

Island Pharmaceuticals Limited

ACN 641 183 842

(ASX code: ILA)

PROSPECTUS

2024 Non-Renounceable Pro Rata Offer of Shares and attaching Options

*For a pro-rata offer of shares (non-renounceable) on the basis of **2 New Shares for every 5 Shares** held by Eligible Shareholders at the Record Date at an issue price of 6 cents per New Share (\$0.06) **together with** 1 New Option (with an exercise price of 6 cents (\$0.06) and expiry date of 12 months from the Closing Date) for every 1 New Share issued under the Offer, **and for** every New Option exercised within 3 months of the Closing Date, 1 Piggy Back Option (with an exercise price of 6 cents (\$0.06) and expiry date of 12 months from the Closing Date) to raise a maximum of \$1.95 million from the issue of New Shares before costs (**Rights Issue Offer**), and the placement of any Shortfall under the Rights Issue Offer.*

Fully underwritten by PAC Partners Securities Pty Limited ACN 623 653 912

IMPORTANT NOTICE

This document is important and should be read in its entirety.

If, after reading this Prospectus, you have any questions about the Offer Securities being offered under this Prospectus or any other matter relating to the Offers, then you should consult your professional adviser. An investment in the Offer Securities offered by this Prospectus should be considered highly speculative.

This Prospectus may not be released to US wire services or distributed in the United States except by the Company to a limited number of shareholders who are employees of the Company or "accredited investors" (as defined in Rule 501(a) under the US Securities Act).

This Prospectus has also been prepared in accordance with Section 713 of the Corporations Act.

IMPORTANT NOTICE

1. Prospectus

This Prospectus is dated 26 February 2024. A copy of this Prospectus has been lodged with ASIC on that date. ASIC and its officers take no responsibility for the contents of this Prospectus. No Offer Securities will be issued or allotted on the basis of this Prospectus later than 13 months after the date of this Prospectus (**Expiry Date**).

This Prospectus is a transactional specific prospectus for an offer of continuously quoted securities (being the New Shares offered under this Prospectus), and options to acquire continuously quoted securities (New Options and Piggy Back Options), and has been prepared in accordance with section 713 of the Corporations Act.

This Prospectus does not contain the same level of disclosure as an initial public offering prospectus prepared pursuant to Section 710 of the Corporations Act. In making representations in this Prospectus, regard has been made to the fact that the Island Pharmaceuticals Limited (**ILA, Island** or the **Company**) is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult. Further information is provided in Sections 7.4 and 7.5 of this Prospectus. This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX.

The Company will apply to ASX within 7 days of the date of this Prospectus for quotation of the New Shares, New Options and Piggy Back Options offered under this Prospectus. The ASX takes no responsibility for the contents of this Prospectus. The fact that ASX may quote the New Shares or any of the New Options and/or Piggy Back Options is not to be taken in any way as an indication of the merits of the Company.

In accordance with the design and distribution obligations under the Corporations Act, the Company has determined the target market for the offer of quoted options issued under this Prospectus. The Company will only distribute this Prospectus to those investors who fall within the target market determination (**TMD**) as set out on the Company's website (<https://www.islandpharmaceuticals.com/site/content/>). By making an application under the Offers, you warrant that you have read and understood the TMD and that you fall within the target market set out in the TMD. Please refer to section 7.16 for further information in respect of the TMD.

Applications for Offer Securities offered pursuant to this Prospectus, including also for any Additional Securities, can only be submitted on the applicable original Entitlement and Acceptance Form which accompanies this Prospectus. If you are in any doubt about the contents of this document, you should obtain independent professional advice.

2. Disclaimer

The information contained in this Prospectus is not investment advice. Before deciding to invest in the Company, you should read and understand the entire Prospectus and, in particular, in considering the Company's prospects, you should consider the risk factors that could affect the Company's performance. You should carefully consider these risk factors in Section 6 in light of your personal circumstances (including financial and taxation issues) and seek advice from your professional adviser before deciding to invest. Investing in the Company involves risks.

None of the Company, the Directors or any other person gives any guarantee as to the success of the Company, the repayment of capital, the payment of dividends, the future value of the Offer Securities or the price at which the New Shares will trade on the ASX.

Any references to past performance of the Company is no guarantee of future performance.

3. No Representations other than this Prospectus

No person or entity is authorised to give any information or to make any representation in connection with the Offers that is not contained in this Prospectus or has not been released to ASX with the authorisation of the Company.

The Application Forms accompanying this Prospectus are important.

Please refer to the instructions in Section 4 of this Prospectus regarding the acceptance of the Offers.

4. Forward looking information

Some of the statements appearing in this Prospectus may be in the nature of forward looking statements, including statements of current intention, statements of opinion and predictions as to possible future events. You should be aware that such statements are not statements of fact and there can be no certainty of outcome in relation to the matters to which the statements relate.

Forward looking statements are subject to many inherent risks and uncertainties before actual outcomes are achieved. Those risks and uncertainties include factors and risks specific to the industry in which the Company operates as well as general economic conditions, interest rates, exchange rates and conditions in the financial markets. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement and any variation may be materially positive or negative. Forward looking information (including forecast financial information) is subject to uncertainty and contingencies, many of which are outside the control of the Company.

5. No cooling off rights apply to this offer

Cooling off rights do not apply to an investment pursuant to the Offers. This means that, in most circumstances, you cannot withdraw your Application Form once it has been lodged.

6. Offer Restrictions on Distribution

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to lodge this Prospectus in any jurisdiction outside of Australia or to otherwise permit a public offering of New Shares or New Options in any jurisdiction outside Australia.

In particular, the Offer Securities have not been, and will not be, registered under the US Securities Act and may only be offered and sold in the United States in accordance with an available exemption from registration under the US Securities Act and applicable US state securities laws.

Return of a duly completed Application Form will be taken by the Company as a representation that the Applicant is an Eligible Shareholder.

7. Prospectus availability

Those investors who receive this Prospectus electronically are advised that the issue of securities under this Prospectus is only available to persons receiving the Prospectus in accordance with the distribution restrictions described in item 6 above. A paper copy of this Prospectus may be obtained free of charge from the Company or downloaded from the ASX website. The information on the ASX website or the Company's website do not form part of this Prospectus.

8. Definitions and glossary, financial amounts and time

Definitions of certain terms used in this Prospectus are contained in Section 9. Unless otherwise indicated, all references to currency are to Australian dollars and all references to time are to Melbourne, Victoria time.

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Key Offer Details

Key details of the Offers	
Offer to Eligible Shareholders	<p>2 New Shares for every 5 Shares held at the Record Date at the Issue Price plus:</p> <ul style="list-style-type: none"> • 1 New Option for every 1 New Shares issued under the Rights Issue Offer; and • 1 Piggy Back Option for every 1 New Option exercised within 3 months of the Closing Date ; and. • the Top-Up Facility for Shareholders who subscribe for their full Entitlement.
Issue Price per New Share	6 cents (\$0.06) per New Share payable in full on Application
Exercise Price per New Option	6 cents (\$0.06) per New Option
Exercise Price per Piggy Back Option	6 cents (\$0.06) per Piggy Back Option
Maximum number of New Shares issued under this Prospectus	32,507,388 (subject to rounding) New Shares
Maximum number of New Options to be issued under this Prospectus	32,507,388 (subject to rounding) New Options
Maximum number of Piggy Back Options to be issued under this Prospectus (assuming that all New Options issued under the Offers are exercised within 3 months of the Closing Date)	32,507,388 (subject to rounding) Piggy Back Options
Maximum proceeds (excluding costs associated with the Offers) if the Maximum Subscription Amount is achieved	Approximately \$1.95 million for New Shares (before expenses and costs of the issue)
Maximum number of Shares on issue following the Offers (excluding any Shares issued upon the exercise of any New Options or Piggy Back Options)	113,775,856 Shares (subject to rounding)
Maximum number of Options on issue on completion of the Offers (prior to issue of any Piggy Back Options)	42,277,656 Options (subject to rounding)

Important Dates*

Event	Date
<u>Record Date</u> to determine Entitlements under the Rights Issue Offer	29 February 2024
Prospectus (including Entitlement & Acceptance Form) despatched	5 March 2024
<u>Opening Date</u>	5 March 2024
<u>Closing Date</u> for acceptances under the Rights Issue Offer and Top-Up Offer	5.00pm (AEDT) on 14 March 2024
<u>Issue of the New Shares and New Options</u>	Before noon (AEDT) on 21 March 2024
<u>Trading</u> (T+2) of New Shares expected to commence	22 March 2024
<u>Right to be issued Piggy Back Options lapses</u> (if New Options are not exercised)	5.00pm (AEST) on 14 June 2024, or if the Closing Date is extended, the date which is 3 months from the Closing Date

* The above dates are indicative only and subject to change. All dates and times are Australian Eastern Daylight Time (AEDT), unless indicated otherwise. The Company reserves the right, subject to the Corporations Act and the Listing Rules, to extend these dates without prior notice including extending the last date for receipt of the Application Form, or to delay or withdraw the Offers at any time without prior notice. If withdrawn, all Application Monies for New Shares which have not been issued will be refunded (without interest) as soon as practicable.

Letter from the Executive Chairman

On behalf of the Board of Island Pharmaceuticals Limited (**Company**), I invite you to participate in the Company's fully underwritten non-renounceable pro-rata offer of 2 New Shares for every 5 Shares held by Eligible Shareholders at the Record Date at an issue price of 6 cents per New Share (\$0.06) together with 1 New Option (with an exercise price of 6 cents (\$0.06) and expiry date of 12 months from the Closing Date) for every 1 New Share issued under the Offers and for every New Option exercised within 3 months of the Closing Date, 1 Piggy Back Option (with an exercise price of 6 cents (\$0.06) and expiry date of 12 months from the Closing Date) to raise a maximum of approximately \$1.95 million before costs (**Rights Issue Offer**).

PAC Partners Securities Pty Limited ACN 623 653 912 (**PAC Partners** or **Underwriter**) has been appointed as lead manager and underwriter of the offer. The offer is fully underwritten pursuant to an underwriting agreement entered into between the Company and PAC Partners dated 26 February 2024, further details of which are set out in Section 2.10.

The Offers form a capital raise of up to approximately \$1.95 million (before costs) which will be used primarily for clinical trial costs, various intellectual property and license fees, business development activities and for working capital (refer to the Company Update ASX announcement released on 26 February 2024 for further details).

This capital raise will allow the Company to analyse the Phase 1 dose and prepare for the planned Phase 2 clinical trial (PEACH study), which the Board views as having the potential to generate significant shareholder value.

The Offers may be summarised as follows:

- Australian and New Zealand residents holding Shares may subscribe under the Rights Issue Offer for 2 New Shares for every 5 held as at the Record Date (together with 1 New Option for every 1 New Share issued, and for every New Option exercised within 3 months of the Closing Date, 1 Piggy Back Option). Certain eligible shareholders in other jurisdictions may also participate in the Offers.
- New Shares are priced at 6 cents (\$0.06) per New Share.
- Eligible Shareholders may also subscribe for Additional Securities beyond their Entitlement (on the basis that some existing Shareholders will be either ineligible or may fail to fully take up their Entitlement). This ability to apply for Additional Securities is restricted only to Eligible Shareholders (excluding Directors and related parties of the Company), who also subscribe for their full Entitlement, determined at the discretion of the Board and is referred to as a 'Top-Up Facility'.
- If there remains any Shortfall after allocation of Entitlements to Eligible Shareholders under the Rights Issue Offer, and the issue of Additional Shares under the Top-Up Facility, the Underwriter will subscribe or procure subscriptions for the Shortfall in accordance with the terms of the Underwriting Agreement.

A copy of this Prospectus has been lodged with ASIC and the ASX and can be accessed on the ASX website or via the Company's website <https://www.islandpharmaceuticals.com>.

The funds from the Offers are important and will significantly strengthen the Company's balance sheet and provide funds towards:

- Analysing data from Phase 1 dose escalation study;
- Preparation for Phase 2 clinical trial (PEACH study) including submissions and discussions with FDA; and

- The Company's business development activities, working capital, corporate activities, and offer costs.

As a Board, we appreciate the support of our existing Shareholders and we have been mindful of providing existing Shareholders this opportunity to further their investment in the Company.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Paul MacLeman', with a stylized flourish at the end.

Dr Paul MacLeman
Executive Chairman
Island Pharmaceuticals Limited

1. RIGHTS ISSUE OFFER OVERVIEW

1.1 Overview of the Offers

This Section is not intended to provide full information for investors intending to apply for Offer Securities offered pursuant to this Prospectus. This Prospectus and all of its Sections should be read and considered in their entirety.

