing or not doing a thing in order to comply with the Funding Rules.
- (d) To the extent that the Agreement is inconsistent or otherwise contrary to the Funding Rules, the latter prevails. Where such inconsistency or contrariness arises, the Company agrees to, acting in good faith, promptly amend the Agreement to remove such inconsistency.
- (e) The Company must provide all reasonable assistance to Genesis IIFF and Genesis IIFF Manager to allow it to comply with the Funding Rules in respect of the Company. For the avoidance of doubt, such assistance would not include the Company incurring any material cost or expense or the Company assuming or being responsible for any obligation of Genesis IIFF or the Genesis IIFF Manager.
- (f) Genesis IIFF is not required to make or pay the Commitment or the Company when it is precluded from doing so under the Funding Rules.

### 10.2.3 Purpose of Commitment

The proceeds of the Commitment must only be used for the purpose of commercialising R&D Activities (including by marketing, sales, distribution, administration, manufacturing products, product development or development of a prototype, pre-clinical studies, clinical trials, regulatory strategy, or protection of intellectual property).

### 10.2.4 Information

The Company must provide Genesis IIFF with any information required for Genesis IIFF to comply with the Funding Rules in respect of its Commitment including:

- (a) information required to perform a valuation of the Company and Commitment;
- (b) allowing the Programme Delegate, Genesis IIFF auditor and their respective nominees access books and records of the Company; and
- (c) for the purposes of the Genesis IIFF Manager reporting to the Commonwealth in respect of the Company and Commitment.

#### 10.2.5 Confidentiality

Genesis IIFF and the Genesis IIFF Manager is permitted to disclose any information about the Agreement, the Company or any matter contemplated herein, to the Programme Delegate, the Genesis IIFF auditor and any other person required under the Funding Rules.

#### 10.2.6 Calls

- (a) The Company must provide at least 20 days notice to the Genesis IIFF Manager of the requirement to pay any amount under the Agreement.
- (b) Genesis IIFF is not required to make any payment under the Agreement or otherwise for its Class A Preference Shares to the Company after paying the Subscription Price pursuant to the Agreement.

#### 10.2.7 No dilution

Where clause 2 (Anti Dilution) of the rights attaching to the Class A Preference Shares applies, when issuing further Securities the Company must ensure that in issuing Genesis IIFF with Securities the Funding Rules are complied with in this respect.

#### 10.2.8 Disposal

- (a) Under the Funding Rules Genesis IIFF may be required to dispose of Securities and any Commitment it has to the Company in situations including that the Company ceases:
  - (i) or substantially ceases to commercialise R &D Activities; or
  - (ii) to be an eligible investment of Genesis IIFF under the Funding Rules.
- (b) Genesis IIFF is not prevented under the Agreement from disposing of its Commitment or any Securities prior to the nominal Genesis IIFF end date of 5 August 2012 (or as otherwise determined under the Funding Rules).
- (c) Genesis IIFF may dispose of its Securities and any Commitment it has to the Company where required to do so under the Funding Rules.
- (d) The Company is not required to buy back or effect any of the Securities or any of the Commitment.

#### 10.2.9 Dispute resolution procedure

**(a) No arbitration or court proceedings**

If a dispute arises between the Genesis IIFF Manager and a party in connection with the Agreement or any matter contemplated hereunder (Dispute), a party must comply with this clause 10 before starting arbitration or court proceedings (except proceedings for interlocutory relief).

**(b) Notification**

A party claiming a Dispute has arisen must give the other parties to the Dispute notice setting out details of the Dispute.

**(c) Parties to resolve Dispute**

During the 14 days after a notice is given under clause 10.3 (or longer period if the parties to the Dispute agree in writing), each party to the Dispute must use its reasonable efforts to resolve the Dispute. If the parties cannot resolve the Dispute within that period, they must refer the Dispute to a mediator if one of them requests.

**(d) Appointment of mediator**

If the parties to the Dispute cannot agree on a mediator within seven days after a request under clause 10.4, the chairman of LEADR or the chairman's nominee will appoint a mediator.

**(e) Role of mediator**

The role of a mediator is to assist in negotiating a resolution of the Dispute. A mediator may not make a binding decision on a party to the Dispute except if the party agrees in writing.

**(f) Confidentiality**

Any information or documents disclosed by a party under this clause 10:

- (a) must be kept confidential; and
- (b) may only be used to attempt to resolve the Dispute.

**(g) Costs**

Each party to a Dispute must pay its own costs of complying with this clause. The parties to the Dispute must equally pay the costs of any mediator.

**(h) Termination of process**

A party to a Dispute may terminate the dispute resolution process by giving notice to each other after it has complied with clauses 10.2 to 10.4. Clauses 10.7 and 10.8 survive termination of the dispute resolution process.

**(i) Breach of this clause**

If a party to a Dispute breaches clauses (a) to (h) above, the other parties to the Dispute do not have to comply with those clauses in relation to the Dispute.

#### 10.2.10 Indemnity

The Company indemnifies Genesis IIFF and Genesis IIFF Manager against all reasonable costs, losses and other amounts incurred by them to the extent such are caused by a breach of the Genesis IIFF Benefits by the Company.

**Annexure C****Second Tranche Milestones**

<b>PROGRAM</b>	<b>MILESTONE</b>	<b>TIMING</b>
<b>VVP100X (analogues)</b>	Demonstrate that structural analogues of VVP808 can inhibit glucose production in FAO (liver) cells	Q2,2011
<b>VVP808 Target</b>	Demonstrate that reduction of the levels of the 2 putative VVP808 diabetes targets reduces glucose production by an established liver cell culture model and evaluate the effect of VVP808 in this model.	Q2,2011
<b>VVP808-002 Clinical Study</b>	Last patient first dose	Q2,2011
<b>VVP808+Metformin</b>	Complete evaluation of potential synergy between VVP808 and metformin as a means of lowering blood glucose levels in mouse models of diabetes	Q3,2011
<b>VVP808 Target</b>	Demonstrate that reduction of the levels of the 2 putative VVP808 diabetes targets reduces glucose production in isolated hepatocytes (liver cells) and evaluate the effect of VVP808 in these cells	Q3,2011
<b>VVP808 Target &amp; VVP100X</b>	Demonstrate direct modulation of putative diabetes target(s) by VVP808 and VVP100X analogues in enzyme assays <i>in vitro</i>	Q4,2011
<b>VVP808 Target</b>	Evaluate the effect (or lack thereof) of VVP808 on glucose levels in mice where levels of the putative diabetes target(s) have been lowered or removed	Q1,2012
<b>VVP808-002 Clinical Study</b>	Final study data	Q1,2012