Meeting Transcript

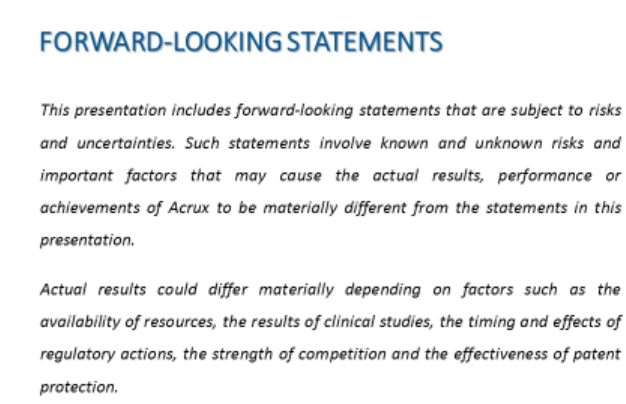
Annual General Meeting

of

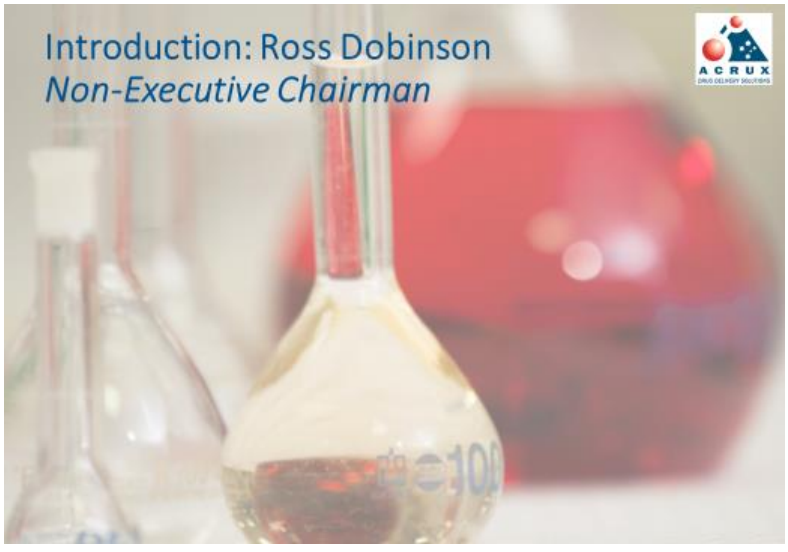
Acrux Limited

10.00am, Thursday 27 November 2014

- **Welcome**



Chairman's Address



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

It is my pleasure to welcome shareholders to the 2014 Acrux Annual General Meeting. We would like to thank Pitcher Partners for the use of their facilities today.

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

I would like to introduce my colleagues:
My fellow Board members

- Our new Chief Executive Officer – Michael Kotsanis
- Non-Executive Director – Ross Barrow,
- Non-Executive Director – Bruce Parncutt,
- Non-Executive Director – Tim Oldham

and also the Senior Management Team:
Our new CFO & Company Secretary – Sharon Papworth.
Commercial Director – Dr Nina Webster.

Before we proceed to the formal business of the meeting I would like to provide a brief overview of progress since the last AGM before introducing Michael to give a more detailed presentation and commentary on our strategy for growing the Company.

Chairman's Address

As noted at last year's AGM, Acrux has been searching for complementary products and delivery technologies since the Company's inception. I also noted that a formal screening and project development mechanism had been introduced to identify new products and technologies, together with an assessment methodology for potentially complementary companies. I detailed the methodology for the assessment process and the attributes required for a positive assessment of products, technologies and possible acquisitions by Acrux.

Since the last AGM this assessment process has been significantly improved, standardised and has now been rolled out within the Company. All of our staff are now involved in its implementation. The process has been designed to enable Acrux to leverage its key strengths of infrastructure and human capital. There are very few companies in the sector in Australia which have sustainable cash flow, a well-defined methodology for improving both existing and new pharmaceutical products, experienced personnel, a track record of developing and licensing products for global markets, and the manufacturing capacity required for drug development through each of the phases of clinical trials preceding new drug registrations.

