

SHARE PURCHASE PLAN

AFT Pharmaceuticals Limited
Share Purchase Plan

24 May 2017

This is an important document. You should read the whole document before deciding whether to subscribe for shares. If you have any doubts as to what you should do, please consult your financial or other professional adviser.



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IMPORTANT INFORMATION

GENERAL INFORMATION

This document has been prepared by AFT Pharmaceuticals Limited ("**AFT**") in connection with an offer of new ordinary shares in AFT ("**Shares**") under the Share Purchase Plan ("**SPP**"). The offer is made to Eligible Shareholders under the exclusion in clause 19 of Schedule 1 of the Financial Markets Conduct Act 2013 (New Zealand) and ASIC Instrument 17-0485 (Australia). This document is not a product disclosure statement, prospectus or disclosure document and does not contain all of the information which may be required in order to make an informed investment decision about the SPP or AFT.

ADDITIONAL INFORMATION

AFT is subject to continuous disclosure obligations under the Listing Rules. Market releases by AFT, including its most recent financial statements, are available at www.nzx.com under stock code AFT and at www.asx.com.au under the stock code AFP.

AFT may, during the SPP, make additional releases to NZX and ASX. No release by AFT to NZX or ASX will permit an applicant to withdraw any previously submitted application without AFT's consent, whether or not there has been any permissible variation of the SPP.

The market price for the Shares may change between the Opening Date, the date you apply for Shares under the SPP, and the Allotment Date. Accordingly, the price paid for Shares issued under the SPP may be higher or lower than the price at which Shares are trading on the NZX Main Board or the ASX at the time the Shares are issued under the SPP. Any changes in the market price of Shares will not affect the Issue Price, and the market price of new Shares following allotment may be higher or lower than the Issue Price.

WITHDRAWAL

AFT reserves the right to withdraw the SPP.

OFFERING RESTRICTIONS

This document is intended for use only in connection with the offer to Eligible Shareholders with a registered address in New Zealand, Australia or the United States of America. No action has been taken to permit an offering of the new Shares in any jurisdiction outside New Zealand and Australia, or to any person in the United States of America who is not an Accredited Investor. The distribution of this document in a jurisdiction outside New Zealand and Australia, or the distribution of it in the United States of America to anyone who is not an Accredited Investor, may be restricted by law and persons who come into possession of it (including nominees, trustees or custodians) should seek advice on, and observe any such restrictions.

No person may subscribe for, purchase, offer, sell, distribute or deliver the Shares, or be in possession of, or distribute to any other person, any offering material or any documents in connection with the Shares, in any jurisdiction other

than in compliance with all applicable laws and regulations. Without limiting the foregoing, this document may not be sent into or distributed in the United States of America, other than by AFT to persons who are Accredited Investors. No person in the United States of America may subscribe for or purchase Shares unless such person returns to AFT a completed Accredited Investor Questionnaire in a form satisfactory to AFT, certifying that such person is an Accredited Investor, prior to or concurrently with such subscription or purchase.

AFT may refuse any Application Form returned by a person AFT does not consider may participate in the SPP.

The Shares have not been registered under the US Securities Act of 1933, as amended. The Shares have not been approved or disapproved by the securities regulatory authorities of any state or by the United States Securities and Exchange Commission, nor has any authority or commission passed upon the accuracy or adequacy of this document. Any representation to the contrary is unlawful.

NO GUARANTEE

No person named in this document (nor any other person) guarantees the Shares to be issued pursuant to the SPP or warrants the future performance of AFT or any future return on investment to be made in respect of the Shares.

DECISION TO PARTICIPATE IN THE SPP

The information in this document does not constitute a recommendation to acquire Shares or financial product advice. This document has been prepared without taking into account the investment objectives, financial, or taxation situation or particular needs of any applicant or investor.

ENQUIRIES

Enquiries about the SPP can be directed to a broker, or your solicitor, accountant or other professional adviser. If you have any questions about the details shown on the Application Form that accompanies this document, or how to complete the Application Form, please contact the Share Registrar as set out in the Directory.

TIMES AND DOLLARS

All references to time in this document are to New Zealand time. Unless otherwise indicated, any references to \$ and to NZ\$ are to New Zealand dollars and to A\$ are to Australian dollars.

DEFINED TERMS

Capitalised terms used in this document have the meaning given to them in the Glossary at the back of this document or in the relevant section of this document.

1. KEY INFORMATION

Equal participation	Each Eligible Shareholder has the right to apply for up to the same number of Shares (calculated by reference to a total dollar amount), and on the same terms and conditions, as each other Eligible Shareholder.
Application amount	<p>You apply for a dollar amount of Shares, not for a certain number of Shares.</p> <p>The minimum amount you can apply for is NZ\$1,000 (A\$1,000) and the maximum amount is NZ\$15,000 (A\$14,000). Applications between those amounts must be in multiples of NZ\$1,000 (A\$1,000). Australian Eligible Shareholders must pay the Issue Price in Australian dollars. All other Eligible Shareholders must pay the Issue Price in New Zealand dollars.</p> <p>When you complete your Application Form, you will be asked to specify the dollar amount of Shares you wish to subscribe for.</p>
Issue price of Shares	<p>The Shares you receive under the SPP will be issued to you at NZ\$2.25 per Share or A\$2.11 per Share, as applicable.</p> <p>The Issue Price represents a 3.0% discount to the volume weighted average price of a Share on the NZX Main Board over the 5 day period ending on 23 May 2017.</p>
How to apply	<p>You can choose to participate in the SPP by completing the Application Form enclosed with this booklet.</p> <p>You should read the instructions on the Application Form carefully.</p>
When to apply	You need to return your completed Application Form to the address on the Application Form. Applications MUST be received by 7.00pm (NZ time) on 12 June 2017 to be accepted.