Question	Response	Where to find more information
What is the Rights Issue Offer	Non-renounceable pro rata offer of New Shares, accompanied by attaching options (i.e., the New Options and where the New Options are exercised within 3 months of the Closing Date, the Piggy Back Options) as described below (Rights Issue Offer).	Sections 2.1 and 2.6
What are the terms of the Rights Issue Offer	2 New Shares for every 5 Shares held on the Record Date at an issue price of 6 cents per Share (\$0.06), plus the grant to the subscribers of 1 New Option with an exercise price of 6 cents (\$0.06) expiring 12 months from the Closing Date for every 1 New Share issued under the Rights Issue Offer and for every New Option exercised within 3 months of the Closing Date, 1 Piggy Back Option with an exercise price of 6 cents (\$0.06) expiring 12 months from the Closing Date.	Section 2.1
Are the New Shares and Options to be Quoted on the ASX	The Company will apply for the New Shares to be quoted on the ASX The Company will apply for the New Options and Piggy Back Options to be quoted on the ASX, but if quotation is not achieved for any reason, will issue these options as unlisted options.	Section 2.13, Annexure A
Can I sell or transfer my Entitlements	No, the Rights Issue Offer is non-renounceable and, accordingly, you cannot offer to sell or transfer any of your Entitlement on ASX or via an off-market transfer.	Section 2.6
Am I an Eligible Shareholder	The Rights Issue Offer and Top-Up Offer are made to Eligible Shareholders registered as a holder of Shares as at 7.00 pm (AEDT) on 29 February 2024 (Record Date).	Section 2.2
Can I purchase Additional Securities at the same price	Yes, the Company is also offering a Top-Up Facility so Eligible Shareholders who fully subscribe for their entitlement under the Rights Issue Offer will also have the right to apply for Additional Securities (not subscribed for by other Eligible Shareholders) at the same Issue Price (Top-Up Offer). For every 1	Sections 2.1 and 2.9

Question	Response	Where to find more information
(Top-Up Offer)?	Additional Share issued, subscribers will also receive 1 New Option, and for every New Option exercised within 3 months of the Closing Date, 1 Piggy Back Option.	
How will the Additional Securities be allocated	<p>The Company reserves the right to scale back any applications for Additional Securities in their absolute and sole discretion, including where the aggregate of New Shares applied for under the Top-Up Offers exceeds the available shortfall from Shareholders who have not taken up, or are ineligible to take up, their Entitlement in full.</p> <p>When determining the amount (if any) by which to scale back an application, the Company may take into account a number of factors, including the size of an Applicant's shareholding in the Company, the extent to which an Applicant has sold or bought additional Shares in the Company before and after both the announcement of the Rights Issue Offer and the Record Date, as well as when the application was made.</p>	Section 2.9
Shortfall	<p>If there remains any Shortfall after allocations under the Top-Up Facility, the Underwriter will subscribe or procure subscriptions for the Shortfall in accordance with the terms of the Underwriting Agreement.</p> <p>In each case, the issue of every New Shares under the Shortfall will be accompanied by the issue of 1 New Option, and for each New Option exercised within 3 months of the Closing Date, 1 Piggy Back Option.</p>	Section 2.11
Is the offer underwritten	Yes, the Rights Issue Offer is fully underwritten.	Section 2.10
Is there a minimum subscription amount?	No, there is no minimum subscription amount.	
How do the New Shares rank in comparison to existing Shares	All New Shares issued under the Rights Issue Offer will rank equally in all respects with existing Shares from the date of their issue.	Sections 2.18 and 5.1
What are my choices?	<p>As an eligible Shareholder you may:</p> <ul style="list-style-type: none"> take up all of your Entitlement under the Rights Issue Offer (and if you have taken up all your Entitlement, you may also apply for participation 	Section 4.1

Question	Response	Where to find more information
	<p>in the Top-Up Facility under the Top-Up Offer); or</p> <ul style="list-style-type: none"> • exercise only a portion of your Entitlement and allow the balance to lapse; or • do nothing, in which case all of your Entitlements will lapse, and you will receive no value for those lapsed Entitlements. 	
<p>What will be the effect of the Offers on control</p>	<p>The effect of the Offers on the control of the Company will vary with the level of Entitlements taken up by Eligible Shareholders under the Offer and the issue of any Shortfall. The Company will not issue any New Shares such that such an allocation would result in the a Shareholder or any person acquiring a Relevant Interest in Shares which increases their Voting Power in the Company to increase from:</p> <ul style="list-style-type: none"> • 20% or below to more than 20%; or • a starting point that is above 20% and below 90%, <p>unless a relevant exception under Chapter 6 of the Corporations Act applies.</p> <p>The Company reserves the right to scale back any applications for Offer Securities which if accepted may result in a breach of Chapter 6 of the Corporations Act (in the opinion of the Board) in its absolute discretion. It is an express term of the Offers that Eligible Shareholders who apply for Offer Securities are bound to accept a lesser number of Offer Securities than they applied for or may be allocated no Offer Securities at all in the event that acceptance of the application may result in a breach of Chapter 6 of the Corporations Act (in the opinion of the Board). In both cases, excess Application Monies will be refunded without interest.</p>	<p>Section 3.2</p>
<p>How do I apply for New Shares / Options under the Rights Issue Offer</p>	<p>Eligible Shareholders can apply for Offer Securities under the Rights Issue Offer by making payment by BPAY® or EFT in the amount of the Rights Issue Offer (and Top-Up Offer, if applicable) applied for.</p> <p>You do not need to return the Entitlement and Acceptance Form and the Company will assume that you have applied for that number of New Shares corresponding to the subscription monies paid. You may accept all or part of your Entitlement.</p>	<p>Sections 4.2 and 4.3</p>

Question	Response	Where to find more information
How can I obtain further information	Contact our Share Registry on 1300 288 664 (within Australia) or +61 2 9698 5414 (from outside Australia) at any time between 9:00am to 5:00pm Monday to Friday until the Closing Date. For advice, actively consult your broker, accountant or other professional adviser.	N/A
Risk Factors	<p>There are a number of risks associated with an investment in the Company. An overview of some of the key risks is outlined in Section 6.</p> <p>An investment in Offer Securities should be considered highly speculative. The Directors recommend that potential investors carefully consider this Prospectus and consult their professional advisors before deciding whether to apply for Offer Securities pursuant to this Prospectus.</p> <p>Some of the key risk factors affecting an investment in the Company include:</p> <ul style="list-style-type: none"> • Sufficiency of funding and need for future additional funding – the Company has limited resources and will need to raise additional funds from time to time to finance the continued operations. There is no guarantee that the Company will be able to raise further funding as and when it is required. • Healthcare insurers and reimbursement - sales of products are likely to depend in part upon the availability and amounts of reimbursement from third party health care payer organisations, including government agencies, private health care insurers and other health care payers such as health maintenance organisations and self-insured employee plans, without which the Company's operations would be affected. • Product liability - clinical trials and future sales carry an inherent risk of product liability. • Commercialisation risk associated with the Company's operations. • Innovative technological development – the Company is in an intermediate stage of development, no guarantee can be provided that the proposed clinical work will be successful or result in an approved product. • Clinical trials - regulatory requirements might not be met and regulatory approval may not be achieved. <p>Please refer to Section 6 of this Prospectus for additional risk and further details in relation to key risks.</p>	Section 6

2. DETAILS OF THE OFFER

2.1 The Offers

The Rights Issue Offer:

The Company is offering Eligible Shareholders the opportunity to subscribe for 2 New Shares for every 5 Shares held at 7:00pm (AEDT) on the Record Date at an Issue Price of 6 cents (\$0.06) per New Share, together with the grant of 1 New Option with an exercise price of 6 cents (\$0.06) and expiry date of 12 months from the Closing Date for every 1 New Share issued under this offer, and for every New Options exercised within 3 months from the date of the Closing Date, 1 Piggy Back Option with an exercise price of 6 cents (\$0.06) and expiry date of 12 months from the Closing Date (**Rights Issue Offer**).

Your Entitlement under the Rights Issue Offer is shown on, and you may only make application for Offer Securities pursuant to, the terms of the accompanying Entitlement & Acceptance Form.

Details on how to accept the Rights Issue Offer are set out in Section 4.

The Top-Up Offer:

Eligible Shareholders who fully subscribe for their entire Entitlement under the Rights Issue Offer may also apply under the Top-Up Facility for Additional Securities known as their **Top-Up Offer**.

The availability of any Additional Securities will be limited to the extent that there are sufficient New Shares available (after all acceptances have been received under the Rights Issue Offer) which have not been taken up by some of the Eligible Shareholders and have therefore formed a "Shortfall".

See Section 2.9 for further information in relation to allocations under the Top-Up Facility.

2.2 Eligible Shareholders

Eligible Shareholders are those holders of Shares who are registered as a holder of Shares as at the Record Date and:

- have an address on the Company's share register in Australia or New Zealand; or
- is a certain shareholder with a registered address in the United States, Colombia, the Netherlands, Hong Kong or Singapore to which an invitation to participate in the Offers has been extended as determined by the Company in its absolute discretion.

Shareholders who do not satisfy each of the above mentioned criteria are regarded as 'Ineligible Foreign Shareholders'. All Ineligible Foreign Shareholders will be sent a letter advising of their inability to participate in the Rights Issue Offer.

The Company, in its absolute discretion, reserves the right to determine whether a Shareholder is an Eligible Shareholder and is therefore able to participate in the Offers, or an Ineligible Foreign Shareholder and is therefore unable to participate in the Rights Issue Offer. The Company disclaims all liability to the maximum extent permitted by law in respect of any determination as to whether a Shareholder is an Eligible Shareholder or an Ineligible Foreign Shareholder.

2.3 Size and Nature of the Offers

As at the date of this Prospectus, the Company has on issue 81,268,468 Shares, and 9,770,268 unlisted options.

Approximately 32,507,388 New Shares will be offered under the Offers to raise up to approximately \$1.95 million before the expenses of the Offers are taken into account. There is no minimum amount of capital that must be subscribed under this Offer.

2.4 Use of Funds

The Company proposes to use the funds received pursuant to the Offers (assuming the maximum amount is raised) as described below:

Description	A\$
Completion and analysis of data from Phase 1 dose escalation study	\$ 507,225
Preparation for Phase 2 clinical trial (PEACH study) including submissions and discussions with FDA	\$245,592
Intellectual property and license fees	\$111,743
The Company's business development activities, working capital and corporate activities	\$886,940
Costs of the Offers	\$198,500
Total	\$1,950,000

2.5 Opening and Closing Date

The Rights Issue Offer and the Top-Up Offer will open for receipt of acceptances on 5 March 2024. The Closing Date for acceptance of your Entitlement is 5.00pm (AEDT) on 14 March 2024.

The Company reserves the right, subject to the Corporations Act and the Listing Rules, to extend the last date for the close of the Offers, or to delay or withdraw the Offers at any time without prior notice. Where an Offer is withdrawn, all Application Monies will be refunded (without interest) as soon as practicable by EFT to your bank account.

Any extension of the Closing Date will have a consequential effect on the issue date of New Shares and New Options.

2.6 Entitlements under the Rights Issue Offer

The Rights Issue Offer and the Top-Up Offer (i.e. the Rights Issue Offers) are non-renounceable and therefore Eligible Shareholders cannot offer to sell or transfer any of their Entitlement on ASX or via an off-market transfer (or any other exchange or privately transferred).

Shareholders who do not take up their Rights Issue Offer in full (or are ineligible) will have their percentage interest in the Company diluted as compared to that percentage as at the date the Rights Issue Offer is made.

Your Entitlement has been calculated on a pro rata basis and rounded up to the nearest whole number (at the offer ratio) and where the Company receives acceptances in aggregate in excess of the maximum number of available Shares – all acceptances will be

pro rata reduced to that maximum available under the Rights Issue Offer (as required, and subject to the Top-Up Offer).

As described in Sections 2.9 and 2.11, any New Shares not taken up by an Eligible Shareholder by the Closing Date will form part of the Shares available under the Top-Up Offer.

2.7 Entitlements and acceptance

The Entitlement of Eligible Shareholders to participate in the Rights Issue Offer will be determined on the Record Date. Your Entitlement is shown on the Entitlement & Acceptance form accompanying this Prospectus.

2.8 No cooling off rights

Cooling off rights do not apply to an investment in New Shares. You cannot withdraw your Application once it has been received.

2.9 Top-Up Facility Allocations

Eligible Shareholders (other than Directors and related parties of the Company), who fully subscribe for their entire Entitlement under the Rights Issue Offer may, in addition to taking up their Entitlements in full, apply for any number of Additional Shares in excess of their Entitlements by using the Top-Up Facility.

Additional Securities will only be available where the number of Shares the subject of Applications received under the Rights Issue Offer is less than the aggregate Entitlements, the aggregate Entitlements being 32,507,388 New Shares. Any Additional Shares issued under the Top-Up Facility will be at the Issue Price.

Details on how to apply for Additional Securities under the Top-Up Facility are set out in Section 4.3. There can be no guarantee that there will be any allocation of Additional Shares under the Top-Up Facility.

Subject to the Corporations Act and the Listing Rules, the Board in its discretion may determine the allocation subscriptions for Additional Shares (if any).

It is an express term of the Top-Up Offer that Eligible Shareholders who apply for Additional Securities are bound to accept a lesser number of Additional Securities than they applied for or may be allocated no Additional Securities at all. In both cases, excess Application Monies will be refunded without interest. The Company reserves the right to scale back any applications for Additional Securities in its absolute discretion. When determining the amount (if any) by which to scale back an application, the Company may take into account a number of factors, including but not limited to the size of an Applicant's shareholding in the Company, the extent to which an Applicant has sold or bought Shares in the Company before and after both the announcement of the Offers and the Record Date, as well as when the application was made. Any party who is a sub-underwriter of the Rights Issue Offer will not be eligible to participate under the Top-Up Facility.