The viability of our process was proven during the development of the two projects with Hexima. We are confident that the new intellectual property developed jointly with Hexima and other intellectual property independently owned by Acrux will create significant shareholder value.

Our current valuation is virtually solely based on the sales potential of Axiron, and the Board and management are cognisant of the need to develop a pipeline of products with an appropriate balance of maturity profiles to reduce our dependence on Axiron. This has been referred to in previous meetings and I am pleased to advise that we have made significant progress in implementing an effective methodology for sourcing new projects for our pipeline and developing these projects.

The implementation of this methodology to expand our pipeline is likely to require additional expenditure on project development. This will diversify and strengthen the Company's asset base and the Board will balance this expenditure against the recognised need to maintain dividend flow. I will make the obvious point that both the Board and Management are substantial shareholders in the Company and we continue to value the dividend stream from our shareholdings.

I am very pleased to welcome Michael as our new CEO. He has an ideal experience base for this role and his addition to the Acrux team is very timely in the context of our current development opportunities. While it has not been possible to finalise the key performance indicators and reimbursement package for Michael in time to organise shareholder approval of the equity component of his package, I would like to note the basic terms prior to calling an extraordinary general meeting to obtain formal approval of the equity issue.
Michael is entitled to receive two million options as a sign-on entitlement, followed by a further one million options on the first anniversary of his appointment and a second tranche of one million options on the second anniversary of his appointment. The exercise terms of the options are at a 25%

premium to the weighted average share prices in the five days preceding each of the relevant option grant dates. The exercise price of the first option grant is $1.06.

I will now pass over to Michael for his operational report.

CEO & Managing Directors Address

Good morning ladies and gentlemen. I am excited to be with you at my first Annual General Meeting for Acrux so soon after I joined the company. By way of introduction I wanted to give you a brief summary of my own history before moving to matters more relevant for today's AGM.

I have worked in the pharmaceutical industry for over 25 years. Between 2002 and 2006 following the acquisition of Faulding by Mayne Group, or Mayne Nickless as it was known then, I ran the Asia Pacific pharmaceutical business for the company, which at the time was a substantial generic injectable business generating solid growth year on year. Following Mayne's demerger and the

subsequent acquisition of Mayne Pharma by Hospira that was first announced in late 2006, I was appointed as President of Europe, Middle East and Africa for the combined business which was a diverse organisation generating US$500 million dollars in sales with direct operations in 18 countries, distributors in over 30 additional countries in the region and a leading injectable generic and medical device business. I then joined Synthon as the Chief Commercial Officer based in the Netherlands in 2010. Synthon is a privately owned company that generates over 200 million EURO in annual revenue with a strong business-to-business, or B2B generics business and an emerging biopharmaceutical business with a particular focus on antibody drug conjugates for various oncology indications.

Building a successful therapeutic product business

Turning to Acrux, over the last 12 months the company has reviewed and revised its strategy. As part of that review, we have updated our internal company valuation model in order to understand the true value to the business of our major asset, Axiron as well as the other levers available to help us create

value for shareholders. That has led, in part, to the changes in management announced recently, including my own appointment.

At a high level we see the Acrux business as having three distinct opportunities.

Firstly, our major marketed products, testosterone, which is branded as Axiron and our oestradiol spray which has a number of brands in different countries, are all licensed out for commercialisation through partners whose shared objective with us is to maximise the return from these assets. We will continue to see the roll-out of our oestradiol spray in new territories, which will generate milestones and royalties for us in the near term. Axiron's market share in the US has been consistent over the past 12 months through the efforts of Lilly, and they have global commercial rights for the product. In addition to promotional efforts, Lilly evaluates optimal pricing and ensures good coverage through managed care channels in the US, which is the major market. As a US based top 10 global pharmaceutical company, Lilly is well placed to optimally manage the Axiron brand.