KEY DATES

Record Date	23 May 2017	The date on which Eligible Shareholders are determined
Mailing Date	24 May 2017	SPP documents are mailed to Eligible Shareholders
Opening Date	24 May 2017	SPP opens
Closing Date	12 June 2017	SPP closes
Allotment Date	16 June 2017	Application Forms and payment must be received by 7.00pm (NZ time)
Despatch Date	By 23 June 2017	Shares allotted to participating Eligible Shareholders
		Transaction confirmation despatched to participating Eligible Shareholders

Subject to the Listing Rules and applicable laws, AFT reserves the right to modify these dates. All references to time are to New Zealand time.

2. CHAIRMAN'S LETTER

DEAR SHAREHOLDER

The directors of AFT are pleased to offer you the opportunity to acquire new shares in AFT through this SPP without incurring brokerage.

AFT announced on 17 March 2017 that it intended to raise new capital to 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.

Through its research and development and regulatory work, AFT has created a number of potentially global opportunities for its patented products. This capital raise will ensure we are able to 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.

NZ\$9.1 million of this new capital was raised in March with the issue of 3,330,000 redeemable preference shares at NZ\$2.74 per share to the existing two major shareholders, CRG and the Atkinson Family Trust. These redeemable preference shares are not listed, do not carry a right to vote (other than at a meeting of an interest group) and are redeemable at the option of AFT two years after their issue. The holder has the option to convert the redeemable preference shares into ordinary shares at any time after three years after their issue. Full details of the redeemable preference share issue can be found in the 17 March 2017 announcement on the company's website (aftpharm.com).

The second part of the capital raise has been structured to ensure that all Eligible Shareholders have the opportunity to participate, with all Eligible Shareholders having the ability to subscribe for up to NZ\$15,000 (or A\$14,000 for Australian Eligible Shareholders) of Shares at NZ\$2.25 (or A\$2.11 for Australian Eligible Shareholders) under the SPP. If we receive subscriptions for more than NZ\$1.25 million, then subscriptions will be scaled.

The offer closes at 7.00pm (NZ time) on 12 June 2017.

Further details about the SPP are included in this booklet. Please read it carefully and we encourage you to contact your financial adviser, lawyer, accountant or other professional adviser if you have any questions.

The directors thank you for your continuing support.

Yours sincerely



David Flacks
Chairman



3. QUESTIONS AND ANSWERS

These Questions and Answers are a summary only and you should refer to the Terms and Conditions for further information.

1. WHAT IS THE SHARE PURCHASE PLAN (SPP)?

The SPP allows Eligible Shareholders to purchase up to NZ\$15,000 (\$A14,000) worth of additional Shares in AFT without incurring brokerage. All Shares issued under the SPP will be of the same class as, and rank equally with, Shares in AFT currently on issue. It is a term of the SPP that AFT will take any necessary steps to ensure that the Shares are, immediately after issue, quoted on the NZX Main Board and the ASX.

2. AM I ELIGIBLE TO PARTICIPATE?

You are eligible to participate in the SPP if you were registered as a holder of AFT Shares at 7.00pm on 23 May 2017 (being the Record Date) and your address recorded on the share register:

- (a) is in New Zealand or Australia; or
- (b) is in the United States of America and you have returned to AFT an Accredited Investor Questionnaire certifying that you are an Accredited Investor,

unless you hold Shares on behalf of another person who resides outside New Zealand and Australia.

The SPP is also being extended to Eligible Shareholders who are Custodians to participate in the SPP on behalf of Eligible Beneficiaries on the terms and conditions provided in this booklet.

3. DO I HAVE TO PARTICIPATE?

No – participation in the SPP is entirely voluntary. There is a risk that your shareholding in AFT may be diluted if you do not participate in the SPP. If you do not wish to participate in the SPP, do nothing.

4. ARE THERE ANY CONDITIONS TO THE SPP?

No. However, if the SPP is cancelled for any reason, all application monies will be refunded to applicants and no Shares will be allotted under the SPP. All refunds will be made without interest.

5. WHAT IS THE ISSUE PRICE OF THE SHARES AND HOW MANY SHARES CAN I PURCHASE?

The Issue Price is NZ\$2.25 or A\$2.11 per Share, as applicable. Australian Eligible Shareholders must pay the Issue Price in Australian dollars. All other Eligible Shareholders must pay the Issue Price in New Zealand dollars.

The Issue Price represents a 3.0% discount to the volume weighted average price of a Share on the NZX Main Board over the 5 day period ending on 23 May 2017. The Issue Price in Australian dollars was fixed on 23 May 2017 and using the NZ\$:A\$ exchange rate published by the Reserve Bank of New Zealand on its website at 3:00pm on 23 May 2017.

If you apply for Shares under the SPP, you will apply for a certain dollar amount rather than a certain number of Shares, but you will be issued with a number of Shares that equates to the dollar value you have selected (subject to scaling) divided by the Issue Price and rounded up to the nearest Share.

Eligible Shareholders may apply for a minimum of NZ\$1,000 (A\$1,000) and a maximum of NZ\$15,000 (A\$14,000) in value of Shares under the SPP, in NZ\$1,000 (A\$1,000) multiples. Applications for a different value of Shares may not be accepted by AFT.

The dollar amount of Shares you receive may differ from the dollar amount you apply for due to scaling. Please read section 8 of the Terms and Conditions for more information.

6. WHAT IF I OWN SHARES THROUGH A CUSTODIAN OR OWN SHARES IN MORE THAN ONE CAPACITY?

If you own Shares through a Custodian, then, subject to certain certification requirements and other conditions, you may instruct the Custodian to purchase Shares on your behalf, up to the NZ\$15,000 or A\$14,000 limit, as applicable.