For the avoidance of doubt, the prohibitions set out in section 606 of the Corporations Act on certain acquisitions of relevant interests in voting shares will apply to limit the acquisition of Additional Securities through the Top-Up Facility (as well as any other Shares issued under a Shortfall).

2.10 Agreements with the Underwriter

(a) Underwriting Agreement

The Rights Issue Offer is fully underwritten (and will be managed) by PAC Partners in accordance with the terms of the Underwriting Agreement.

Under the Underwriting Agreement, if there remains any Shortfall after allocation of Entitlements to Eligible Shareholders under the Rights Issue Offer, and the issue of Additional Shares under the Top-Up Facility, the Underwriter will subscribe or procure subscriptions for the Shortfall in accordance with the terms of the Underwriting Agreement.

Under the Underwriting Agreement, the Underwriter will be:

- paid management and underwriting fees of 6.0% of the gross proceeds of the Offers; and
- issued the lesser of:
 - 1 Option for every 5 Shares issued under the Offers; or
 - 4,500,000 Options,

with an exercise price of \$0.12 and expiry 3 years from the date of issue (**Lead Manager Options**).

The Lead Manager Options will be issued under the Company's existing placement capacity under ASX Listing Rule 7.1, or if there is insufficient capacity, subject to shareholder approval.

A summary of further material terms of the Underwriting Agreement is set out in Annexure B of this Prospectus.

The Underwriter has entered into sub-underwriting agreements with the parties set out in section 3.2 to subscribe for New Shares under the Shortfall (if any) and receive any sub-underwriting fees from the Underwriter. The potential interests of the sub-underwriters on completion of the Offer is set out in section 3.2.

(b) Lead Manager Mandate

PAC Partners and the Company are also party to a mandate agreement dated on or around 3 January 2024 pursuant to which PAC Partners is appointed as exclusive lead manager to the Offers.

The fees payable by the Company to the Underwriter under the terms of the Underwriting Agreement, as set out in Annexure B of this Prospectus, satisfies any obligation of the Company to pay cash fees and issue Options to PAC Partners under the Mandate.

2.11 Issue and despatch

The issue of New Shares and New Options offered by this Prospectus is expected to occur before noon on 21 March 2024.

It is the responsibility of Applicants to determine their allocation prior to trading in the New Shares. Applicants who sell New Shares without making such determination do so at their own risk.

The Company will have no responsibility and disclaims all liability (to the maximum extent permitted by law) to persons who trade New Shares before the New Shares are listed on

the official list of ASX or before they receive their holdings statements, whether on the basis of confirmation of the allocation provided by the Company, the Share Registry or otherwise.

2.12 **ASX Listing**

The Company will make an application for official quotation by ASX of the New Shares offered under this Prospectus along with New Options and Piggy Back Options.

If the New Shares are not quoted by ASX within 3 months after the date of this Prospectus, the Company will not issue any Offer Securities and all Application Monies received will be refunded (without interest) in full to the Applicants.

Should the New Options and Piggy Back Options not be approved for quotations, they will be issued on a non-quoted basis.

The fact that ASX may grant official quotation to the New Shares or any options is not to be taken in any way as an indication of the merits of the Company or the Offer Securities. Neither ASX nor any of its officers accepts or takes any responsibility for the contents of this Prospectus.

It is expected that normal trading on ASX will commence in relation to New Shares on 22 March 2024.

2.13 **CHESS**

The Company will apply to ASX to participate in CHESS for those Shareholders who have, or wish to have, a sponsoring stockbroker. Shareholders who do not wish to participate through CHESS will be issuer sponsored by the Company. Because the sub-registers are electronic, ownership of securities can be transferred without having to rely upon paper documentation.

Electronic registers mean that the Company will not be issuing certificates to investors. Instead, Shareholders will be provided with a statement (similar to a bank account statement) that sets out the number of New Shares allotted to them under this Prospectus. The notice will also advise Shareholders of their Holder Identification Number (**HIN**) and explain, for future reference, the sale and purchase procedures for the New Shares under CHESS and issuer sponsorship.

Further monthly statements will be provided to Shareholders if there have been any changes in their interest in the Company during the preceding month.

2.14 **Ineligible Foreign Shareholders**

In accordance with ASX Listing Rule 7.7.1 and Section 9A of the Corporations Act, the Company has decided that it is unreasonable to make the Rights Issue Offer to any Shareholder who is not an Eligible Shareholder as at the Record Date (**Ineligible Foreign Shareholder**), having regard to:

- a) the number of Shareholders with addresses in such other countries as a proportion of total Shareholders in the Company;
- b) the number and value of the New Shares and New Options For those Shareholders would be offered under the Offers; and

- c) the cost to the Company of complying with applicable legal and regulatory requirements in such other countries.

To the extent that there are any Ineligible Foreign Shareholders registered at the Record Date, the Company will send details of the Rights Issue Offer to each Ineligible Foreign Shareholder and advise each Ineligible Shareholder that they will not be offered New Shares and New Options under the Rights Issue Offer.

2.15 Overseas shareholders

The Company has decided that it is unreasonable to make offers under the Prospectus to Shareholders with registered addresses outside of Australia, New Zealand, having regard to the number of Shareholders in those places, the number and value of the New Shares and New Options they would be offered, and the cost of complying with the legal and regulatory requirements in those places. Accordingly, the Offer is not being extended to, and does not qualify for distribution or sale by, and no New Shares and New Options will be issued to Shareholders having registered addresses outside of Australia, New Zealand. The Company will make offers to certain shareholders in the United States, Columbia, Netherlands, Hong Kong or Singapore on the basis that the offer to those shareholders would not be unlawful in each relevant jurisdiction and that it is that person's responsibility to ensure that any acceptance complies with applicable foreign laws.

The Company has not made any investigation as to the regulatory requirements that may prevail in the countries, outside of Australia, New Zealand in which the Company's Shareholders may reside. This Prospectus does not, and is not intended to, constitute an offer to sell, or a solicitation of an offer to buy, any securities in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or solicitation.

This Prospectus does not constitute an offer of New Shares or New Options in any jurisdiction in which it would be unlawful. New Shares and New Options may not be offered or sold in any country outside Australia or New Zealand except to the extent permitted below.

New Zealand

The Offers contained in this Prospectus to Eligible Shareholders with registered addresses in New Zealand is made in reliance on the provisions of the *Financial Markets Conduct Act 2013 (New Zealand) (FMC Act)*, the *Securities Act (Overseas Companies) Exemption Notice 2013 (New Zealand)* and the *Financial Markets Conduct (Incidental Offers) Exemption Notice 2021*. Members of the public in New Zealand who are not existing Shareholders on the Record Date are not entitled to apply for any Offer Securities.

This Prospectus has been prepared in accordance with Australian law and has not been registered, filed with, or approved by the New Zealand regulatory authority under the FMC Act. This Prospectus is not a product disclosure statement under New Zealand law and is not required to, and may not, contain all the information that a product disclosure statement under New Zealand law is required to contain.

To the extent that a person holds Shares on behalf of another person resident outside Australia or New Zealand, it is that person's responsibility to ensure that any acceptance complies with applicable foreign laws. The Company reserves the right to reject any Application that it believes come from a person who is not an Eligible Shareholder.

United States

This Prospectus does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States. The Offer Securities have not been, nor will be, registered under the U.S. Securities Act or the securities laws of any state or other jurisdiction of the United States. The Entitlements may not be issued to, or taken up or exercised by, and the Offer Securities may not be offered or sold to, persons in the United States or persons who are acting for the account or benefit of a person in the United States. The Offer Securities will only be offered and sold outside the United States in 'offshore transactions' as defined in and in reliance on Regulation S under the U.S. Securities Act.

Colombia

The Offer Securities have not been, and will not be, registered with the Colombian National Registry of Securities and Issuers (*Registro Nacional de Valores y Emisores*) maintained by the Superintendence of Finance of Colombia (*Superintendencia Financiera de Colombia*, or the "SFC") and will not be listed on the Colombian Stock Exchange (*Bolsa de Valores de Colombia*). Accordingly, the Offer Securities may not be offered or sold in Colombia except under circumstances that do not constitute a public offering of securities under applicable Colombian securities laws. This document may be distributed solely on a private and confidential basis by the Company to its shareholders.

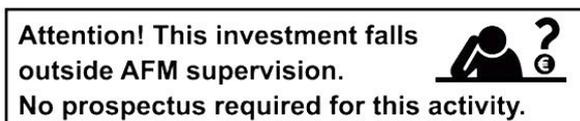
Netherlands

This document has not been, and will not be, registered with or approved by any securities regulator in the Netherlands or elsewhere in the European Union. Accordingly, this document may not be made available, nor may the Offer Securities be offered for sale, in the Netherlands except in circumstances that do not require a prospectus under Article 1(4) of Regulation (EU) 2017/1129 of the European Parliament and the Council of the European Union (**Prospectus Regulation**).

In accordance with Article 1(4) of the Prospectus Regulation, an offer of New Shares in the Netherlands is limited:

- to persons who are "qualified investors" (as defined in Article 2(e) of the Prospectus Regulation);
- to fewer than 150 natural or legal persons (other than qualified investors); or
- in any other circumstance falling within Article 1(4) of the Prospectus Regulation.

Investors in the Netherlands should note:



Hong Kong

This document has not been, and will not be, registered as a prospectus under the *Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32)* of Hong Kong, nor has it been authorised by the *Securities and Futures Commission* in Hong Kong pursuant to the *Securities and Futures Ordinance (Cap. 571)* of the Laws of Hong Kong (**SFO**). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it.

Accordingly, the Offer Securities have not been and will not be offered or sold in Hong Kong other than to “professional investors” (as defined in the SFO and any rules made under that ordinance).

No advertisement, invitation or document relating to the Offer Securities has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Offer Securities that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors. No person allotted Offer Securities may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

Singapore

This document and any other materials relating to the Offer Securities have not been, and will not be, lodged or registered as a prospectus in Singapore with the *Monetary Authority of Singapore*. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of Offer Securities, may not be issued, circulated or distributed, nor may the Offer Securities be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the *Securities and Futures Act*, Chapter 289 of Singapore (**SFA**), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are (i) an existing holder of the Company’s shares, (ii) an “institutional investor” (as defined in the SFA) or (iii) an “accredited investor” (as defined in the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the Offer Securities being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire Offer Securities. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

2.16 Custodians and nominees

Eligible Shareholders who are nominees, trustees or custodians are advised to seek independent advice as to how to proceed. The Rights Issue Offer is being made to all Eligible Shareholders. The Company is not required to determine whether or not any Eligible Shareholder is acting as a nominee or the identity or residence of any underlying beneficial owners (**UBH**) of Shares.

The offer to apply for Additional Securities under the Top-Up Facility will be available to the UBH of custodians / nominees.

Each custodian or nominee who is applying for Additional Securities on behalf of their individual UBH will need to submit a schedule showing the Record Date holding, the Rights

Issue Entitlement and the amount of Entitlement and Additional Securities taken up for each UBH.

Each UBH will need to apply for their maximum entitlement before applying for Additional Shares under the Top-Up Facility. Therefore, the requirement to fulfil a shareholders maximum Entitlement before applying for Additional Shares under the Top-Up Facility won't apply to the registered custodian / nominee holding. The Company intends to process the amount of New Shares as Entitlement acceptance and also the amount of Additional Securities as additional acceptance under the Top-Up Facility per schedule supplied by the Custodian.

In respect of nominees, trustees or custodians acting on behalf of UBHs the foreign restrictions under the offer will be applied at the registered address of the custodian. This will be irrespective of whether the holder is a Qualified Institutional Buyer (QIB) or sophisticated investor.

2.17 Rights and liability attaching to New Shares / New Options

The New Shares issued under the Offers will be on a fully paid basis and will rank equally in all respects with existing Shares. Full details of the rights and liabilities attaching to Shares are set out in the Company's constitution, a copy of which is available for inspection at the Company's registered office during normal business hours. You may also contact the Company's Share Registry on 1300 288 664 (within Australia) or +61 2 9698 5414 (outside Australia) or email corporate.actions@automicgroup.com.au to request a copy of the Company's constitution.

A summary of the important rights attaching to the New Shares is contained in Section 5.1 of this Prospectus. The terms and conditions of the New Options and Piggy Back Options are described in Annexure A to this Prospectus (with the Piggy Back Options identified therein as 'Further Options') and are otherwise subject to the ASX Listing Rules.

The Company will be making an application to ASX for quotation of the New Shares, the New Options and Piggy Back Options. However, should the New Options and/or Piggy Back Options not be approved for quotations, they will be issued on a non-quoted basis.

2.18 Brokerage and Stamp Duty Costs

No brokerage or stamp duty is payable by Eligible Shareholders on the issue of Offer Securities under this Prospectus.

2.19 Risks

There are a number of risks associated with an investment in the Company. A brief overview of some of the key risks is outlined in Section 6.

An investment in the Company carries certain risks that may impact on the future profitability of the Company and the value of the Company's securities. The Offer Securities should be considered highly speculative.

The Directors recommend that potential investors carefully consider this Prospectus and consult their professional advisors before deciding whether to apply for Offer Securities pursuant to this Prospectus.

Some of the key risk factors affecting an investment in the Company are discussed in Section 6 of this Prospectus.

