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Market and media release

5 June 2020

### **Dispute with PBL Solutions Limited**

AFT Pharmaceuticals Limited [NZX: AFT; ASX: AFP] advises that British Virgin Islands incorporated PBL Solutions Limited, the 35% shareholder in AFT's 65% owned subsidiary AFT Orphan Pharmaceuticals Limited, has filed legal proceedings in the New Zealand High Court against AFT and Dr Hartley Atkinson. AFT disclosed this as a potential claim in its FY2020 results announcement dated 20 May 2020 and also in the notes to its FY2020 financial statements.

The substance of the claim is that AFTO rather than AFT, should have had the opportunity to pursue the drug development opportunity in respect of Pascomer, and that AFT and Dr Atkinson breached contractual and other obligations in pursuing that opportunity through AFT.

The proceedings seek an account of the profits made by AFT in relation to Pascomer, including an account of future profits, or alternatively damages in an amount to be quantified.

Pascomer is a drug development project that if successful has the potential for the topical treatment of Facial Angiofibromas in Tuberous Sclerosis and was the subject of a market announcement by AFT on 4 November 2019.

To date AFT has invested in excess of NZ\$5.6 million in the Pascomer drug development project. AFT expects it to be about four years before Pascomer's commercialisation potential is able to be determined, FDA and any other required regulatory approvals obtained, and any sales achieved.

AFTO was established in 2011 by AFT and PBL through its founder, Mr Giles Moss, at that time a contractor to AFT, based in Malaysia. AFTO was established as a vehicle for its shareholders to share profits from the marketing and distribution of orphan drugs only, and only in the Southeast Asia region.

AFT has consistently maintained that AFTO was never intended to act as a drug development company, was not resourced or capitalised to do so and that the opportunity to invest in the development of Pascomer was not one to which AFTO was entitled. Pascomer was introduced to AFT by Medicas Group LLC of the United States as no more than a drug development idea based upon publicly available information.

AFT and Dr Atkinson will vigorously defend the allegations made by PBL in the proceedings and are considering their options in terms of a counterclaim against both PBL and Mr Moss personally, in relation to matters that have been previously raised with Mr Moss.

For and on behalf of AFT Pharmaceuticals Limited, Malcolm Tubby, CFO.

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#### About AFT Pharmaceuticals

AFT is a growing multinational pharmaceutical company that develops, markets and distributes a broad portfolio of pharmaceutical products across a wide range of therapeutic categories which are distributed across all major pharmaceutical distribution channels: over-the-counter (OTC), prescription and hospital. Our product portfolio comprises both proprietary and in-licensed products, and includes patented, branded and generic drugs. Our business model is to develop and in-license products for sale by our own dedicated sales teams in our home markets of Australia and New Zealand and in certain Southeast Asian markets, and to out-license our products to local licensees and distributors to over 125 countries around the world. For more information about the company, visit our website [www.aftpharm.com](http://www.aftpharm.com).