If you own Shares through a Custodian and also own Shares in your own name, then you may either purchase Shares yourself or instruct your Custodian to purchase Shares on your behalf. You may not do both.

The offer of the SPP is made to the Custodian as the registered holder (not the beneficiary directly). This means it is at the discretion of the Custodian whether to extend the offer to their beneficiaries.

If you receive more than one copy of this SPP booklet, or if you hold Shares in more than one capacity (e.g. because you are both a sole and joint holder of Shares) you may only purchase Shares in all capacities up to the NZ\$15,000 (A\$14,000) limit in aggregate. By applying to purchase Shares under the SPP, you certify that you have not exceeded that limit.

7. WHAT DO I DO IF I AM A CUSTODIAN?

The SPP is being extended to Eligible Shareholders who are Custodians and who wish to apply for SPP Shares on behalf of Eligible Beneficiaries.

The SPP is being offered to Custodians as the registered Shareholder. Custodians are not required to participate on behalf of their Eligible Beneficiaries. Custodians may choose whether or not to extend the SPP to their Eligible Beneficiaries.

By applying as a Custodian on behalf of Eligible Beneficiaries to purchase Shares, you certify (amongst other things) that the application amount for each Eligible Beneficiary has not exceeded the NZ\$15,000 and A\$15,000 limit.

In the case of Custodians that have a registered address in Australia, if you wish to apply as a Custodian under the SPP to receive Shares for one or more Eligible Beneficiaries, you must complete an Application Form that contains or is accompanied by further certifications and details (as required under the terms of ASIC Instrument 17-0485) before your application will be accepted. A Custodian will be ineligible to participate in the SPP if their participation would be in breach of ASIC Instrument 17-0485.

For further information about the custodian application process, please contact the Share Registrar.

Each Custodian must not participate in the SPP on behalf of, and must not distribute this booklet or any documents relating to this SPP to any person in the United States of America.

8. IS THIS OFFER TRANSFERABLE TO ANOTHER PERSON?

No. This offer is personal to you. Participation in the SPP is entirely voluntary, but if you elect not to purchase any Shares under the SPP, you may not transfer your right to purchase Shares under the SPP to anyone else.

9. WHAT ARE THE RISKS TO INVESTING IN THE SPP?

The market price for the Shares may change between the Opening Date, the date you apply for Shares under the SPP, and the Allotment Date. Accordingly, the price paid for Shares issued under the SPP may be higher or lower than the price at which Shares are trading on the NZX Main Board or the ASX at the time the Shares are issued under the SPP. The Share price is quoted on the NZX website: www.nzx.com and on the ASX website: www.asx.com.au. Any changes in the market price of Shares will not affect the Issue Price, and the market price of new Shares following allotment may be higher or lower than the Issue Price.

There is no certainty that Shares will trade at or above the Issue Price following the issue of Shares under the SPP. You should seek your own independent financial advice in relation to this offer and your participation under the SPP.

Further information about AFT, including the most recent financial statements of AFT, can be obtained from AFT's website: www.aftpharm.com. You may obtain, free of charge, the most recent annual report and financial statements of AFT by contacting AFT (for details, please see the Directory at the end of this SPP booklet), or you may download the documents from AFT's website: www.aftpharm.com. You are also recommended to monitor AFT's market announcements through the NZX website: www.nzx.com or the ASX website: www.asx.com.au.

10. HOW DO I APPLY FOR SHARES UNDER THE SPP?

If you wish to participate in the SPP, follow the step-by-step instructions on the enclosed personalised Application Form. Send your completed Application Form with your cheque (if paying by cheque), or pay by direct credit in accordance with the instructions on the Application Form, for the parcel of Shares you wish to apply for made payable to "AFT Share Purchase Plan" to the Share Registrar, as set out in the instructions on the Application Form. Only New Zealand applicants may make payment by cheque. If the exact amount of money is not tendered, AFT reserves the right not to accept all or part of your payment. In those circumstances, AFT will return your application and cheque or refund all or part of your payment (without interest).

If an application is rejected, all of the amounts paid will be refunded to the relevant applicant. If applications are scaled back, the applicant will receive the number of Shares in respect of which the application is accepted at the Issue Price and a refund of the balance of the relevant payment amount. All refunds will be made without interest.

You will not be able to withdraw or revoke your application once you have sent it in.

11. HOW LONG IS THE SPP OPEN AND WHEN WILL I RECEIVE MY SHARES?

The SPP opens on 24 May 2017 and is expected to close at 7.00pm on 12 June 2017, unless extended. If you want to participate you should ensure that your Application Form and cheque (if paying by cheque) is received by 7.00pm on the Closing Date. If you choose to pay by direct credit, you must submit your payment instruction to your bank by no later than 5.00pm on the Closing Date.

Please allow adequate time for mail deliveries. Applications received after this time may not be accepted.

You will receive Shares issued to you under the SPP on the Allotment Date, which is currently expected to be on or around 16 June 2017. A statement confirming the number of Shares issued to you under the SPP will be sent to you no later than five Business Days after the Allotment Date.

AFT may, subject to the Listing Rules and applicable laws, extend the Closing Date and the Allotment Date.

12. HOW MANY SHARES WILL I RECEIVE?

Subject to scaling, you will receive the number of Shares equal to the dollar amount of Shares you have applied for divided by the Issue Price. If, once divided by the Issue Price, the dollar amount of Shares you have applied for does not equal a whole number of Shares the number of Shares allotted to you will be rounded up to the nearest share.