3. EFFECT OF THE RIGHTS ISSUE OFFER

3.1 Effect of the Offers on the capital structure of the Company

The total number of Offer Securities to be issued under the Offers (the exact number depends on the level of acceptances), if the Maximum Subscription Amount is achieved, will be up to approximately 32,507,388 New Shares, 32,507,388 New Options and 32,507,388 Piggy Back Options (if all New Options are exercised within 3 months of the Closing Date).

The table below sets out, for illustrative purposes only, the existing Share capital structure (before the Rights Issue Offer) together with the impact of the issue of the Offer Securities under the Rights Issue Offer. It assumes that no existing options are exercised prior to the Record Date.

	Number of Options	Number of Shares
Existing Shares as at date of the Offers	-	81,268,468
Existing Options as at date of the Offers	9,770,268	-
Maximum number of New Shares issued under the Offers (approximately) including any New Shares which may be issued under any Top-Up Offer or Shortfall, but excluding any shares to issue upon the exercise of the New Options or Piggy Back Options	-	32,507,388
Maximum number of New Options issued under the Offers (approximately) including any New Options which may be issued under any Top-Up Offer or Shortfall	32,507,388	-
Total Securities on issue on completion of the Rights Issue Offers (approximate) <u>assuming</u> maximum raising under this Prospectus and including New Shares which may be issued under any Top-Up Offer or Shortfall, but excluding any Shares issued on exercise of the New Options (prior to issue of any Piggy Back Options)	42,277,656	113,775,856
Maximum number of Piggy Back Options issued under the Offers (approximately) including any Piggy Back Options which may be issued under any Top-Up Offer or Shortfall, assuming that all New Options issued under the Offers are exercised within 3 months of the Closing Date	32,507,388	-

The combined effect of the capital raising (assuming the Maximum Subscription Amount is achieved) will be to increase the number of Shares and Options on issue in the Company and increase the cash held by the Company (before taking into account the expenses of the Offers) by up to approximately \$1.95 million.

To the extent any New Options (and/or Piggy Back Options) are exercised, the Company will receive 6 cents (\$0.06) in relation to the exercise of the relevant Option, and the shareholders of the Company at that time will be proportionally diluted to the extent new Shares are issued following the relevant exercise.

The cash expenses of the Offers are expected to be approximately \$198,500 (excluding GST).

3.2 **Potential effect on control of the Company**

Eligible Shareholders who take up their Entitlements in full should not have their interest in the Company diluted by the Offers (subject to immaterial movements as a result of rounding of Entitlements).

The potential effect the Offers (including those Offer Securities which may be subscribed for or placed by the Underwriter if there is any Shortfall) will have on the control of the Company, and the consequences of that effect, will depend on a number of factors, including investor demand.

The potential effect of the Offers (including those Offer Securities which may be issued under the Top-Up Facility or by the Underwriter of any Shortfall) on the control of the Company is as follows:

- (a) If all Eligible Shareholders take up their Entitlements under the Offers, then the Offers will have no significant effect on the control of the Company.
- (b) If some Eligible Shareholders do not take up all of their Entitlements under the Offers, then the interests of those Eligible Shareholders will be diluted.
- (c) The proportional interests of Ineligible Foreign Shareholders will be diluted because those Ineligible Foreign Shareholders are not entitled to participate in the Offers.
- (d) Shareholders that apply for Additional Securities under the Top-Up Facility may increase their interests beyond their Entitlement. This would result in the dilution of holdings of those who did not accept their Entitlements in full and those who did not apply for Additional Securities.
- (e) To the extent there are placements of any Shortfall in accordance with the Underwriting Agreement and sub-underwriting arrangements, the interests of those Eligible Shareholders who do not take up all of their Entitlements under the Offers will be diluted. This may result in new investors having interests in the Company (to the extent that the Shortfall is not placed with existing Shareholders).

The Underwriter has entered into sub-underwriting arrangements with the parties set out in the table below.

In the unlikely event that no Eligible Shareholders, other than the Shareholders who have entered into sub-underwriting arrangements with the Underwriters, apply for any New Securities under the Offers, the maximum impact on the interests of sub-underwriters on completion of the Offers is expected to be as set out in the table below.

Shareholder / sub-underwriter	Relevant interest (pre Offers)		Maximum New Shares that may be acquired*	Relevant interest on completion of Offers	
	Shares	%		Shares	%
Mr Jason Alan Carroll	12,525,000	15.41%	5,000,000	17,525,000	15.40%
Neville James Miles	1,206,241	1.48%	1,333,333	2,539,574	2.23%
Lillucy Pty Ltd ATF Lilypily Superannuation Fund	100,000	0.12%	1,166,667	1,266,667	1.11%
Peak Asset Management	-	0.00%	5,632,385	5,632,385	4.95%
Bw Equities - Paul Bryan	-	0.00%	500,000	500,000	0.44%
Icader Nomineespty Ltd ATF <Icader Investments Trust>	-	0.00%	3,333,334	3,333,334	2.93%
Reid Group Developments Pty Ltd account	-	0.00%	1,666,667	1,666,667	1.46%
Euroz Hartleys - Matt Parker	-	0.00%	5,333,333	5,333,333	4.69%
Nysha Investments Pty Ltd <Sanghavi Family A/C>	-	0.00%	500,000	500,000	0.44%
GBA Capital	-	0.00%	1,666,667	1,666,667	1.46%
Still Capital Pty Ltd	-	0.00%	1,666,667	1,666,667	1.46%
CPS Capital Group Pty Ltd	-	0.00%	1,666,667	1,666,667	1.46%
Bayfield Equity Partners Ltd	-	0.00%	416,667	416,667	0.37%
Mr Benjamin Matthew Zervaas	-	0.00%	1,666,667	1,666,667	1.46%
True Oak Investments Limited <Baza Special Opps Fund A/C>	-	0.00%	958,334	958,334	0.84%

* Where the relevant party is an existing shareholder, the relevant calculations assume that the relevant person will subscribe for their entitlement and subscribe as a sub-underwriter.

Given the table above assumes that no other Eligible Shareholders apply for any Offer Securities, (which the Company believes is highly unlikely), to the extent that other Eligible Shareholders do apply for Offer Securities under the Offers, the above noted percentages (and therefore impact on the control of the Company) may be less than shown in the table.

However, the table above does not take into account any Shares which may be issued upon exercise of any New Options or Piggy Back Options issued to the sub-underwriters under the Offers. The exercise of any New Options and/or Piggy Back Options will have a

further dilutive effect on parties who did not participate in the Offers, or determine not to exercise their New Options and/or Piggy Back Options – which may ultimately be material.

Notwithstanding anything to the contrary in this Section 3.2 or elsewhere in this Prospectus, The Company will not issue any New Shares such that such an allocation would result in the a Shareholder or any person acquiring a Relevant Interest in Shares which increases their Voting Power in the Company to increase from:

- 20% or below to more than 20%; or
- a starting point that is above 20% and below 90%,

unless a relevant exception under Chapter 6 of the Corporations Act applies.

The Company reserves the right to scale back any applications for Offer Securities which if accepted may result in a breach of Chapter 6 of the Corporations Act (in the opinion of the Board) in its absolute discretion. It is an express term of the Offers that Eligible Shareholders who apply for Offer Securities are bound to accept a lesser number of Offer Securities than they applied for or may be allocated no Offer Securities at all in the event that acceptance of the application may result in a breach of Chapter 6 of the Corporations Act (in the opinion of the Board). In both cases, excess Application Monies will be refunded without interest.

3.3 Pro Forma Statement of Financial Position

Set out in Annexure C is an unaudited pro-forma statement of financial position of the Company prepared using the audited statement of financial position of the Company as at 31 December 2023 and on the basis of the accounting policies normally adopted by the Company and reflect the changes to its financial position as a result of the Offers under this Prospectus.

The statements of financial position have been prepared to provide information on the assets and the liabilities of the Company and pro-forma assets and liabilities of the Company. The historical and pro-forma financial information is presented in an abbreviated form, insofar as it does not include all of the disclosures required by Accounting Standards applicable to annual financial statements of the Company.

3.4 Market Price of Shares

The highest and lowest closing market prices of the Shares on the ASX during the 3 months of trading preceding the date of lodgement of this Prospectus and the respective dates of those sales, are:

Highest: \$0.10 (10 cents) on 28 December 2023

Lowest: \$0.066 (6.6 cents) on 8 December 2023

The volume weighted average sale price on the ASX of the Shares during the 3 months immediately preceding the date of this Prospectus (**VWAP**) is \$0.0852 (8.52 cents).

The Rights Issue Offer price represents a discount of:

- 27.7% to the Company's closing price on 21 February 2024 of \$0.083 (8.3 cents);
- 30.3% to the Company's 10-day VWAP of \$0.0861 (8.61 cents); and

- 32.5% to the Company's 30-day VWAP of \$0.0889 (8.89 cents).

4. ACTION REQUIRED BY ELIGIBLE SHAREHOLDERS

4.1 What Eligible Shareholders may do

The number of New Shares to which Eligible Shareholders are entitled (your **Entitlement**) is shown on the accompanying Entitlement and Acceptance Form.

If you do not take up your Entitlement, then your percentage holding in the Company will be diluted (refer to Section 3.2 above).

As an Eligible Shareholder you may:

- take up all or part of your Entitlement (refer to Section 4.2 below);
- take up all of your Entitlement and apply for Additional Securities under the Top-Up Offer (refer to Section 4.3 below); or
- do nothing, in which case all of your Entitlements will lapse (refer to Section 4.4 below).

Eligible Shareholders who take no action in respect of their Entitlement may receive no benefit and their Entitlement will lapse.

The Company is not required to determine whether or not any registered shareholder is acting as a nominee or the identity or residence of any beneficial owners of securities. Eligible Shareholders who are nominees, trustees or custodians are advised to seek independent advice as to how they should proceed.

Ineligible Foreign Shareholders may not take any of the steps set out in Sections 4.2 to 4.3.

4.2 Taking up all or part of your Entitlement

You may take up all or part of your Entitlement by:

- (a) making payment by Bpay[®] corresponding to the component (part or all) of your Entitlement you wish to accept; or
- (b) making payment by EFT corresponding to the component (part or all) of your Entitlement you wish to accept.

by no later than 5:00pm (AEDT) on the Closing Date.

The Issue Price for each New Share accepted under your Entitlement is payable on application. If paying via Bpay[®] or EFT:

- (a) Applicants should be aware that their own financial institution may implement earlier cut off times with regards to electronic payment and it is the responsibility of the Applicant to ensure that funds are submitted through Bpay[®] or EFT by the date and time mentioned above;
- (b) you must follow the instructions for Bpay[®] or EFT set out in the Application Form;
- (c) you do not need to return the Entitlement & Acceptance Form but are taken to make each of the statements and representations on that form referred to in this Prospectus; and
- (d) if you subscribe for less than your Entitlement or do not pay for your full Entitlement, you are taken to have accepted your Entitlement in respect of such whole number

of New Shares and New Options which is covered in full by your Application Monies.

Payment of Application Monies by cheque will not be accepted.

4.3 Applying for Additional Securities

As referred to in Section 4.1 above, Eligible Shareholders (other than Directors and related parties of the Company) may, in addition to taking up their Entitlements in full, apply for Additional Securities in excess of their Entitlements under the Top-Up Offer.

If you wish to subscribe for Additional Securities in addition to your Entitlement, then you must make the combined payment for your full Entitlement and the Additional Securities you are applying for (at the Issue Price of 6 cents (\$0.06) for each Share). If your payment exceeds the amount payable for your full Entitlement, you are taken to have accepted your Entitlement in full and to have applied for such number of Additional Securities which is covered in full by your 'excess' of Application Monies paid by Bpay® or EFT.

Where the aggregate of New Shares applied for under the Top-Up Offers exceeds the New Shares available from Shareholders who have not taken up, or are ineligible to take up, their Entitlement in full, Eligible Shareholders who apply for Additional Securities may be allocated a lesser number of Additional Securities than applied for, or may be allocated no Additional Securities at all, in which case excess Application Monies will be refunded without interest.

4.4 Entitlements not taken up

If you do not wish to accept any of your Entitlement, you are not obliged to do anything. The number of Shares you currently hold and your rights attaching to those Shares (such as the number of votes) will not be affected should you choose not to accept any part of your Entitlement. If you do not participate in the Rights Issue Offers your percentage holding in the Company will be reduced.

4.5 Payment of Application Monies is binding

Payment of Application Monies pursuant to this Prospectus constitutes a binding offer to acquire New Shares and associated New Options on the terms and conditions set out in this Prospectus and, once lodged, cannot be withdrawn. The Directors' decision whether to treat an acceptance of any Offer as valid is final.