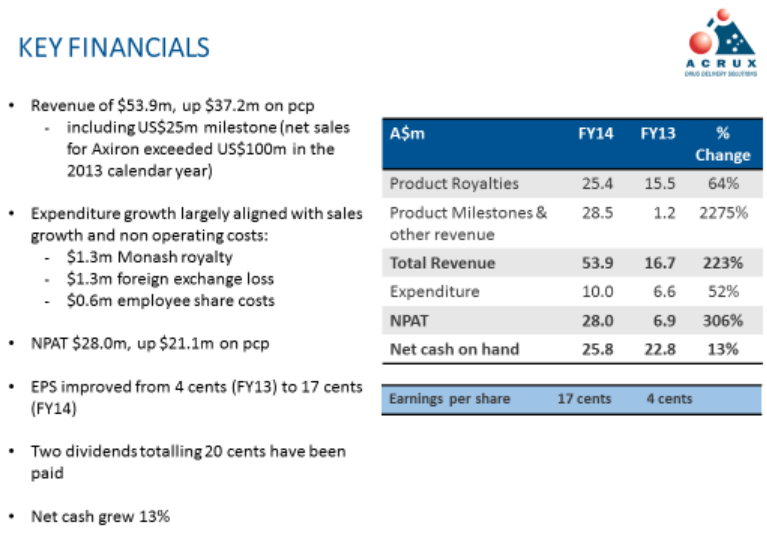
Secondly, with three products already approved, it is obvious that Acrux can do a lot more to leverage its existing facilities and capabilities. Our on-site labs and GMP facility will enable us to assess future opportunities and explore early development in-house in a cost-effective and efficient manner.

Thirdly, a key goal in the near term is to boost the company's pipeline. Whilst we will certainly look outside the company for attractive acquisition or licensing opportunities, we have already begun to evaluate a broad set of projects where we see we can add value through the application of our technology and

intellectual property. We have established a set of key criteria for new projects that include a thorough review of both the development process and timelines, the intellectual property position that can be created or enhanced and the business case that supports the investment in each project. The projects that we are evaluating will be further refined and then added to our pipeline as appropriate. Our goal is to ensure we have a balanced portfolio in terms of both risk and financial returns, with a focus on relatively short time to market opportunities and a "fast to fail" stage gated development approach, as described at our last AGM.

Ultimately, our goal is to create further value for our shareholders.

Key Financials



The financial results for the year ended 30 June 2014 were strong, driven largely by Axiron product sales and a sales based milestone. Revenue grew over 220% to $53.9m and included a US$25m milestone based on net sales for Axiron having exceeded US$100m in sales in the 2013 calendar year. We received an

additional milestone of $0.7m following the first European regulatory filing of our oestradiol spray by our partner Gedeon Richter. Royalty income was $24.7m and largely comprised royalties from Axiron in the US. I am also pleased to say that Axiron royalties from outside the US grew following the launch in Brazil and Germany, which are two of the major global pharmaceutical markets.

Expenditure for the year totalled $10m and was up $3.4m over last year. However, 38% of the increase was driven by the payment of royalties to the Monash Investment Trust, which grew $1.3m over last year, coupled with an adverse foreign exchange movement, predominately in the US dollar, resulting in a $1.3m foreign exchange loss. We will continue to pay royalties to Monash Investment Trust, based on sales income until February 2017. Employee share costs were $0.6m for the year and were not incurred in the prior year. After consideration of these items, underlying operating costs were broadly in line with last year.

Net profit after tax (NPAT) was $28m and grew $21.1m over last year.

We again paid an 8 cent dividend. In addition we also paid a 12 cent special dividend from the milestone payment received from Lilly during the year.