If AFT receives applications for Shares in excess of NZ\$1.25 million, it will scale back the number of Shares to be allotted under the SPP (see section 8 of the Terms and Conditions).

13. WHY ARE INVESTMENTS LIMITED TO THE MAXIMUM SUBSCRIPTION AMOUNT OF NZ\$15,000 (A\$14,000)?

The offer under the SPP needs to comply with the conditions imposed by the NZX Listing Rules and ASIC Instrument 17-0485. Under these laws and regulatory requirements, the maximum amount that Eligible Shareholders may apply for is up to NZ\$15,000 and, for Australian Eligible Shareholders, up to A\$15,000. In order not to exceed the lesser of these two amounts, AFT has set the maximum Australian dollar application amount at A\$14,000 to allow for NZ\$:A\$ exchange rate movements up to the Closing Date. However, if the NZ\$:A\$ exchange rate varies such that the dollar amount you apply for exceeds a regulatory limit, your application may need to be scaled so that the relevant regulatory limit is not exceeded. You will be refunded the excess cash amount. No interest will be paid on application money refunded to you.

14. FURTHER ASSISTANCE

If you have any further questions, please contact your broker, financial, investment or other professional adviser before making your investment decision.

4. TERMS AND CONDITIONS

IMPORTANT NOTICE

If you apply to participate in the SPP by completing and returning the Application Form you are accepting the risk that the market price of Shares may change between the Opening Date, the date you apply for Shares under the SPP, and the Allotment Date. This means that it is possible that up to or after the Allotment Date, you may be able to buy Shares at a lower price than the Issue Price. We encourage you to seek your own independent financial advice regarding your participation in the SPP.

1. OFFER TIMETABLE

Record Date	23 May 2017 <i>Eligible Shareholders registered at 7:00pm on the Record Date may participate in the SPP.</i>
Opening Date	24 May 2017 <i>The SPP offer opens.</i>
Closing Date	12 June 2017 <i>The SPP closes at 7:00pm on this date. Application Forms must be received by this time. Application Forms may not be processed or held to be valid if they have not been received by this time.</i>
Allotment Date	Close of business on 16 June 2017 <i>Shares are allotted. Trading of the newly allotted Shares will commence trading on the NZX Main Board and the ASX on the next trading day.</i>
Despatch Date	No later than 23 June 2017 <i>Transaction confirmation statements will be despatched to shareholders within five Business Days of the Allotment Date.</i>

These dates and the references to them throughout this SPP booklet are subject to change. AFT may amend these dates without prior notice (notwithstanding that the offer has opened or Application Forms have been received), subject to the Listing Rules and applicable laws. All references to time are to New Zealand time.

2. ELIGIBLE SHAREHOLDERS

- 2.1 You may participate in the SPP if you are an Eligible Shareholder.
- 2.2 An Eligible Shareholder is a person who, at 7:00pm on the Record Date, was recorded in the share register of AFT as being a registered holder of Shares and having a registered address:
 - (a) in New Zealand or Australia; or
 - (b) in United States of America and who has returned to AFT an Accredited Investor Questionnaire certifying that the person is an Accredited Investor,
- 2.3 Joint holders of Shares are taken to be a single registered holder of Shares for the purposes of determining whether they are an Eligible Shareholder and the certification on the Application Form is taken to have been given by all of them.
- 2.4 If you are an Eligible Shareholder, your rights under the offer contained in this SPP are personal to you and are non-renounceable, so you may not transfer them.

unless that person holds Shares on behalf of another person who resides outside New Zealand and Australia.

3. ISSUE PRICE AND NUMBER OF SHARES

- 3.1 The Issue Price is NZ\$2.25 or A\$2.11 per Share, as applicable. Australian Eligible Shareholders must pay the Issue Price in Australian dollars. All other Eligible Shareholders must pay the Issue Price in New Zealand dollars. The Issue Price was fixed on 23 May 2017 and using the NZ\$:A\$ exchange rate published by the Reserve Bank of New Zealand on its website at 3:00pm on 23 May 2017. The Issue Price represents a 3.0% discount to the volume weighted average price of a Share on the NZX Main Board over the 5 day period ending on 23 May 2017.
- 3.2 You should refer to the answer under question 9 in the “Questions and Answers” section of this SPP for further information about the relationship between the issue price under the SPP and the market price of Shares.
- 3.3 Subject to clause 4.1, if you are an Eligible Shareholder (unless you are a Custodian to whom clause 4.1 applies), you may:
- subscribe for your full entitlement of Shares, being Shares having a value of up to NZ\$15,000 or A\$14,000; **OR**
 - subscribe for less than your full entitlement of Shares by selecting a parcel value of Shares on the Application Form, subject to a minimum application amount of NZ\$1,000 or A\$1,000 and an application amount in a multiple of NZ\$1,000 or A\$1,000.
- 3.4 Any application for Shares having a value greater than NZ\$15,000 or A\$14,000 will be deemed to be an application for Shares having a value of NZ\$15,000 or A\$14,000 (as applicable). Any application for Shares which is not for a parcel value that is between NZ\$1,000 (A\$1,000) and NZ\$15,000 (A\$14,000) and in a multiple of NZ\$1,000 (A\$1,000) may not be accepted by AFT.
- 3.5 Eligible Shareholders may apply only for Shares having a maximum value of NZ\$15,000 or A\$14,000 and may make only one application. This applies to all Eligible Shareholders (other than Custodians to whom clause 4.1 applies), including those who receive more than one offer under the SPP (for example, because they hold Shares in more than one capacity) and including whether the Eligible Shareholder is applying through a Custodian or on his or her own behalf.
- 3.6 If you own Shares through a trustee or custodian

and also own Shares in your own name, then you may either purchase Shares yourself or instruct your trustee or custodian to purchase Shares on your behalf. You may not do both. The total issue price of all Shares issued directly or indirectly by AFT to an Eligible Shareholder (or to a beneficial owner through a Custodian) under the SPP or any similar arrangement in the 12 months before the date of the Eligible Shareholder’s application for Shares under the SPP (as if the Shares up to the value applied for in this SPP by the Eligible Shareholder or through a Custodian and whether the Shares are issued through any Custodian or to the Eligible Shareholder or beneficial owner in his or her own right) must not exceed NZ\$15,000 or A\$15,000. This limit applies only to Shares issued by AFT under this SPP (since there has been no other similar arrangement in the last 12 months) and does not include any Shares the Eligible Shareholder or beneficial owner may have acquired on the NZX Main Board or the ASX.