4.6 Representations you will be taken to have made by accepting

By making a payment pursuant to this Prospectus, you will be deemed to have:

- (a) fully read and understood this Prospectus and the Application Form in their entirety;
- (b) agreed to be bound by the terms of the Offers, the provisions of this Prospectus and the Company's Constitution;
- (c) declared that you are over 18 years of age and have the legal capacity and power to perform all your rights and obligations under the Offers and your Application Form;
- (d) authorised the Company to register you as the holder of the Offer Securities;

- (e) acknowledged that once the Company receives your Application Form and any payment of Application Monies, you may not withdraw your application or funds provided except as allowed by law;
- (f) confirmed that you have a registered address in Australia or New Zealand as at the Record Date, or are otherwise an Eligible Shareholder;
- (g) confirmed that you were the registered holder at the Record Date of the Shares indicated in the Application Form as being held by you on the Record Date;
- (h) agreed to apply for and be issued up to the number of Offer Securities specified in the Application Form, and for which you have submitted payment of any Application Monies, at the Issue Price per New Share;
- (i) authorised the Company, the Share Registry and their respective officers, employees or agents to carry out on your behalf all necessary actions for the Offer Securities to be issued to you;
- (j) understood and acknowledged that the information contained in this Prospectus and your Application Form is not investment advice nor a recommendation that the New Shares are suitable for you given your investment objectives, financial situation or circumstances;
- (k) acknowledged that investment in the Company is subject to the risk factors outlined in Section 6 of this Prospectus;
- (l) acknowledged that the Company or its related bodies corporate, affiliates and their respective directors, officers, partners, employees, representatives, agents, consultants or advisers do not guarantee the performance of the Company or the Share price, nor do they guarantee the repayment of capital;
- (m) authorised the Company to correct any errors in your Application Form or any other document provided to you;
- (n) agreed to provide any requested substantiation of your eligibility to participate in the Offers and your holding of Shares on the Record Date; and
- (o) represented and warranted that:
 - (i) you are not in the United States and are not acting for the account or benefit of a person in the United States;
 - (ii) the New Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state or other jurisdiction of the United States and accordingly, the New Shares may not be offered, sold or otherwise transferred except in accordance with an available exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and any other applicable securities laws; and
 - (iii) you have not and will not send any materials relating to the Offers to any person in the United States or a person acting for the account or benefit of a person in the United States.

4.7 Privacy Act

If you complete an application for Offer Securities (or make payment pursuant to this Prospectus), you will be providing personal information to the Company (directly or by the

Company's Share Registry). The Company collects, holds and uses that information to assess your application, service your needs as a Shareholder or investor, facilitate distribution payments and corporate communications to you as a Shareholder or investor and carry out administration.

The information may also be used from time to time and disclosed for purposes related to Shareholders' investments to the Company's agents and service providers, such as:

- (a) to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Company's Share Registry;
- (b) the Share Registry for ongoing administration of the shareholder register;
- (c) printers and other companies for the purpose of preparation and distribution of statements and for handling mail; and
- (d) legal and accounting firms, auditors, contractors, consultants and other advisers for the purpose of administering and advising on the New Shares and/or the New Options and Piggy Back Options, and for associated actions.

The Company complies with its legal obligations under the *Privacy Act 1988* (Cth). You can access, correct and update the personal information that we hold about you. Please contact the Company or its Share Registry if you wish to do so at the relevant contact numbers set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the *Privacy Act 1988* (Cth), the *Corporations Act* and certain rules such as the ASX Settlement Operating Rules. You should note that if you do not provide the information required on the application for Offer Securities, the Company may not be able to accept or process your application.

4.8 Brokerage Commission

No brokerage is payable by Shareholders who accept the Rights Issue Offer. No stamp duty is payable for subscribing under the Rights Issue Offer. The Company reserves the right to pay commission to AFSL Holders or their authorised representatives based on the amount subscribed by investors introduced by those persons.

4.9 Queries concerning your Entitlement

If you have any queries concerning your Entitlement or the Offers, please contact the Company's Share Registry on 1300 288 664 (within Australia) or +61 2 9698 5414 (outside Australia) or email corporate.actions@atomicgroup.com.au.

5. RIGHTS AND LIABILITIES ATTACHING TO THE NEW SHARES AND NEW OPTIONS

5.1 Rights attaching to the New Shares

The table below summarises some of the key rules in the Company's Constitution in relation to the rights and liabilities currently attaching to Shares. This summary does not purport to be exhaustive and must be read subject to the full text of the Island Constitution. A copy of the Island Constitution is available on ILA's website: <https://www.IslandPharmaceuticals.com>.

Shareholders should obtain their own independent advice in relation to their rights and liabilities as holders of Shares in specific circumstances.

Item	Description
Issue of further Island Shares	Subject to ASX Listing Rules, the Island Board has full discretion to issue new Island Shares, grant options over unissued Island Shares and other securities of the Company.
Variation of class rights	At present, Island's only class of shares on issue is Island Shares. The rights attached to any class of shares may be varied in accordance with the Island Constitution and the Corporations Act.
Island Share transfers	Subject to the ASX Listing Rules, the Corporations Act and any escrow restrictions, the Island Shares are freely transferable. The Island Board may decline to register, or prevent registration of, that transfer of shares or apply a holding lock to prevent a transfer in accordance with the Island Constitution, the Corporations Act or the ASX Listing Rules.
Meetings of members	Each holder of Island Shares is entitled to receive notice of, attend and vote at general meetings of Island and receive all notices, accounts and other documents required to be sent to shareholders of Island under the Island Constitution, the Corporations Act and the ASX Listing Rules. Island must give holders of Island Shares at least 28 days' written notice of a general meeting.
Voting	At a general meeting of Island, every holder of Island Shares present in person or by proxy, attorney or representative has one vote on a show of hands and, on a poll, one vote for each Island Share held. If the votes are equal on a proposed resolution, the chairperson of the meeting has a casting vote in addition to any vote to which that Chairman may otherwise be entitled.
Dividends	Subject to the Corporations Act, and to any special rights or restrictions attached to any Island Shares, the Island Board may resolve to pay any dividend they think appropriate and fix the time for payment.
Rights on winding up	If Island is wound up, then subject to the Island Constitution, the Corporations Act and the rights or restrictions attached to any shares or classes of shares, holders of Island Shares will be entitled to any surplus property of Island in proportions of the number of Island Shares held by them.
Sale of non-marketable parcels	Subject to the Corporations Act, the ASX Listing Rules and the ASX Settlement Operating Rules, the Island Board may sell the Island Shares of a holder of Island Shares who holds less than a marketable parcel by following the procedures set out in the Island Constitution.

5.2 Terms and Conditions of the New Options and the Piggy Back Options

Annexure A to this Prospectus sets out the terms and conditions of the New Options and the Piggy Back Options (identified therein as 'Further Options').

6. RISKS

Shareholders should consider the investment in the context of their individual risk profile for speculative investments, investment objectives and individual financial circumstances. Each Shareholder should consult their own stockbroker, solicitor, accountant or other professional adviser before deciding whether or not to invest in the Offer Securities.

An investment in Offer Securities should be regarded as very speculative and involves many risks. The Offer Securities carry no guarantee with respect to the payment of dividends, returns of capital or the market value of the Offer Securities.

If any of the following risks actually occurs, our business, prospects, financial condition and results of operations could be materially and adversely affected, the trading price of the Shares could decline and you could lose all or part of your investment.

6.1 Speculative nature of investment

This section 6 identifies some (but not all) of the major risks associated with an investment in the Company. There may be other risks which the Directors and/or management of the Company are unaware which may impact upon the Company, its operations and/or the value and performance of the Offer Securities and the Company generally. This is not an exhaustive list of the relevant risks and the risks set out below are not in order of importance. Many of the risks below are outside the control of the Company and its directors. These risks and other risks not specifically referred to below, may in the future materially adversely affect the value of the Company's shares and their performance.

An investment in Offer Securities should be regarded as very speculative and involves many risks. The Offer Securities carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those securities.

Intending Applicants should carefully consider and evaluate the Company, its assets and its business and whether the Company's Shares are suitable to acquire having regard to their own investment objectives and financial circumstances and taking into consideration the material risk factors, as set out below. Applicants should also read the Company's prior continuous disclosure announcement to the ASX market in order to fully appreciate the risks particular to an investment in the Company and in particular the risks faced by the Company in the continued development and proposed commercialisation of its intellectual property rights.

Any potential investor should be aware that subscribing for Offer Securities involves various risks. The Offer Securities to be issued carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those shares.

6.2 Business risks associated with the Company

Specific risks

- **Sufficiency of funding**

The Company has limited financial resources and will need to raise additional funds from time to time to finance the continued research, development and commercialisation of its technology / products and its other longer-term objectives. The Company's ability to raise additional funds will be subject to, among other things, factors beyond the control of the Company and its Directors, including cyclical factors affecting the economy and share markets generally. The Directors can give no assurance that future funds can be raised by the Company on

favourable terms, if at all. If for any reason the Company was unable to raise future funds, its ability to achieve its milestones or continue future development / commercialisation of its technology / product would be significantly affected.

- **Healthcare insurers and reimbursement**

In both domestic and foreign markets, sales of products are likely to depend in part upon the availability and amounts of reimbursement from third party health care payer organisations, including government agencies, private health care insurers and other health care payers such as health maintenance organisations and self-insured employee plans. There is considerable public policy and government pressure to reduce the cost of therapeutic products, particularly biologics, and government and other third party payers are increasingly attempting to contain health care costs by limiting both coverage and the level of reimbursement for new therapeutic products and by refusing, in some cases, to provide any coverage for uses of approved products for disease indications for which the United States Food and Drug Administration (**FDA**) has not granted marketing approval.

No assurance can be given that reimbursement will be provided by such payers at all or without substantial delay, or, if such reimbursement is provided, that the approved reimbursement amounts will be sufficient to enable the Company to sell products developed on a profitable basis.

- **Product liability**

The process of securing marketing approval of a new product is both costly and time consuming. The conduct of clinical trials will expose the Company to product liability risks and future sales of its products may, and if the Company decides to develop a product candidate and take it to market directly will, expose the Company to product liability risks which are inherent in the research and development, manufacturing, marketing and use of its products.

The Company intends to obtain and maintain adequate levels of insurance to cover product liability risks. Despite this, there can be no guarantee that adequate insurance coverage will be available at an acceptable cost (or in adequate amounts), if at all, or that product liability or other claims will not materially and adversely affect the operations and condition of the Company. A product liability claim may give rise to significant liabilities as well as damage the Company's reputation.

- **Commercialisation risk**

The biotechnology and pharmaceutical industries are highly competitive, and include companies with significantly greater financial, technical, human, research and development, and marketing resources than the Company. There are companies that compete with the Company's efforts to discover, validate and commercialise therapeutic products or product candidates. The Company's competitors may discover and develop products in advance of the Company and/or products that are more effective than those developed by the Company. As a consequence, the Company's current and future technologies and products may become obsolete or uncompetitive, resulting in adverse effects on revenue, margins and profitability.

- **Innovative technological development – intermediate stage of development**

The Company's product candidates are at an intermediate human clinical stage and further substantial clinical development is necessary. No guarantee can be provided that the proposed clinical work will be successful or result in an approved product.

- **Clinical trials - regulatory requirements**

Human clinical trials are very expensive and difficult to design and implement, in part because they are subject to rigorous regulatory and legal requirements. In addition, trial design can change which may have adverse impact on cost and time of the Company's proposed clinical trials. Clinical trials of the Company's products will likely take several years to complete. There is a risk that the FDA may not approve the Company's proposed new drug application filed with the FDA under section 505 of *US Federal Food, Drug and Cosmetic Act (NDA)* application and this would require the Company to undertake more trials and cause a delay in the Company's development program. Clinical development of the Company's products may fail for a number of other reasons, including lack of efficacy or adverse side effects. Failure can occur at any stage of the trials, requiring the Company to abandon or repeat clinical trials. The Company and/or the relevant regulatory authorities, human research ethics committees and institutions where the clinical trials are conducted, may suspend the Company's clinical trials at any time if it appears that the trials are exposing the trial participants and or the staff involved in conducting the clinical trial to unacceptable health risks.

Alternatively there is the risk that despite conducting the relevant clinical trial in compliance with regulatory requirements, the results of the trial do not support any further development or result in a rejection by the relevant regulator. As a result the Company may fail to commercialise or out-license any products.

Any changes to the laws and regulations in relation to the regulatory approval and sale of therapeutic goods (including the laws and regulations of the FDA), could also adversely affect the Company's clinical trials, NDA and commercialisation.

- **Dependence on service providers and third-party collaborators**

As with all new therapeutic products, even after the granting of regulatory approval, there is no assurance that unforeseen adverse events or manufacturing defects will not arise. Adverse events could expose the Company to product liability claims or litigation, resulting in the removal of the regulatory approval for the relevant products and/or monetary damages being awarded against the Company. In such event, the Company's liability may exceed the Company's insurance coverage.

- **Reliance on key personnel**

The Company's research and development and its operations success will substantially depend on the continued employment of senior executives, technical staff and other key personnel. The loss of key personnel is likely to have an adverse effect on the Company's operation and performance.

- **Intellectual property**

There is no guarantee that the Company's intellectual property comprises all of the rights that the Company may require to freely commercialise its product candidates. The Company's existing intellectual property include its licensing rights under a

licensing agreement between Isla Pharmaceuticals Inc. (a company incorporated in the United States and a wholly owned subsidiary of the Company) and Monash University and its knowhow in drug re-positioning/clinical trials.

Patent applications are commonly drafted with a very broad ambit scope of claims - as different claim scopes are often allowed in different jurisdictions. This approach is important initially so as not to unduly limit the potential coverage of the relevant patent application. An initial rejection by a patent examiner of such broad ambit claims is also commonly received and then the applicant in conjunction with discussions with the patent examiner narrows the claims for that particular jurisdiction to achieve allowance of the more narrow claims and subsequent patent grant. No assurance is given that the Company's patent applications will result in granted patents.