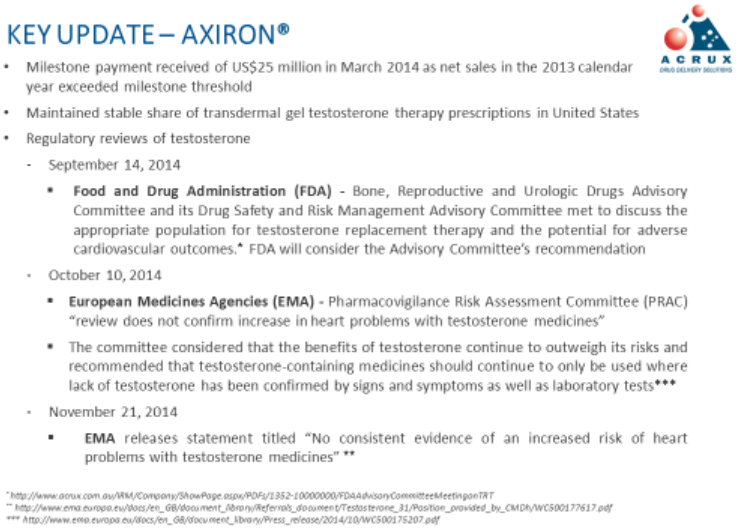
Cash at 30 June totalled $25.8m and grew 13% year on year, providing a solid base for the company to pursue its future strategy.

Commercial Highlights

In terms of overall commercial highlights last financial year, Axiron has been launched in a number of additional countries since our last AGM. Our oestradiol spray was approved in South Africa, with further regulatory approvals pending in various European countries and in South Korea.

The recent changes in the senior management team, along with the strong cash position, will allow us to take a fresh view of the company and the Acrux product pipeline, which is a key focus for me and which I will elaborate on later in this presentation.

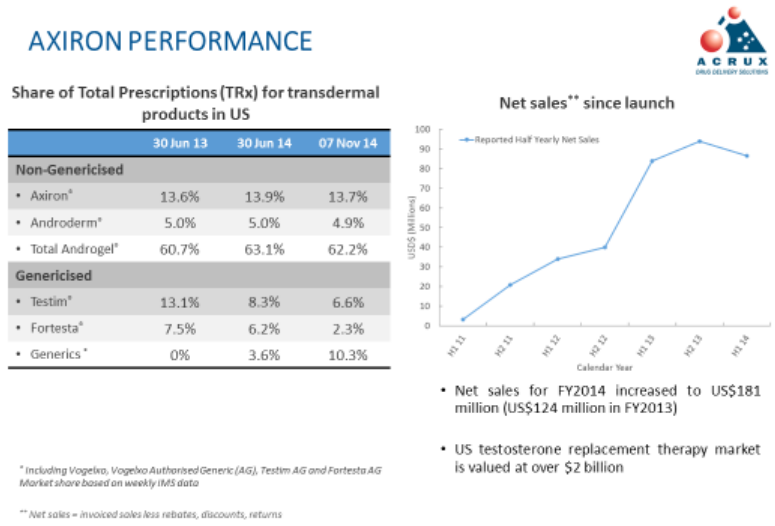
Key Update – Axiron



Despite the strong financial results last financial year, Acrux has had a challenging year which is reflected in its share price. The most significant challenge to Axiron's sales was a result of the Drug Safety Communication from the US FDA early in the 2014 calendar year regarding a potential link between cardiovascular risk and the use of testosterone replacement therapy. The European Medicines Agency, or EMA, closely followed suit, with a similar safety assessment.

Both agencies have since had Advisory Committee meetings. The FDA's Bone, Reproductive and Urologic Drugs Advisory Committee met in September and the EMA's Pharmacovigilance Risk Assessment Committee met in October. On Friday evening local time, EMA published its consensus statement following the earlier meeting of the PRAC. The heading of which was, and I quote, "No consistent evidence of an increased risk of heart problems with testosterone medicines". This is reassuring and we await the FDA statement in due course. I refer you to our ASX release on Monday, or the EMA website for the full statement.