4. CUSTODIANS

- 4.1 Custodians may subscribe for Shares having a value greater than NZ\$15,000 (A\$14,000) but only up to the total value of Shares applied for on behalf of each beneficial owner (who must be an Eligible Beneficiary) for whom the Custodian acts as a Custodian (treating joint beneficial owners as one beneficial owner). Custodians must confirm to AFT that they are holding Shares as a Custodian for beneficial owners who are Eligible Beneficiaries by providing the written certification to AFT described in clause 4.2 below and set out in the Application Form. Each beneficial owner may only direct the Custodian to apply on behalf of that beneficial owner for one of the options described in clause 3.3. A separate Application Form must be completed for each beneficial owner.
- 4.2 If a Custodian applies to subscribe for Shares on behalf of a beneficial owner, the Custodian must certify to AFT in writing by completing the Application Form:
- that the Custodian holds Shares directly or indirectly as a Custodian for the beneficial owners and those beneficial owners are Eligible Beneficiaries;
 - the number of those beneficial owners and the name and address of each of those beneficial owners;

- (c) in respect of each of those beneficial owners, the number of Shares that the Custodian holds on their behalf;
 - (d) in respect of each of the beneficial owners, the dollar amount of Shares the beneficial owner or the beneficial owner's agent has instructed the Custodian to apply for on behalf of that beneficial owner;
 - (e) that the Custodian undertakes not to accept on behalf of any of those beneficial owners for which it acts directly or indirectly as a Custodian, in any 12 month period, Shares under the SPP or any similar arrangement the total issue price of which is more than NZ\$15,000 or A\$15,000;
 - (f) that a copy of this SPP booklet has been provided to each of those beneficial owners; and
 - (g) that there are no beneficial owners in respect of which the total of the application price for the following exceeds NZ\$15,000 or A\$15,000:
 - (i) the Shares applied for by the Custodian on their behalf under the SPP; and
 - (ii) any other Shares issued to the Custodian in the 12 months before the application as a result of an instruction given by them to the Custodian to apply for Shares on their behalf under an arrangement similar to the SPP.
- 4.3 AFT will issue Shares to a Custodian only if AFT is reasonably satisfied that the total issue price of Shares issued to any beneficial owner is not more than NZ\$15,000 or A\$14,000, whether those Shares are issued through a Custodian or, if the beneficial owner is also a shareholder in AFT, in that beneficial owner's own right as a shareholder.
- 4.4 Each Custodian must not participate in the SPP on behalf of, and must not distribute this booklet or any documents relating to this SPP to, any person in the United States of America.

5. COMPLETING THE APPLICATION FORM AND PAYING FOR SHARES

- 5.1 If you wish to participate in the SPP, you must complete the Application Form in accordance with the instructions on the Application Form and send the completed form, together with payment (if paying by cheque) or proof of payment (if paying by direct credit), to the Share Registrar.
- 5.2 New Zealand resident Eligible Shareholders may use the business reply paid envelope enclosed with this SPP booklet or otherwise send the Application Form and payment or proof of payment to one of the following addresses:
- By post to: AFT Pharmaceuticals Limited
C/- Computershare Investor Services Limited
Private Bag 92119
Auckland 1142
- By email to: aft@computershare.co.nz
- All other Eligible Shareholders must email their completed Application Form and proof of payment to the Share Registrar at the email address above.
- 5.3 Eligible Shareholders should send in a cheque or make an electronic funds transfer for the value of the Share parcel selected on their Application Form. Only New Zealand applicants may make payment by cheque. If payment is being made from an international bank account not within New Zealand or Australia, Eligible Shareholders must ensure all fees are covered for the electronic funds transfer so that the amount received is the same as the amount of the parcel value that is specified on the Application Form. If the exact amount of money is not tendered, AFT reserves the right not to accept all or part of your payment. Applicants paying by direct credit must submit their payment instruction to their bank by no later than 5.00pm on the Closing Date.
- 5.4 To be valid, applications must be received by the Share Registrar before 7.00pm on 12 June 2017 (being the Closing Date).

6. AFT'S DISCRETION TO ACCEPT OR REJECT APPLICATIONS

- 6.1 AFT has complete discretion to accept or reject your application to subscribe for Shares under the SPP, including (without limitation) if:
- (a) your Application Form is incorrectly completed, incomplete or otherwise determined by AFT to be invalid;
 - (b) your payment is dishonoured or has not been completed correctly;
 - (c) a cheque enclosed with your Application Form is not made out in New Zealand dollars for the exact amount of the parcel value that you have specified on the Application Form;
 - (d) your direct credit payment is not cleared, is reversed or is not for the exact amount of the parcel value that you have specified on the Application Form;
 - (e) it appears that you are applying to subscribe for Shares with a value greater than NZ\$15,000 or A\$14,000 including as a result of Shares you hold directly, jointly or through a custodian or nominee arrangement (except if you are a Custodian applying on behalf of more than one beneficial owner in accordance with clause 4);
 - (f) your Application Form or payment is received after the Closing Date. While AFT has discretion to accept late Application Forms and payment, there is no assurance that it will do so. Late Application Forms and payment, if not processed, will be returned to you at your registered address. No interest will be paid on money returned;
 - (g) AFT believes that you are not an Eligible Shareholder or Custodian; or
 - (h) AFT considers that your application does not otherwise comply with these Terms and Conditions or any applicable laws or regulatory requirements, or the acceptance of which would cause AFT to breach any applicable laws or regulatory requirements.

