



Market Release
17 March 2017

AFT Redeemable Preference Share Issue and Proposed Share Purchase Plan

AFT Pharmaceuticals Limited (NZX: AFT, ASX: AFP) today confirms a Redeemable Share Issue of approximately NZ\$9.1m to CRG and the Atkinson Family Trust. The Issue Price of the Redeemable Shares is NZ\$2.74, which is equal to the volume weighted average price of AFT's ordinary shares on the NZX over the last five business days.

The proceeds from the Redeemable Shares will provide additional balance sheet capacity enabling AFT to pursue its current and planned R&D programme, as well as taking advantage of the codeine rescheduling decision in its key Australian market.

Dr Hartley Atkinson, CEO of AFT, says that the share issue is fundamentally about fuelling international growth. "Through our R&D and regulatory work we have created a number of potentially global opportunities for our patented products. This is really about making sure we take full advantage of the opportunities that we have created for ourselves as a company right across North America, Europe, Asia and the Middle East."

Development of key innovative products is proceeding well with filing of *Maxigesic* tablets in the US achieved in February 2017. The pivotal clinical study for the intravenous (IV) *Maxigesic* formulation is proceeding ahead of expectations which will in turn accelerate the clinical trials expenditure.

Six new dose forms of *Maxigesic* are also currently under development which is more than the four originally envisaged. Additional filings are also planned for this year.

Clinical studies have also commenced for AFT's patented *NasoSURF* drug delivery device. Meetings have been scheduled for this year with the US Food and Drug Administration (FDA) to finalise an Investigational New Drug (IND) application for the first targeted indication. Further indications will follow, but only after the first *NasoSURF* development is completed or at least well underway.

Similarly a further IND application with the FDA is planned this year for *Pascomer* - a novel treatment applied to the skin to treat certain serious skin conditions - rounding out a busy R&D programme.

"AFT does have an extensive R&D program and this capital raise will help us complete the key stages which will allow further licensing agreements to be made. This will then be followed by product registrations and the all-important sales," said Dr Atkinson.

In addition to the Redeemable Share Issue, AFT intends to make an offer of ordinary shares to eligible shareholders through a Share Purchase Plan (SPP). The SPP is expected to give each eligible shareholder of AFT an opportunity to subscribe for at least NZ\$15,000 of shares. The final terms of the SPP are expected to be announced in more detail in late May 2017 when the FY2017 financial results are released.

"This will give our retail shareholders an opportunity to also participate in this small capital raise," said AFT Chairman, David Flacks.

AFT has released a Business Update presentation associated with this market release.

Summary of the Terms of the Redeemable Shares

- Each Redeemable Share is entitled to a dividend of 9.4% per annum calculated on the Issue Price of that Redeemable Share. AFT may elect at its discretion whether or not to pay dividends and may elect to pay part of a dividend on a dividend payment date. If any dividends are not paid they will accumulate on a compounding basis.
- Redeemable Shares do not carry any right to vote except at meetings of an "interest group" of holders of Redeemable Shares.
- Redeemable Shares may be redeemed at the option of AFT at any time two years or more after issue. On redemption, AFT would pay the Issue Price plus dividends accrued to the date of redemption.
- After three years from issue, the Redeemable Shares may be converted to ordinary shares at the option of the holder in multiples of 100,000. The holder would receive one ordinary share for every Redeemable Share held and a number of ordinary shares calculated by dividing the amount of any accumulated dividends by the Issue Price.
- Optional conversion events arise if:
 - AFT raises any equity capital of NZ\$20m or more in a transaction or series of transactions
 - The price of ordinary shares on the NZX exceeds the Issue Price by 20% or more, or ordinary shares are issued by AFT at a premium of 20% or more to the Issue Price

- AFT issues equity interests (or debt securities or similar equity or convertible securities) in AFT in one or a series of related transactions, the principal purpose of which is to raise capital, and which are listed on any exchange in the US, the EU or the UK
 - A takeover, amalgamation or scheme of arrangement in respect of AFT occurs
 - Following the issue date a person other than the trustees of the Atkinson Family Trust, either alone or together with its associates, acquires directly or indirectly beneficial ownership of more than 20% of the voting rights in AFT
 - AFT offers or takes steps to offer shares which rank in respect of dividends and in a liquidation in priority to the Redeemable Shares
 - AFT enters into any transaction or series of linked or related transactions to sell, transfer or otherwise dispose of assets of AFT or any subsidiary of AFT which would either change the essential nature of the business, in respect of which the gross value is in excess of 50% of the average market capitalisation, or which is a major transaction
 - A resolution of shareholders to liquidate the company is proposed or an application is made to the High Court for the liquidation of AFT in circumstances where AFT is solvent
- No sale or transfer of the ordinary shares issued (for any accrued dividends or in connection with a capital change event) shall take place within a 12 month period after the issue of those ordinary shares unless off-market to certain qualified investors and the buyer provides an equivalent covenant to AFT.
 - In a liquidation of AFT, each holder of Redeemable Shares is entitled to receive, in priority to any payment to the holders of ordinary shares or any other shares in AFT that by their terms are expressed to rank behind the Redeemable Shares, the redeemable share amount (being the Issue Price plus any accrued dividend) in respect of each Redeemable Share.
 - Redeemable Shares will not be quoted on the NZX Main Board or any other exchange.
 - The Redeemable Shares will be issued and settled on 24 March 2017.

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About AFT

AFT is a growing multinational pharmaceutical business with a broad range of products, both developed itself and in-licensed from third parties. AFT's products cover all major pharmaceutical distribution channels: over-the-counter, prescription and hospital. Key business is currently in Australia and New Zealand with out-licensing agreements in 111 countries around the world. For more information about the company, visit our website www.aftpharm.com.