Furthermore even though some of the Company's patent applications have already been successful (resulting in granted patents) investors should note that a competitor may at any time challenge granted patents and a court may find that although a patent has been granted it is invalid or unenforceable or revoked. It is possible a court may find that the Company's entitlement is subsequently revealed not to have existed, may not have any exclusive patent rights or any patent rights at all and may be prevented from developing and/or commercialising its products. If the Company's intellectual property rights are ever challenged it may also not have the funds to oppose the challenge.

- **Competition risk**

The biotechnology and pharmaceutical industries are highly competitive, and include companies with significantly greater financial, technical, human, research and development, and marketing resources than the Company. There are companies that compete with the Company's efforts to discover, validate and commercialise therapeutic products or product candidates. The Company's competitors may discover and develop products in advance of the Company and/or products that are more effective than those developed by the Company. As a consequence, the Company's current and future technologies and products may become obsolete or uncompetitive, resulting in adverse effects on revenue, margins and profitability. In addition, there are other companies developing our lead product candidate molecule for other indications.

If these other companies gain FDA approval for The Company's lead product candidate before The Company's approval, this will prevent the Company from obtaining a Priority Review Voucher for its lead product candidate.

- **Currency risk**

Revenue and expenditure in overseas jurisdictions are subject to the risk of fluctuations in foreign exchange markets. The Company carries on part of its business outside of Australia and intends to continue to do so. Accordingly, revenues and payments will be made in those countries' currencies and may deviate from budgeted expectations if there are adverse currency fluctuations against the Australian dollar.

- **Requirement to raise additional funding**

The Company may be required to raise additional funds in the future. There is no guarantee that the Company will be able to raise such additional capital when it is required, or on terms satisfactory to the Company. If the Company is unsuccessful

in obtaining funding when required, this may have a material adverse effect on the Company's business and financial condition and performance and the Company may need to delay, scale down or cease its operations. Further, any additional capital raised may dilute Shareholders' interests in the Company.

- **Going Concern**

The Company's ability to continue as a going concern is dependent on the ability of the Company to secure funds by raising capital among other things as noted in the Company's most recent financial reports. The successful completion of the Offers, will ensure that the Company will have sufficient funds to adequately meet the Company's current commitments and short-term working capital as outlined in Section 2.4. However, it is highly likely that further funding will be required to meet the medium to long-term working capital costs of the Company.

The Company's failure to raise sufficient capital (if and when needed), including successful completion of the Offers, could delay or suspend the Company's business strategy and could have a material adverse effect on the Company's activities.

- **Insurance**

The Company insures its business and operations. However, the Company's insurance may not be of a nature or level to provide adequate insurance cover to insure against the occurrence of all events that may impact on the operations of the Company. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial conditions and results of the Company.

General risks

- **Market Conditions**

The stock market, and in particular, the market for biotech companies, has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of such companies. These factors may materially affect the market price of the Shares, regardless of the Company's operational performance.

The price at which the Shares are quoted on ASX may increase or decrease due to a number of factors outside the Company's control and which are not explained by the fundamental operations and activities of the Company, including unpredictable influences on the market for securities in general and biotech stocks in particular. These factors may cause the Shares to trade at prices above or below the price at which the Shares were initially acquired. There is no assurance that the price of the Shares will increase if they are quoted on ASX. Some of the factors which may affect the price of the Shares include:

- (i) fluctuations in the domestic and international market for listed stocks;
- (ii) general economic conditions in both Australia and internationally, including interest rates, inflation rates, exchange rates, commodity prices;
- (iii) inclusion in or removal from market indices;

- (iv) changes to government fiscal, monetary or regulatory policy, legislation, or regulation;
- (v) the nature of competition in the markets and industries in which the Company operates;
- (vi) the introduction of taxation reform; and
- (vii) general operational and business risks.

- **Liquidity**

There can be no guarantee that an active market in the Shares will develop or that the price of the Shares will increase. There may be relatively few buyers or a relatively high number of sellers of Shares on the ASX at any given time. This may increase the volatility of the market price of Shares. It may also affect the market price at which Shareholders are able to sell their Shares.

- **Force Majeure**

Events may occur within or outside Australia that could affect investor sentiment or impact upon the global and Australian economies, the operations of the Company and the price of the Shares. These events include acts of terrorism, an outbreak of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, pandemics, outbreaks of disease or other man-made or natural events. These events can have an adverse effect on the demand for the Company's goods and services and its ability to conduct business. The Company has only a limited ability to insure against some of these risks.

- **Investment risk**

The Shares to be issued pursuant to the Offers should be considered highly speculative. They carry no guarantee as to the payment of dividends, return of capital, or the market value of the Shares. The prices at which an investor may be able to trade the Shares may be above or below the price paid for the Shares. While the Directors commend the Offers, investors must make their own assessment of the likely risks and determine whether an investment in the Company is appropriate to their own circumstances.

- (u) **Litigation risk**

There is a risk that the Company may in the future be the subject of or require to commence litigation, mediation or arbitration. The impact of such actions may have a material adverse impact on the Company.

- (v) **Taxation Risks**

Changes in tax law, or changes in the way tax laws are interpreted may impact the tax liabilities of the Company, Shareholder returns, or the tax treatment of a Shareholder's investment. In particular, both the level and basis of taxation may change. Tax law is frequently being changed, both prospectively and retrospectively. Any actual or alleged failure to comply with, or any change in the application or interpretation of tax rules applied in respect of such transactions, may increase the Company's tax liabilities or expose it to legal, regulatory or other actions.

(w) Changes in accounting standards

Australian Accounting Standards are issued by the Australian Accounting Standards Board and are not within the control of the Company and its Directors. Any changes to the accounting standards or to the interpretation of those standards may have an adverse effect on the reported financial performance and position of the Company.

7. ADDITIONAL INFORMATION

7.1 Nature of the Prospectus

This Prospectus is a transaction specific prospectus issued under section 713 of the Corporations Act which allows the issue of a transaction specific prospectus in relation to offers of securities (or options to acquire such securities) where those securities are of a class which have been quoted for 3 months before the date of that prospectus.

7.2 Indemnification of Directors

To the extent permitted by law, the Company indemnifies every person who is or has been a Director or officer of the Company against reasonable legal costs incurred in defending an action for a liability incurred or allegedly incurred by the person as an officer of the Company.

7.3 Taxation

The acquisition of Offer Securities and disposal of Offer Securities will have tax consequences, which will differ depending on the individual financial affairs of each investor. All potential investors in the Company are urged to take independent financial advice about the consequences of acquiring Offer Securities from a taxation viewpoint and generally.

The Directors consider that it is not appropriate to give advice regarding the taxation consequences associated with subsequent disposal of any Offer Securities subscribed for under this Prospectus as it is not possible to provide a comprehensive summary of the possible taxation positions of Shareholders. The Directors recommend that all Eligible Shareholders consult their own professional tax advisers.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisors accept no liability or responsibility with respect to the taxation consequences of subscribing for New Shares under this Prospectus.

7.4 Continuous Disclosure and Documents Available for Inspection

This Prospectus is issued pursuant to section 713 of the Corporations Act.

Section 713 of the Corporations Act enables companies to issue transaction specific prospectuses where those companies are, and have been for a period of 12 months, disclosing entities.

The Company is a "disclosing entity" for the purposes of section 713 of the Corporations Act. As such, it is subject to regular reporting and disclosure obligations which requires it to disclose to ASX any information of which it is, or becomes, aware concerning the Company and which a reasonable person would expect to have a material effect on the price or value of securities of the Company.

Eligible Shareholders intending to participate in the Offers should refer to the announcements made by the Company to the ASX. This information is available from the ASX website, www.asx.com.au (ASX Code: ILA), and the Company's website, www.IslandPharmaceuticals.com.

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

Additionally, the Company is also required to prepare and lodge with ASX yearly and half yearly financial statements accompanied by a directors' statement and report and an audit

review or report. These reports are released to ASX and published on the Company's and ASX's websites.

The Company will provide a copy of each of the following documents, free of charge, to any person who asks for it prior to the Closing Date:

- the Half-Year Financial Statements for the 6 month period ended on 31 December 2023;
- the Annual Report for the financial year ended on 30 June 2023, being the annual financial report most recently lodged with ASIC by the Company;
- any continuous disclosure notices given by the Company after the lodgement of the Annual Report referred to in paragraph the above and before the lodgement of this Prospectus with ASIC. Such notices are listed below under the heading "ASX Releases" in Section 7.6.

Copies of documents lodged with ASIC in relation to the Company may be obtained from, or inspected at, an office of ASIC.

7.5 Details of Substantial Shareholders

Based on publicly available information as at the date of this Prospectus those persons which (together with their associates) have a relevant interest in 5% or more of the Shares on issue are set out below:

Shareholder	No of Shares	%
Dr William James Garner	22,056,105	27.14%
Mr Jason Alan Carroll	12,525,000	15.41%
Kesa Partners Inc	10,837,367	13.34%
Dr David C Foster	5,146,829	6.33%

7.6 ASX Releases

ASX releases of the Company since the date of lodgement of the Company's latest annual report and prior to the date of lodgement of this Prospectus are listed below:

Date	ASX Announcement title
26 February 2024	Appendix 4D & Half-Year Financial Statements
22 February 2024	Trading Halt
6 Feb 2024	Island investor presentation
6 Feb 2024	Dosing complete in ISLA-101 SAD study
31 Jan 2024	Quarterly Activity Report and Appendix 4C
19 Jan 2024	Third cohort dosed in ISLA-101 Single Ascending Dose study
11 Jan 2024	Notification of cessation of securities - ILA
22 Dec 2023	Approval to commence dosing 3rd cohort of ISLA-101 SAD study
15 Dec 2023	R&D Tax Incentive loan facility secured with Radium Capital
12 Dec 2023	Second cohort dosed in ISLA-101 Single Ascending Dose study

1 Dec 2023	Company Secretary Appointment/Resignation
24 Nov 2023	Island doses first cohort in ISLA-101 clinical trial
16 Nov 2023	Replacement Constitution
16 Nov 2023	Replacement - Results of AGM
16 Nov 2023	Results of AGM
16 Nov 2023	Annual General Meeting MD Presentation
13 Nov 2023	Screening commences for ISLA-101 Single Ascending Dose Study
10 Nov 2023	Island receives R&D tax refund for FY2023
7 Nov 2023	Island receives ethics approval for ISLA-101 study
6 Nov 2023	ILA releases updated investor presentation
2 Nov 2023	ILA granted key Australian patent for ISLA-101
31 Oct 2023	Island Annual General Meeting online link for shareholders
30 Oct 2023	Quarterly Activity Report & Appendix 4C

The Company may make further ASX announcements after the date of this Prospectus. Copies of the abovementioned announcements (as well as any further announcements) will be available on the ASX website, www.asx.com.au under the Company's code "ILA". You are advised to refer to the ASX's website and the Company's website for announcements or updates relating to the Company.

7.7 Information excluded from continuous disclosure notices

As at the date of this Prospectus, there is no information that has not been disclosed under the continuous disclosure requirements of the Listing Rules and which the Board considers would reasonably require in order to assess the Company's assets and liabilities, financial position and prospects and the rights and liabilities attaching to New Shares, New Options and Piggy Back Options in the Company.

7.8 Interests of Directors

Other than as set out below or elsewhere in this Prospectus, no Director has or had within 2 years before the lodgement of this Prospectus with ASIC, any interest in:

- the formation or promotion of the Company;
- any property acquired or proposed to be acquired by the Company in connection with its promotion or formation or in connection with the offer of New Shares or New Options; or
- the offer of New Shares or New Options, other than as ordinary Shareholders;

and no amounts or benefits have been paid or agreed to be paid (in cash or Shares or otherwise) to any Director:

- to induce him or her to become, or to qualify him, as a Director; or
- for services rendered by him or her in connection with the promotion or formation of the Company or the offer of New Shares.

The current Directors' and their nominees' current shareholdings and interests in Shares and Options (prior to the capital raising the subject of this Prospectus) are as follows:

	Dr Paul MacLeman	Dr David Foster	Dr Anna Lavelle	Dr David Brookes	Mr Albert Hansen
Current Number of Shares	85,054	5,282,696	100,000	100,000	10,937,367
Current percentage holding	0.10%	6.50%	0.12%	0.12%	13.46%
Current number of Options	2,325,000	533,333	400,000	400,000	400,000
Entitlement	34,022	2,113,078	40,000	40,000	4,374,947
Maximum number of Shares following the Offers	119,076	7,395,774	140,000	140,000	15,312,314
Maximum percentage of Shares following the completion of the Offers (assuming there is no Shortfall and not including any Shares issued on conversion of New Options or Piggy Back Options)	0.10%	6.50%	0.12%	0.12%	13.46%

The cash based remuneration currently paid (including superannuation and any cash bonus) to Directors or their nominees during the past two financial years preceding the lodgement of this Prospectus with ASIC is set out below:

Director	FY 2022 \$A	FY 2023 \$A
Dr Paul MacLeman	\$150,000	\$150,000
Dr David Foster	\$254,167	\$308,458
Dr Anna Lavelle	\$50,000	\$50,000
Dr David Brookes	\$50,000	\$50,000
Mr Albert Hansen	\$45,000	\$45,000

The Directors also received equity based benefits during this same 2 year period, which benefits are included in their securities listed in the shareholdings table above.