7. SIGNIFICANCE OF SENDING IN AN APPLICATION

- 7.1 If you apply to participate in the SPP, by completing and returning the Application Form:
- (a) your application, on these Terms and Conditions, will be irrevocable and unconditional (i.e. it cannot be withdrawn);
 - (b) you certify to AFT that you are an Eligible Shareholder entitled to apply for Shares under these Terms and Conditions;
 - (c) you agree to be bound by the constitution of AFT;
 - (d) you certify that your acceptance of the SPP will not be, or cause, a breach of any law in any jurisdiction;
 - (e) you agree to pay the applicable Issue Price per Share up to a maximum amount equivalent to the parcel value you specified on your Application Form;
 - (f) you certify to AFT that the total application price applicable to you for the following does not exceed NZ\$15,000 or A\$15,000:
 - (i) the Shares the subject of the Application Form returned by you;
 - (ii) any other Shares applied for, or issued to you, under the SPP or any similar arrangement in the 12 months before the date of your application for Shares under the SPP;
 - (iii) any other Shares which you have instructed a Custodian to acquire on your behalf under the SPP; and
 - (iv) any other Shares issued to a Custodian under an arrangement similar to the SPP in the 12 months before the date of your application for Shares under the SPP as a result of an instruction given by you to that Custodian or another Custodian and which resulted in you holding the beneficial interest in the Shares;
 - (g) you authorise AFT (and its officers or agents) to correct any error in, or omission from, your Application Form and to complete the Application Form by the insertion of any missing details;

- (h) you acknowledge that AFT may at any time determine that your Application Form is valid, in accordance with these Terms and Conditions, even if the Application Form is incomplete, contains errors or is otherwise defective;
- (i) you accept the risk associated with any refund that may be despatched to you by cheque to your address shown on AFT's share register or that may be direct credited to the bank account showing in the details held by the Share Registrar;
- (j) you acknowledge that AFT may disclose any information in or relating to your application and accompanying cheque or money order to the Share Registrar in connection with its management of the SPP;
- (k) you agree to indemnify AFT for, and to pay to AFT within five Business Days of demand, any dishonour fees or other cost AFT may incur in presenting a cheque for payment which is dishonoured or as a result of your direct credit payment being reversed;
- (l) you acknowledge that none of AFT, its advisers or agents has provided you with investment advice or financial product advice, and that none of them has an obligation to provide advice concerning your decision to apply for and subscribe for Shares under the SPP;
- (m) you acknowledge the risk that the market price for the Shares may change between the Opening Date, the date you apply for Shares under the SPP, and the Allotment Date. A change in market price during these periods may affect the value of the Shares you receive under the SPP;
- (n) you acknowledge that AFT is not liable for any exercise of its discretions referred to in these Terms and Conditions; and
- (o) you irrevocably and unconditionally agree to these Terms and Conditions and agree not to do any act or thing which would be contrary to the intention or purpose of the SPP.

7.2 If a Custodian applies to subscribe for Shares under the SPP for a beneficial owner pursuant to clause 4, the certification referred to in clause 7.1(f) will be taken to be given by each beneficial owner on whose behalf the Custodian is applying to subscribe for Shares.

8. SCALING AND ROUNDING

- 8.1 If you apply for Shares under the SPP, you will apply for a certain dollar amount rather than a certain number of Shares. The number of Shares you will receive will be determined by dividing the dollar amount of Shares you have applied for by the Issue Price, unless your application has been scaled back in accordance with clauses 8.3 or 8.4.
- 8.2 If your application has been scaled back, the number of Shares you receive will be determined by dividing the dollar amount of the Shares you have applied for (as scaled back) by the Issue Price. If this calculation produces a fractional number, the number of Shares you will be allotted will be rounded up to the nearest whole number of Shares.
- 8.3 If AFT receives applications in excess of NZ\$1.25 million, it will scale back applications at its discretion. The size of each applicant's shareholding as at the Record Date is likely to be the primary factor used in scaling applications.
- 8.4 Your application may also need to be scaled so as to not exceed regulatory limits. The offer under the SPP needs to comply with the conditions imposed by the Listing Rules and ASIC Instrument 17-0485. Under these laws and regulatory requirements, the maximum amount that Eligible Shareholders may apply for is up to NZ\$15,000 and, for Australian Eligible Shareholders, up to A\$15,000. In order not to exceed the lesser of these two amounts, AFT has set the maximum Australian dollar application amount at A\$14,000 to allow for NZ\$:A\$ exchange rate movements up to the Closing Date. However, if the NZ\$:A\$ exchange rate varies such that the dollar amount you apply for exceeds a regulatory limit, your application may need to be scaled so that the relevant regulatory limit is not exceeded.
- 8.5 If applications are scaled, your application monies will be greater than the value of the Shares you will be allotted. The difference between the value of the Shares you are allotted and your application monies will be refunded to you by direct credit to your bank account (if those details are held by the Share Registrar) or by cheque mailed on or around 16 June 2017, unless the Closing Date is extended. No interest will be paid on any application monies returned to you.