Axiron Performance



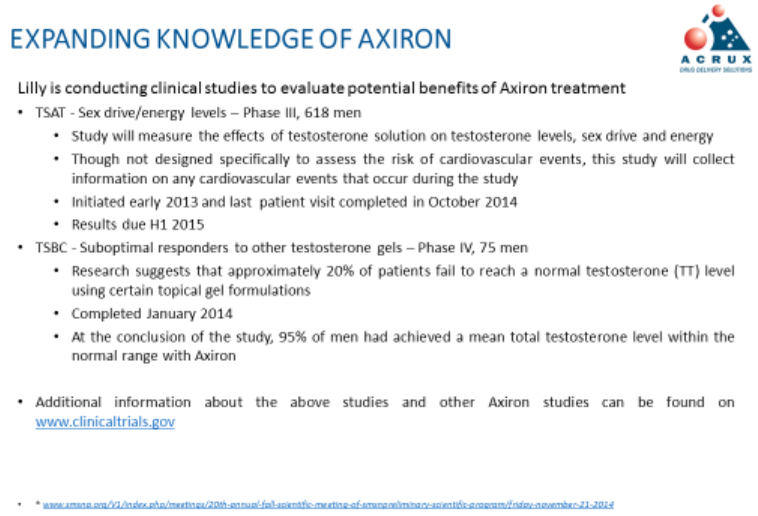
Whilst the testosterone market has declined as a result of concerns raised by these regulatory assessments, Axiron has continued to hold a steady market share throughout the year in the US. Since it was approved by the FDA in 2010, more than 1.5 million men in the US have been prescribed Axiron to treat hypogonadism.

Demand for testosterone replacement therapy has increased significantly over the last decade, driven by a number of factors, including new therapeutic options, increased patient and prescriber awareness and a large, untreated patient population.

Generics of lower strength 1% testosterone products were introduced in June 2014, however these are not substitutable for Axiron and Axiron continues to be the number two product in the US transdermal testosterone replacement therapy sector.

Net sales of Axiron increased by 46% to US$181.1 million in financial year 2014, versus US$124 million in financial year 2013. Royalties on net sales for financial year 2014 were US$22.3 million, versus US$14 million in financial year 2013. With the increase in US sales, and the contribution of ex-US sales, the average royalty rate also increased in the first half of financial year 2014.

Expanding Knowledge of Axiron



Lilly continues to invest in the Axiron brand, including a number of studies to further evaluate and understand the potential benefits of Axiron treatment.

Two studies I want to highlight are the studies that are referred to as the TSAT study and the TSBC study.

The primary endpoint of the TSAT study is to measure the proportion of participants with total serum testosterone concentration within normal range after 12 weeks.

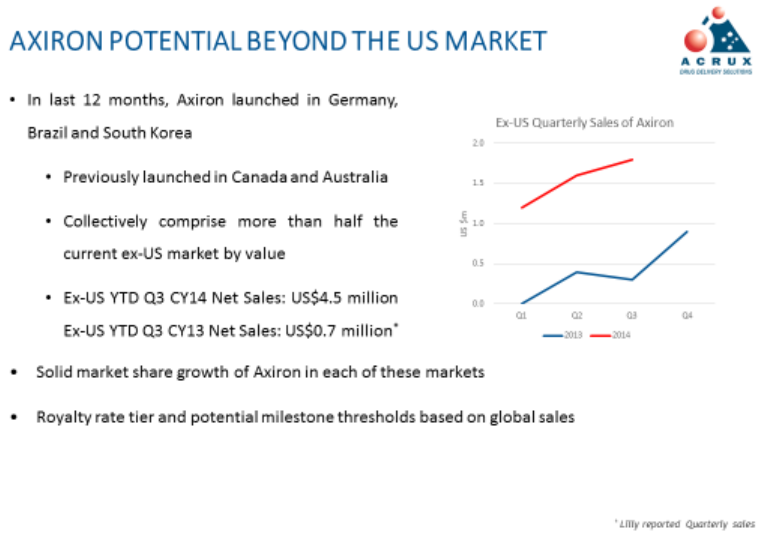
Secondary endpoints included an assessment of the levels of sexual arousal, interest and drive and/or energy level, in men with low testosterone. The study will last approximately 16 weeks, followed by an optional 24 week open label treatment phase to investigate the long term safety of testosterone solution. The study is one of the largest Phase 3 trials conducted on testosterone and has enrolled over 600 men and is placebo controlled. We expect the completion date for the study to be Q2, 2015. More information about this study can be found on clinicaltrials.gov.