All Directors have indicated they will participate in the Offers in the amounts outlined below.

	Dr Paul MacLeman	Dr David Foster	Dr Anna Lavelle	Dr David Brookes	Mr Albert Hansen
Entitlement	34,022	2,113,078	40,000	40,000	4,374,947
Entitlement intended to be taken up	34,022	500,000	40,000	40,000	166,667
Total commitment	\$2,041.32	\$30,000.00	\$2,400.00	\$2,400.00	\$10,000.02

7.9 Related Party Transactions

There are no other related party transactions entered into that have not otherwise been disclosed in this Prospectus.

7.10 Restricted securities

The Company as at the date of this Prospectus does not have any of its issued securities classified as 'restricted securities' (as defined in the Listing Rules).

7.11 Estimated Costs of the Offers

If the Offers are fully subscribed, the expenses of the Offers (exclusive of GST and fees payable to the Underwriter in accordance with the Underwriting Agreement, in relation to which further information is set out in Section 2.10) are estimated to be approximately as follows:

Expenses	\$
Legal (in relation to the Offer and the preparation of this Prospectus, including fees of overseas counsel)	\$49,063
Additional ASX listing fees and CHES issue fees	\$13,486
Registry costs (including printing and postage)	\$15,719
ASIC lodgement fees	\$3,206
Lead Manager fees	\$117,026
Total	\$198,500

7.12 Consents and Interests of Parties

Each of the parties referred to in this Section does not make, or purport to make, any statement in this Prospectus other than as specified in this Section and to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than the reference to its name or a statement included in this Prospectus with the consent of that party as specified in this Section.

K&L Gates has given and not withdrawn its written consent to be named herein as the lawyers to the Company (with respect to the Offers) in the form and context in which it is so named. K&L Gates does not make, or purport to make, any statement in this Prospectus and is not aware of any statement in this Prospectus which purports to be based on a statement made by it and makes no representation, expressed or implied, regarding and takes no responsibility for, any statements in or omissions from this Prospectus.

K&L Gates has acted as legal adviser to the Company for the Offers and has provided legal advice on the Offers. K&L Gates will be paid an amount of approximately \$35,000 for these services in Australia (excluding GST and disbursements). During the 24 months preceding lodgement of this Prospectus with ASIC, K&L Gates has received fees of approximately \$44,900 (excluding GST and disbursements) in respect of its legal services provided to the Company.

Automic Pty Ltd has given and not withdrawn its written consent to be named herein as the Share Registry to the Company in the form and context in which it is so named. Automic Pty Ltd does not make, or purport to make, any statement in this Prospectus and is not aware of any statement in this Prospectus which purports to be based on a statement made by it and makes no representation, expressed or implied, regarding and takes no responsibility for, any statements in or omissions from this Prospectus.

Automic Pty Ltd has been appointed to conduct the Company's share registry functions and to provide administrative services in respect to the processing of Application Forms received pursuant to this Prospectus, and are paid for these services on standard industry terms and conditions.

PAC Partners Securities Pty Limited has given and not withdrawn its written consent to be named herein as the Underwriter to the Company in the form and context in which it is so named. PAC Partners Securities Pty Limited does not make, or purport to make, any statement in this Prospectus and is not aware of any statement in this Prospectus which purports to be based on a statement made by it and makes no representation, expressed or implied, regarding and takes no responsibility for, any statements in or omissions from this Prospectus.

The fees payable to PAC Partners in respect of the Offers in accordance with the terms of the Underwriting Agreement are set out in Section 2.10.

Other than as set out below or elsewhere in this Prospectus, all persons named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation of or distribution of this Prospectus do not have, and have not had in the 2 years before the date of this Prospectus, any interest in:

- » the formation or promotion of the Company;
- » property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the offer of the Offer Securities pursuant to this Prospectus; or
- » the offer of the Offer Securities pursuant to this Prospectus,

and no amounts have been paid or agreed to be paid (in cash or Shares or otherwise) and no other benefit has been given or agreed to be given to any of those persons for services provided by those persons in connection with the formation or promotion of the Company or the offer of the Offer Securities issued pursuant to this Prospectus.

7.13 Electronic Prospectus

A copy of the Prospectus can be downloaded from the website of the Company at the Island www.islandpharmaceuticals.com. If you are accessing the electronic version of this Prospectus for the purpose of making an investment in the Company, you must be an Eligible Shareholder. You may obtain a hard copy of this Prospectus free of charge by contacting the Share Registry on 1300 288 664 (within Australia) during business hours or requesting it by email of hello@automicgroup.com.au.

7.14 Financial Forecasts

The Directors have considered the applicable laws and do not believe that they have a reasonable basis to forecast future earnings, on the basis that the operations of the Company are inherently uncertain. Accordingly, any forecast information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast.

7.15 Directors' authorisation

Each Director of the Company has given, and has not withdrawn, their consent to the lodgement of this Prospectus with ASIC.

7.16 Target Market Determination

A Target Market Determination has been prepared for the New Options offered under this Prospectus as required under section 994B of the Corporations Act. A copy of the Target Market Determination is available at the Company's website at www.islandpharmaceuticals.com. It contains the information prescribed under section 994B of the Corporations Act, including a description of the class of consumers that comprises the target market for the New Options, the distribution conditions and restrictions of the New Options and certain review triggers. The Target Market Determination forms part of the Company's product governance arrangements in respect of its Options. The Target Market Determination does not apply to the secondary sales of any Securities issued under this Prospectus.

8. DIRECTORS' STATEMENT

The Directors have made all reasonable enquiries in the preparation of this Prospectus and, on that basis, have reasonable grounds to believe that:

- any statements made by the Directors in this Prospectus are not misleading or deceptive and that in respect to any other statements made in this Prospectus by persons other than Directors,
- other persons making the statement or statements in the Prospectus were competent to make such statements and that those persons have given their consent to the statements being included in this Prospectus in the form and context in which they are included and have not withdrawn that consent before lodgement of this Prospectus with the ASIC, or to the Directors knowledge, before any issue of New Shares or New Options pursuant to this Prospectus.

This Prospectus is prepared on the basis that certain matters may reasonably be expected to be known to likely investors or their professional advisors.

Each of the Directors of the Company has consented to the lodgement of this Prospectus in accordance with Section 720 of the Corporations Act and has not withdrawn that consent.



Dr Paul MacLeman
Executive Chair
Island Pharmaceuticals Limited

9. DEFINITIONS

In this Prospectus the following terms and abbreviations have the following meanings, unless otherwise stated or unless the context otherwise requires:

\$ or AUD means Australian dollar;

Additional Securities means New Shares (together with the accompanying New Options and Piggy Back Options (if applicable)) applied for by an Eligible Shareholder under the Top-Up Facility that are in excess of that Eligible Shareholder's Entitlement;

AEDT means Australian Eastern Daylight Time;

AEST means Australian Eastern Standard Time;

AFSL Holders means a holder of an Australian Financial Services Licence;

Applicant refers to a person who submits an Application Form or makes payment pursuant to this Prospectus;

Application refers to the submission of an Application Form or making payment pursuant to this Prospectus;

Application Form means an Entitlement & Acceptance Form;

Application Monies means monies payable by Applicants in respect of their Applications;

ASX means ASX Limited ACN 008 624 691 or the Australian Securities Exchange, as the context may require;

ASX Settlement Operating Rules means ASX Settlement Pty Limited's operating rules;

Board means the board of Directors;

Business Day has the meaning ascribed to it in the Listing Rules;

CHESS means Clearing House Electronic Subregister System;

Closing Date means the closing date of the Offer being 5.00pm (AEDT) on 14 March 2024 (subject to the right of the Company to vary the date without notice);

Company, ILA or Island means Island Pharmaceuticals Limited ACN 641 183 842;

Constitution means the constitution of the Company;

Corporations Act means *Corporations Act 2001 (Cth)*;

Directors means the directors of the Company;

EFT means electronic funds transfer, and if applicable, includes funds transfer using required SWIFT codes;

Eligible Shareholder means a Shareholder whose details appear on the Company's register of Shareholders as at the Record Date:

- (a) whose registered address is in Australia or New Zealand; or
- (b) is a certain shareholder with a registered address in the United States, Colombia, the Netherlands, Hong Kong or Singapore to which an invitation to participate in the Offers has been extended as determined by the Company in its absolute discretion

Entitlement means the entitlement to subscribe for 2 New Shares for every 5 Shares held by an Eligible Shareholder on the Record Date (and to receive 1 New Option for every 1 New Share issued under the Rights Issue Offer, and for every New Option exercised within 3 months of the Closing Date, 1 Piggy Back Option) as set out in the Entitlement & Acceptance Form, and

Entitlements has a corresponding meaning;

Entitlement & Acceptance Form means the Entitlement & Acceptance Form accompanying this Prospectus;

FMC Act means Financial Markets Conduct Act 2013 (New Zealand);

Ineligible Foreign Shareholder means a Shareholder at the Record Date who is not an Eligible Shareholder;

Issue Price means 6 cents (\$0.06) per New Share;

Listing Rules means the listing rules of the ASX;

Maximum Subscription Amount means the sum of approximately \$1.95 million;

New Option means an option to purchase a Share with an exercise price of 6 cents (\$0.06) per Option and expiry date of 12 months from the Closing Date and otherwise issued on the terms and conditions set out in the Options Terms;

New Shares means the Shares proposed to be issued pursuant to the Offers;

Offer Securities means collectively the New Shares and the New Options (and to the extent applicable, Piggy Back Options), under this Prospectus;

Offers means collectively the Rights Issue Offer and the Top-Up Offer;

Opening Date means the opening date of the Rights Issue Offer being 5 March 2024 (subject to the right of the Company to vary the date without notice);

Option means an option to acquire a Share;

Option Terms means the terms applicable to the New Options and Piggy Back Options, a copy of which terms is attached as Annexure A to this Prospectus;

Piggy Back Option means an option to purchase a Share with an exercise price of 6 cents (\$0.06) per Option and expiry date of 12 months from the Closing Date and otherwise issued on the terms and conditions set out in the Option Terms (identified therein as 'Further Options');

Record Date means 7.00pm (AEDT) on 29 February 2024;

Related Bodies Corporate has the meaning as provided in the Corporations Act 2001;

Relevant Interest has the same meaning as provided in the Corporations Act;

Rights Issue Offer means non-renounceable pro rata offer of New Shares on the basis of 2 New Shares for 5 Shares held on the Record Date at the Issue Price, plus 1 New Option for every 1 New Shares issued under the Rights Issue Offer, and for every New Option exercised within 3 months of the Closing Date, 1 Piggy Back Option, as described in section 2.1;

Securities has the same meaning as in section 92 of the Corporations Act.

Share means a fully paid ordinary share in the capital of the Company;

Shareholder means a holder of Shares;

Share Registry means Automic Pty Ltd ACN 152 260 814;

Shortfall means the aggregate amount by which all Eligible Shareholders do not apply for their full Entitlement under the Rights Issue Offer;

Subsidiary has the meaning given to that term in section 46 of the Corporations Act;

Top-Up Facility means the mechanism by which Eligible Shareholders can apply for Additional Securities;

Top-Up Offer means the offer under the Top-Up Facility to Eligible Shareholders as described in section 2.1;

Underwriter or PAC Partners means PAC Partners Securities Pty Limited ACN 623 653 912; and

US Securities Act means the US Securities Act of 1933, as amended.

Please note that references in this Prospectus to "Sections" are to sections of this Prospectus.

10. CORPORATE DIRECTORY

Directors

Dr Paul MacLeman	Executive Chair
Dr David Foster	Managing Director
Dr Anna Lavelle	Non Exec. Director
Dr David Brookes	Non Exec. Director
Mr Albert Hansen	Non Exec. Director

Company Secretaries

Stephanie Vipond

Cameron Jones

Registered office

c/- Bio101 Financial Advisory Pty Ltd
Suite 201, 697 Burke Road
Camberwell VIC 3124

Lead Manager and Underwriter

PAC Partners Securities Pty Limited
Level 29/360 Collins Street
Melbourne VIC 3000

Share Registry

Automic Pty Ltd
Level 5, 126 Phillip Street
Sydney NSW 2000

Telephone: 1300 288 664 (within Australia)

Internet: www.automicgroup.com.au

Email: hello@automicgroup.com.au

Lawyers to the Offers

K&L Gates
25/525 Collins Street
Melbourne VIC 3000

Annexure A – Option Terms

New Option Terms

1. Entitlement

- (a) On the relevant issue date of the Offer, the Company will issue one option for each Share to the subscriber of that Share, which option entitles the Optionholder to subscribe for one Share for each option at the exercise price specified in clause 3, during the option period specified in clause 4 of these Option Terms (**Options**).
- (b) Options will be granted to the Optionholder free of charge and may only be granted in the Optionholder or the Optionholder's nominee's name.
- (c) The Options are only transferrable if quoted on ASX Limited.

2. Issue price

No amount is payable on issue of the Options.

3. Exercise price

The exercise price of an Option is \$0.060.

4. Option period and vesting

- (a) The Options may be exercised in part or in whole at any time.
- (b) The Options automatically expire 12 months from [#insert date of close of the offer].