9. THE SHARES AND AFT'S DIVIDEND POLICY

- 9.1 Shares issued under the SPP will rank equally with, and have the same voting rights, dividend rights and other entitlements as existing fully paid ordinary Shares in AFT quoted on the NZX Main Board and the ASX. AFT will take any necessary steps to ensure that the Shares issued are, immediately after the issue, quoted on the NZX Main Board and the ASX.
- 9.2 AFT's short to medium term focus is on investment in its product research and development, including market development, which will require significant cash resources. AFT has recently issued approximately NZ\$9.1 million of redeemable preference shares with a 9.4% per annum dividend. AFT may elect at its discretion whether or not to pay dividends on these shares 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. Given this, and taking into account the considerations below, AFT currently holds the view that payment of all or some of these dividends will be in the best interests of the shareholders. The payment of dividends on any other AFT shares is not permitted while any dividends on the redeemable preference shares remain unpaid.
- 9.3 Once AFT reaches the point where its business is generating significant free cash flow on a sustainable basis, the Board will give favourable consideration to the payment of dividends on the Shares. AFT will determine dividends (both interim and final) based on its net profit after tax, subject to maintaining a prudent level of capital for its ongoing needs. AFT's capital needs will vary from time to time, depending on a range of factors (including regulatory requirements, general economic conditions, current and expected growth and the mix of business). The payment of any dividend prior to the repayment or prepayment of AFT's term loan agreement with Capital Royalty Partners II L.P. and its associated funds will require the approval of the lenders under that agreement.

- 9.4 The Shares to be issued under the SPP have been accepted for quotation on the NZX Main Board, and the ASX, with effect on or shortly after the Allotment Date. You cannot trade in any Shares issued to you pursuant to the SPP, either as principal or agent, until official quotation on the ASX and the NZX Main Board. AFT expects the Shares issued under the SPP will commence trading on the NZX Main Board and the ASX on the next trading day after the Allotment Date. The NZX Main Board is a licensed market operated by NZX Limited, which is a licensed market operator regulated under the Financial Markets Conduct Act 2013. Neither NZX nor ASX accepts any responsibility for any statement in this SPP offer document.

10. FINANCIAL STATEMENTS

- 10.1 You may obtain free of charge the most recent annual report and financial statements of AFT by contacting AFT, or you may download the reports from AFT's website: www.aftpharm.com. AFT's contact details are in the Directory.

11. AMENDMENTS TO THE SPP AND WAIVER OF COMPLIANCE

- 11.1 Notwithstanding any other term or condition of the SPP and/or the Application Form, AFT may, at its discretion:
- (a) make non-material modifications to the SPP on such terms and conditions it thinks fit (in which event applications for Shares under the SPP will remain binding on the applicant notwithstanding such modification and irrespective of whether an Application Form was received by the Share Registrar before or after such modification is made); and/or
 - (b) suspend or terminate the SPP at any time before the issue of the Shares under the SPP (including by reviewing the timetable for the SPP). If the SPP is terminated, any application monies received will be refunded to applicants without interest.
- 11.2 Subject to the Listing Rules, AFT reserves the right to waive compliance with any provision of these Terms and Conditions.
- 11.3 AFT will notify NZX and ASX of any amendment, variation, suspension, withdrawal or termination of the SPP.

12. NZX WAIVER

- 12.1 On 21 December 2016, NZX granted AFT a waiver from Listing Rule 5.2.3 in respect of its Shares for a period of 12 months to the extent this rule requires AFT to have at least 25% of Shares held by "Members of the Public" holding at least a "Minimum Holding" (as those terms are defined in the Listing Rules). The waiver was granted on the following conditions:
- (a) NZX receives an undertaking from the Atkinson Family Trust that it will not increase its holding in AFT during the term of the waiver, otherwise than as a result of an allotment pursuant to an offer or issue of shares that is made pro-rata to all shareholders;
 - (b) at least 10% of Shares are held by more than 500 Members of the Public, with each Member of the Public holding at least a Minimum Holding;
 - (c) AFT clearly and prominently discloses this waiver, its conditions, and its implications in its half year and annual reports, and in any offer documents relating to any offer of Shares undertaken by AFT (including this SPP booklet);
 - (d) AFT consistently monitors the total number of Members of the Public holding Shares and the percentage of Shares held by Members of the Public holding at least a Minimum Holding;
 - (e) AFT notifies NZX as soon as practicable if there is any material reduction to the total number of Members of the Public holding at least a Minimum Holding of Shares, and/or the percentage of Shares held by Members of the Public holding at least a Minimum Holding;
 - (f) AFT provides NZX with a written quarterly update of the total number of Members of the Public holding Shares holding at least a Minimum Holding and the percentage of Shares held by Members of the Public holding at least a Minimum Holding. The quarterly updates are from the date the waiver is granted, for the period of the waiver. The updates are to be provided to NZX within ten Business Days of the end of each quarter;
 - (g) AFT provides NZX, with the second quarterly update provided under paragraph (f), an update on:
 - (i) the proposed initiatives AFT intends to undertake to materially increase the percentage of Shares held by Members of the Public before the expiry of the waiver; and
 - (ii) the intentions of the parties who entered into escrow agreements with AFT at the time of its listing in respect of their ongoing holding or sale of any of the Shares released from escrow during the waiver period (following engagement by AFT with such parties).
- 12.2 The implication of the waiver is that the Shares may not be widely held and that there may be reduced liquidity in the Shares, including those issued under this SPP. A copy of the waiver can be viewed at www.aftpharm.com.

13. GOVERNING LAW

- 13.1 These Terms and Conditions shall be governed by and construed in accordance with the laws of New Zealand.