Another study, known as TSBC, evaluated the effect of Axiron in patients who failed to respond to treatment using other topical gel products. The primary endpoint of this study was the percentage of participants achieving normal serum testosterone levels. The leading testosterone gels, when applied as directed to the appropriate application sites, being the upper arms, shoulders or abdomen, showed testosterone levels failed to return to the normal range in approximately 20% of patients.

Of the patients enrolled in this study, all of whom had experienced treatment-resistant androgen deficiency on other marketed testosterone gels, 95% achieved testosterone levels within the normal testosterone range, with 70% of these patients achieving normal testosterone levels within 2 weeks after beginning Axiron treatment. Additionally, before starting treatment over 61% of respondents reported impairment in either energy level or sexual drive. After treatment, energy level improved in 75% of subjects and sexual drive improved in 70%.

Further information on these, and a number of additional Lilly testosterone studies, can be found on clinicaltrials.gov.

Potential beyond the US market



In the last year, in addition to US, Canada and Australia, Axiron has been approved and launched in Brazil, Germany and South Korea. Those markets collectively comprise more than half the ex-US $ market for testosterone replacement therapies, with Germany being the third largest testosterone market after the US and Canada. The market share of Axiron continues to grow in all these markets and is contributing towards the sales total that determines the royalty rate tier.

Other products commercialised

Turning to other products, Acrux's first product was an oestradiol spray for women to treat the symptoms of menopause. The spray was approved by the FDA in 2007 and launched into the US market in 2008. Branded Evamist, the spray is distributed in the US by Acrux's licensee Lumara Health, formerly known as KV Pharmaceuticals. Lumara Health filed petitions seeking relief under Chapter 11 of the United States Bankruptcy Code in August 2012. Lumara Health emerged from Chapter 11 protection in September 2013 following acceptance of its reorganisation plan to recapitalise the company. Lumara Health announced in September 2014 that it had entered into a definitive agreement for the sale of its Women's Healthcare assets, including Evamist, to Perrigo Company Plc. Acrux has confirmed with Lumara Health that the Evamist arrangement with Perrigo will be in the form of a sub-license agreement between Lumara Health and Perrigo.

In June 2013, Acrux appointed Gedeon Richter to commercialise the product in selected ex-US markets and Acrux received US$1 million upon signing the agreement. Acrux can earn further payments of up to US$2.6 million upon achievement of European regulatory milestones by Gedeon Richter, plus

royalties on sales which are expected to commence at the end of the 2015 calendar year.

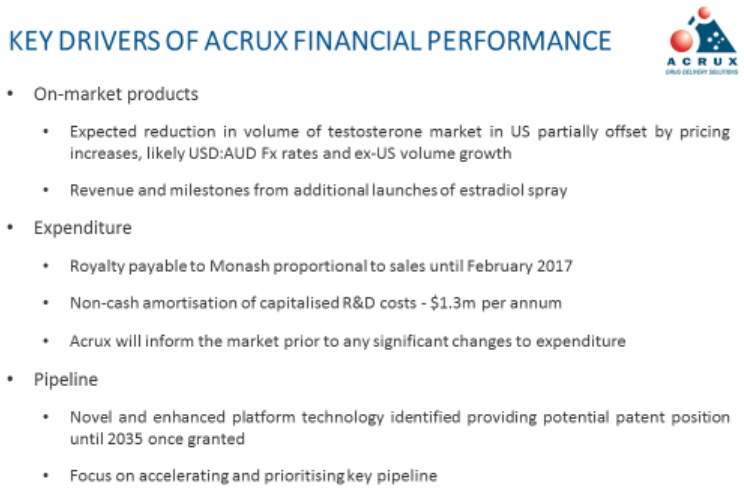
Marketing authorisation in South Africa was received by Acrux's commercialisation partner, Aspen South Africa, in August 2014.