14. DISPUTE RESOLUTION

- 14.1 If any dispute arises in connection with the SPP, AFT may settle it in any manner it thinks fit. It may do so generally or in relation to any particular shareholder, applicant, application or Share. AFT's decision will be final and binding.

15. INCONSISTENCY

- 15.1 Unless otherwise determined by the directors of AFT, in the event of any inconsistency between these Terms and Conditions and:
- (a) the "Questions and Answers" section of this SPP, the Terms and Conditions prevail; or
 - (b) AFT's constitution, AFT's constitution prevails.

5. GLOSSARY

Accredited Investor	<p>The term Accredited Investor has the meaning given to such term in Rule 501 of Regulation D promulgated by the US Securities and Exchange Commission. Under Rule 501, an Accredited Investor is:</p> <ul style="list-style-type: none"> • a bank, insurance company, registered investment company, business development company, or small business investment company; • an employee benefit plan, within the meaning of the Employee Retirement Income Security Act, if a bank, insurance company, or registered investment adviser makes the investment decisions, or if the plan has total assets in excess of \$5 million; • a charitable organization, corporation, or partnership with assets exceeding \$5 million; • a director, executive officer, or general partner of the company selling the securities; • a business in which all the equity owners are accredited investors; • a natural person who has individual net worth, or joint net worth with the person's spouse, that exceeds \$1 million at the time of the purchase, or has assets under management of \$1 million or above, excluding the value of the individual's primary residence; • a natural person with income exceeding \$200,000 in each of the two most recent years or joint income with a spouse exceeding \$300,000 for those years and a reasonable expectation of the same income level in the current year; or • a trust with assets in excess of \$5 million, not formed to acquire the securities offered, whose purchases a sophisticated person makes.
Accredited Investor Questionnaire	An investor questionnaire, the form of which is to be provided by AFT or the Share Registrar, that is to be completed by Eligible Shareholders with a registered address in the United States of America to certify to AFT that that Eligible Shareholder is an Accredited Investor
AFT	AFT Pharmaceuticals Limited
Allotment Date	On or around 16 June 2017, unless the Closing Date is extended
Application Form	The personalised application form relating to the SPP which you received with this SPP booklet, including the instructions on the form
ASX	ASX Limited ABN 98 008 624 691 and, where the context permits, the Australian Securities Exchange operated by ASX Limited
Australian Eligible Shareholder	An Eligible Shareholder with a registered address in Australia on the Record Date
Business Day	Has the meaning given to that term in the Listing Rules
Closing Date	12 June 2017, unless extended in accordance with the Listing Rules (in which case the Closing Date will be that extended date)

Custodian

- An Eligible Shareholder with a registered address in New Zealand on the Record Date that:
 - is a trustee corporation or a nominee company and holds Shares by reason only of acting for another person in the ordinary course of business of that trustee corporation or nominee company; or
 - holds Shares by reason only of being a bare trustee of a trust to which the Shares are subject, and is permitted to operate as a custodian under all relevant laws; or
 - an Australian Eligible Shareholder that:
 - holds an Australian financial services licence that covers the provision of a custodial or depositary service or covers the operation of an IDPS (as defined in ASIC Class Order [CO 13/763]); or
 - is exempt under:
 - (i) paragraph 7.6.01(1)(k) of the Corporations Regulations 2001 (the Regulations); or
 - (ii) paragraph 7.6.01(1)(na) of the Regulations; or
 - (iii) ASIC Class Order [CO 14/1000] or ASIC Class Order [CO 14/1001]; or
 - (iv) Schedule 2 to the ASIC Corporations (Repeal and Transitional) Instrument 2016/396; or
 - (v) an instrument, not being a legislative instrument, made by ASIC and which applies to the person on terms similar to Schedule 2 of the 7 legislative instrument referred to in subparagraph (iv) or any of the ASIC Class Orders repealed by that legislative instrument; or
 - (vi) paragraph 911A(2)(h) of the Corporations Act 2001 (Cth);
- from the requirement to hold an Australian financial services licence for the provision of a custodial or depositary service; or
- is a trustee of a self-managed superannuation fund or superannuation master trust; or
 - is the responsible entity of an IDPS-like scheme; or
 - is the registered holder of shares in the class and is noted on the register of members of AFT as holding the shares or interests on account of another person.
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Eligible Beneficiary	A person on whose behalf a Custodian is holding Shares at the Record Date, with a registered address in either Australia or New Zealand, provided that such person is not in the United States of America.
Eligible Shareholder	<p>A person who, at 7:00pm on the Record Date, was recorded in AFT's share register as being a registered holder of Shares and having a registered address:</p> <ul style="list-style-type: none"> • in New Zealand or Australia; or • in the United States of America and who has returned to AFT an Accredited Investor Questionnaire certifying that the person is an Accredited Investor, <p>unless that person holds Shares on behalf of another person who resides outside New Zealand and Australia</p>
Issue Price	The price at which the Shares will be issued pursuant to the SPP, being NZ\$2.25 or A\$2.11 per Share, as applicable
Listing Rules	The NZX Main Board listing rules in force from time to time
NZX	NZX Limited
NZX Main Board	The main board equity security market operated by NZX
Opening Date	24 May 2017
Record Date	23 May 2017
Share Registrar	Computershare Investor Services Limited
Share	A fully paid ordinary share in AFT
SPP	The share purchase plan detailed in this booklet
Terms and Conditions	The terms and conditions of the SPP detailed in this booklet

6. DIRECTORY

ISSUER

AFT Pharmaceuticals Limited
Level 1, 129 Hurstmere Road,
Takapuna, Auckland, 0622

www.aftpharm.com

SHARE REGISTRAR

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Auckland 1142

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