An application for marketing authorisation is also under review in South Korea.

In addition to commercialising Axiron, Lilly's animal health business, Elanco Animal Health, has an exclusive worldwide license to develop and commercialise Acrux's technology to deliver medicines through the skin of companion animals. The first product, Recuvyra for post-operative pain relief in dogs, was launched in the US and Europe during the 2012/2013 financial year.

Elanco is working on a number of other products for companion animals, for which Acrux will receive royalties on worldwide sales as well as product approval milestones

Key Drivers of Acrux Financial Performance

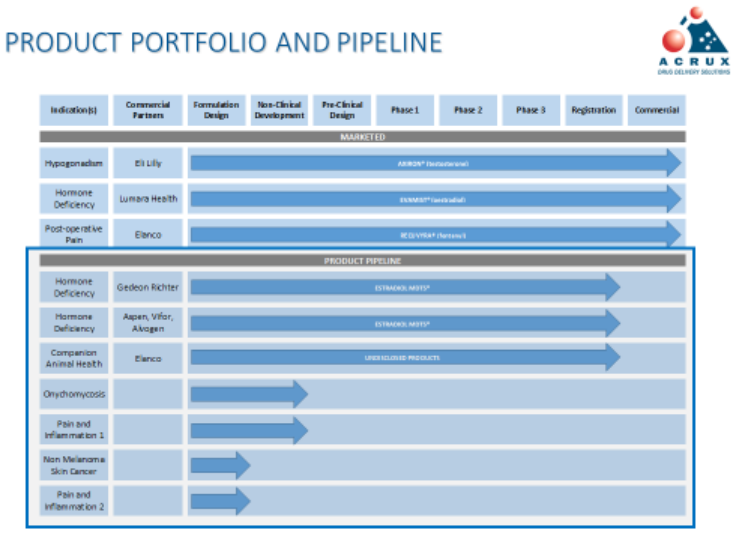


Looking ahead, there are three key drivers of financial results for Acrux. Firstly, in terms of on-market product performance, whilst volume across the testosterone market has declined in the US, these can be partially offset by any pricing increases in the US, the lower Australian to US dollar exchange rate and growth of Axiron volumes outside the US. We also expect additional milestones and royalties from sales of the oestradiol spray in Europe and other territories.

Secondly, direct operational expenditure is likely to be flat to maintain the current product portfolio and pipeline.

Thirdly, with regards to the pipeline, Acrux has developed a further novel delivery platform capable of delivering compounds topically that could not be delivered using our previous technology platform. This new platform technology is currently being refined, and new product candidates evaluated. We intend to focus on selecting appropriate pipeline candidates and accelerating these through our pipeline. Of course we will update the market should our expenditure profile change as a result.

Product portfolio and pipeline



Emphasising what I have just said on our pipeline, whilst we have three products approved and marketed around the world, our technology can be applied to many more drugs. Sales of transdermal products are growing and there is always a need for alternative dosage forms for different groups of patients in different therapeutic areas. As we look to the future, we have developed "The Acrux System" allowing systematic opportunity review using fixed criteria. Although the likelihood of commercialisation of these opportunities cannot be ascertained at this point in time, ideas screened are commercially attractive and could result in patient preferred products. We are also looking to acquisition and licensing opportunities to compliment and or diversify our pipeline.

Our pipeline today includes the existing portfolio of marketed products being rolled out to new markets through existing and new partners with Gedeon Richter's launches being the most important. The onychomycosis project, also known as the antifungal project is in an early phase, however, initial results are encouraging, showing that our technology can deliver actives to the site of infection. Another project with the potential to address an area of unmet

medical need is in the treatment of non-melanoma skin cancer (NMSC). We have put the R&D activities for these projects on hold as we determine the future of the relationship with Hexima. Hexima have stated that the NMSC collaboration has ended and has purported to terminate the Antifungal project Collaboration Agreement. We have not received any formal notice from Hexima regarding the status of the NMSC project despite Hexima advising shareholders at its recent AGM that the collaboration with Acrux has ended. Contrary to Hexima's advice to shareholders, Acrux has not formally advised Hexima that it does not wish to continue the NMSC project and the NMSC Collaboration Agreement has not been terminated.

The other two projects listed are in the pain and inflammation area. This is a substantial market where products with an improved delivery profile and an established safety and efficacy profile can benefit from strong marketing and create significant commercial value for Acrux. This product suite has been in development for some time and we look forward to sharing news on progress in the near future.

Before I hand back to Ross, I want to summarise and emphasise that Acrux is a company with robust infrastructure, a solid track record and a strong history of product development and product approvals. Products using our technology and intellectual property have been assessed and approved in global markets, resulting in a healthy level of royalties and milestones to the company. A substantial percentage of this revenue stream has been returned to shareholders in recent years. We look forward to sharing new product successes with you in the future.

And now I will hand the floor back to Ross.

Resolutions

This concludes the operational reports and we will now proceed to the formal business of the meeting.

Shareholders should be aware that the Company has received proxies representing over 54.9 million shares for each of the resolutions. Details of these proxies will be provided in the slides prior to each resolution being put to the meeting. If you wish to speak to a motion or ask a question, please raise your hand. When you have been acknowledged, please identify yourself before speaking and I would ask that you only raise one topic at a time. If a poll is required on any resolution, it will be held at the appropriate time.

The Notice of Meeting was mailed to all registered members on the 24th of October. I will take the Notice of Meeting, including Explanatory Notes and the Financial Report, the Directors' Report and the Auditors' Report as read.

- **Item 1 - To receive and consider the Financial Report, and the Reports of the Directors and Auditor for the year ended 30 June 2014**

The first item of business is to receive and consider the Financial Report and the Reports of the Directors and Auditor for the year ended 30 June 2014.
This item of business does not require a resolution to be put to the meeting.

I will now open this item for discussion. Would anyone like to address any questions to the Company or to representatives of Pitcher Partners, the Company's Auditor, who are present at this meeting?

- **Item 2 – Adoption of the Company's Remuneration Report**

The *Corporations Act* requires the Directors' Report to include certain information relating to director and executive remuneration in a "Remuneration 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 Directors of the Company.

The Remuneration Report can be found at pages 22 to 26 of the Company's 2014 Annual Report. I note that a vote must not be cast on this resolution by or on behalf of a member of the Company's key management personnel, details of whose remuneration are included in the Remuneration Report, and their closely related parties, unless the vote is cast as a proxy in accordance with the directions contained in the proxy and the vote is not cast on behalf of a member of the key management personnel or their closely related parties. As a member of the key management personnel of the Company, I am not permitted to cast any votes in respect of this resolution that arise from any undirected proxy in accordance with the direction contained in the proxy.

Accordingly I move:

That the Company's remuneration report for the year ended 30 June 2014 be adopted.

Are there any questions or comments in relation to the Remuneration Report?

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

I now put the resolution.

All those in favour?

All those against?

- **Item 3 – Re-election of Ross Barrow as a Director**

The next resolution relates to the proposed re-election of Ross Barrow to the board. Ross was appointed as a Non-Executive Director of the Company on 1 April 2012. The resolution is confirming his appointment by the Board. Accordingly I move:

That Ross Barrow, who in accordance with clause 56 of the Company's constitution offers himself for re-election as a Director, be re-elected as a Director of the Company.

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

If there are no (further) questions or comments, you will now see on the screen the proxy votes in relation to this resolution. I also wish to inform the meeting that I intend to vote any open proxies in favour of this resolution.

I now put the resolution.

All those in favour?

All those against?

- **Close of formal business;**

As that concludes the formal business, I declare the meeting closed.
We will be happy to now take questions from the floor, or further discussion over coffee.