5. Participation rights, bonus issues, rights issues and reorganisations

5.1 Participation

The Optionholder is not entitled to participate in any new issue to existing shareholders of securities in the Company unless he has exercised his Options before the record date for determining entitlements to the new issue of securities and participate as a result of holding shares.

5.2 Notice of new issue

The Company must give the Optionholder, in accordance with the ASX Listing Rules, notice of:

- (a) the proposed terms of the issue or offer proposed under clause 5.1 of these Option Terms; and
- (b) where the option can be exercised by the Optionholder, the right to exercise his option under clause 5.1 of these Option Terms.

5.3 Bonus issues

If the Company makes a bonus issue of shares or other securities to shareholders (except an issue in lieu of dividends or by way of dividend reinvestment) and no Share has been issued in respect of the option before the record date for determining entitlements to the issue, then the number of underlying Shares over which the option is

exercisable is increased by the number of Shares which the Optionholder would have received if the Optionholder had exercised the option before the record date for determining entitlements to the issue.

5.4 Pro rata issues

If the Company makes a pro rata issue of Shares (except a bonus issue) to existing shareholders (except an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) and no Share has been issued in respect of the option before the record date for determining entitlements to the issue, the exercise price of each option is reduced in accordance with the ASX Listing Rules.

5.5 Reorganisation

If there is a reorganisation (including consolidation, sub-division, reduction or return) of the share capital of the Company, then the rights of the Optionholder (including the number of options to which the Optionholder is entitled to and the exercise price) is changed to the extent necessary to comply with the ASX Listing Rules applying to a reorganisation of capital at the time of the reorganisation.

5.6 Calculations and adjustments

Any calculations or adjustments which are required to be made under clause 5 of this Schedule will be made by the Board of the Company and will, in the absence of manifest error, be final and conclusive and binding on the Company and the Optionholder.

5.7 Notice of change

The Company must within a reasonable period give to the Optionholder notice of any change under clause 5 of this Schedule to the exercise price of any options held by the Optionholder or the number of shares which the Optionholder is entitled to subscribe for on exercise of an option.

6. Method of exercise of options

6.1 Method and payment

To exercise options, the Optionholder must give the Company or its share registry, at the same time:

- (a) a written exercise notice (in the form approved by the board of the Company from time to time) specifying the number of options being exercised and shares to be issued; and
- (b) payment of the exercise price for the Shares the subject of the exercise notice by way of bank cheque or by other means of payment approved by the Company.

6.2 Exercise of Options

- (a) The Optionholder may exercise the Options in part or in whole.
- (b) Options will be deemed to have been exercised on the date the application is lodged with the Company Secretary of the Company.

6.3 Issue of Shares

Within 10 business days after receiving an application for exercise of options and payment by the Optionholder of the exercise price, the Company must issue the Optionholder the number of Shares specified in the application.

6.4 Issue of Further Options

If a relevant option has been exercised within 3 months of [#insert date of close of the offer], the Company must, in addition to the Shares set out in clause 6.3, issue the Optionholder with one Further Option for each option exercised by the Optionholder in the application. Any Further Options will be issued within 5 business days, after the expiry of the 3 month period starting on [#insert date of close of the offer].

7. Ranking of Shares issued on exercise of options

Subject to the Company's constitution, all Shares issued on the exercise of Options rank in all respects (including rights relating to dividends) *pari passu* with the existing Shares at the date of issue.

8. Quotation

- (a) The Company will apply to ASX Limited for official quotation of the Options.
- (b) The Company will apply to ASX Limited for official quotation of the Shares issued on exercise of Options.

9. Deferral of Exercise if resulting in a prohibited acquisition of Shares

- (a) If the exercise of an Option would result in any person being in contravention of section 606(1) of the Corporations Act (**Prohibition**), the exercise of those Options shall be deferred until such time or times when the exercise would not result in a contravention of the Prohibition. In assessing whether the exercise of an Option would result in any person being in contravention of the Prohibition:
- (b) Optionholders may give written notice to the Company if they consider that the exercise of an Option may result in contravention of the Prohibition. The absence of such written notice from the Holder will entitle the Company to assume that the exercise of an Option will not result in any person being in contravention of the Prohibition.
- (c) The Company may (but is not obliged to) by written notice to an Optionholders request that an Optionholders provides the written notice referred to in paragraph (b) within 7 days if the Company considers that the exercise of an Option may result in the contravention of the Prohibition. The absence of such written notice from the Optionholders will entitle the Company to assume that the exercise of an Optionholders will not result in any person being in contravention of the Prohibition.

10. Control events

Options issued to an Option Holder may be immediately exercised and Shares issued to the Holder at the total discretion of the Board of the Company on the occurrence of any of the following events:

- (a) a Takeover Bid is made to acquire all or some of the ordinary shares in the capital of the Company and the directors of the Company recommend to shareholders that the Takeover Bid be accepted;

- (b) a court approves a Scheme of Arrangement which would result in a person having a Relevant Interest in more than 50% of the ordinary shares in the capital of the Company; or
- (c) the Company announces to the ASX an intention to sell all or substantially all of its business undertakings or assets.

11. Dealing restrictions

11.1 Options

Any Dealing in respect of an Option is prohibited, unless the Board determines otherwise or the Dealing is required by law.

11.2 Shares

Subject to any overriding restriction in these terms, the Optionholder will be free to Deal in the Shares which are delivered on vesting and exercise of your Options.

12. Definitions:

Company means Island Pharmaceuticals Limited ACN 641 183 842.

Dollar means an Australian dollar.

Further Option means an additional option which may be issued by the Company in accordance with these terms, the terms of which Further Options are set out in the Schedule to these terms.

Offer means the pro rata offer of Shares by the Company to its shareholders (and related offers) to which the Options relate.

Optionholder means the person holding the Option.

Relevant Interest has the meaning given to it in the Corporations Act.

Scheme of Arrangement has the meaning given to it in the Corporations Act.

Share means a fully paid ordinary share in the capital of the Company.

Takeover Bid has the meaning given to it in the Corporations Act.

Schedule - Piggy Back Option Terms

1. Entitlement

- (a) On the relevant issue date, once issued by the Company, an option issued in accordance with these terms entitles the Optionholder to subscribe for one Share for each option at the exercise price specified in clause 3, during the option period specified in clause 4 of these Option Terms (**Options**).
- (b) Options will be granted to the Optionholder free of charge and may only be granted in the Optionholder or the Optionholder's nominee's name.
- (c) The Options are only transferrable if quoted on ASX Limited.

2. Issue price

No amount is payable on issue of the Options.

3. Exercise price

The exercise price of an Option is \$0.060.

4. Option period and vesting

- (a) The Options may be exercised in part or in whole at any time.
- (b) The Options automatically expire 12 months from [#insert date of close of the offer].

5. Participation rights, bonus issues, rights issues and reorganisations

5.1 Participation

The Optionholder is not entitled to participate in any new issue to existing shareholders of securities in the Company unless he has exercised his Options before the record date for determining entitlements to the new issue of securities and participate as a result of holding shares.

5.2 Notice of new issue

The Company must give the Optionholder, in accordance with the ASX Listing Rules, notice of:

- (a) the proposed terms of the issue or offer proposed under clause 5.1 of these Option Terms; and
- (b) where the option can be exercised by the Optionholder, the right to exercise his option under clause 5.1 of these Option Terms.

5.3 Bonus issues

If the Company makes a bonus issue of shares or other securities to shareholders (except an issue in lieu of dividends or by way of dividend reinvestment) and no Share has been issued in respect of the option before the record date for determining entitlements to the issue, then the number of underlying Shares over which the option is exercisable is increased by the number of Shares which the Optionholder would have received if the Optionholder had exercised the option before the record date for determining entitlements to the issue.

5.4 Pro rata issues

If the Company makes a pro rata issue of Shares (except a bonus issue) to existing shareholders (except an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) and no Share has been issued in respect of the option before the record date for determining entitlements to the issue, the exercise price of each option is reduced in accordance with the ASX Listing Rules.

5.5 Reorganisation

If there is a reorganisation (including consolidation, sub-division, reduction or return) of the share capital of the Company, then the rights of the Optionholder (including the number of options to which the Optionholder is entitled to and the exercise price) is changed to the extent necessary to comply with the ASX Listing Rules applying to a reorganisation of capital at the time of the reorganisation.

5.6 Calculations and adjustments

Any calculations or adjustments which are required to be made under clause 5 of this Schedule will be made by the Board of the Company and will, in the absence of manifest error, be final and conclusive and binding on the Company and the Optionholder.

5.7 Notice of change

The Company must within a reasonable period give to the Optionholder notice of any change under clause 5 of this Schedule to the exercise price of any options held by the Optionholder or the number of shares which the Optionholder is entitled to subscribe for on exercise of an option.

6. Method of exercise of options

6.1 Method and payment

To exercise options, the Optionholder must give the Company or its share registry, at the same time:

- (a) a written exercise notice (in the form approved by the board of the Company from time to time) specifying the number of options being exercised and shares to be issued; and
- (b) payment of the exercise price for the Shares the subject of the exercise notice by way of bank cheque or by other means of payment approved by the Company.

6.2 Exercise of Options

- (a) The Optionholder may exercise the Options in part or in whole.
- (b) Options will be deemed to have been exercised on the date the application is lodged with the Company Secretary of the Company.

6.3 Issue of Shares

Within 10 business days after receiving an application for exercise of options and payment by the Optionholder of the exercise price, the Company must issue the Optionholder the number of Shares specified in the application.

7. Ranking of Shares issued on exercise of options

Subject to the Company's constitution, all Shares issued on the exercise of Options rank in all respects (including rights relating to dividends) pari passu with the existing Shares at the date of issue.

8. Quotation

- (a) The Company will apply to ASX Limited for official quotation of the Options.
- (b) The Company will apply to ASX Limited for official quotation of the Shares issued on exercise of Options.

9. Deferral of Exercise if resulting in a prohibited acquisition of Shares

- (a) If the exercise of an Option would result in any person being in contravention of section 606(1) of the Corporations Act (**Prohibition**), the exercise of those Options shall be deferred until such time or times when the exercise would not result in a contravention of the Prohibition. In assessing whether the exercise of an Option would result in any person being in contravention of the Prohibition:
 - (b) Optionholders may give written notice to the Company if they consider that the exercise of an Option may result in contravention of the Prohibition. The absence of such written notice from the Holder will entitle the Company to assume that the exercise of an Option will not result in any person being in contravention of the Prohibition.
 - (c) The Company may (but is not obliged to) by written notice to an Optionholders request that an Optionholders provides the written notice referred to in paragraph (b) within 7 days if the Company considers that the exercise of an Option may result in the contravention of the Prohibition. The absence of such written notice from the Optionholders will entitle the Company to assume that the exercise of an Optionholders will not result in any person being in contravention of the Prohibition.

10. Control events

Options issued to an Option Holder may be immediately exercised and Shares issued to the Holder at the total discretion of the Board of the Company on the occurrence of any of the following events:

- (a) a Takeover Bid is made to acquire all or some of the ordinary shares in the capital of the Company and the directors of the Company recommend to shareholders that the Takeover Bid be accepted;
- (b) a court approves a Scheme of Arrangement which would result in a person having a Relevant Interest in more than 50% of the ordinary shares in the capital of the Company; or
- (c) the Company announces to the ASX an intention to sell all or substantially all of its business undertakings or assets.

11. Dealing restrictions

11.1 Options

Any Dealing in respect of an Option is prohibited, unless the Board determines otherwise or the Dealing is required by law.

11.2 Shares

Subject to any overriding restriction in these terms, the Optionholder will be free to Deal in the Shares which are delivered on vesting and exercise of your Options.

12. Definitions:

Company means Island Pharmaceuticals Limited ACN 641 183 842.

Dollar means an Australian dollar.

Optionholder means the person holding the Option.

Relevant Interest has the meaning given to it in the Corporations Act.

Scheme of Arrangement has the meaning given to it in the Corporations Act.

Share means a fully paid ordinary share in the capital of the Company.

Takeover Bid has the meaning given to it in the Corporations Act.

Annexure B – Material terms of Underwriting Agreement

1. Fees

Under the Underwriting Agreement, the Underwriter will be:

- paid management and underwriting fees of 6.0% of the gross proceeds of the Offers; and
- issued the lesser of:
 - 1 Option for every 5 Shares issued under the Offers; or
 - 4,500,000 Options,with an exercise price of \$0.12 and expiry 3 years from the date of issue.

The Company must also reimburse the Underwriter for certain expenses (including legal expenses) and disbursements incurred in connection with its role as Underwriter.

2. Full underwriting

The Offer is fully underwritten. The Underwriter's maximum liability to subscribe or procure subscriptions for any Shortfall under the Offer is equal to the Maximum Subscription Amount.

3. Conditions precedent

The obligations of the Underwriter to underwrite the Offer is subject to the satisfaction of certain conditions precedent. These conditions precedent include:

- lodgement of the Prospectus on or before the date set out in the timetable;
- prior to lodgement, the Underwriter approving (acting reasonably) the form of the Prospectus to be lodged;
- the due diligence process being completed prior to lodgement of the Prospectus to the reasonable satisfaction of the Due Diligence Committee; and
- ASX indicating in writing it will grant permission for the quotation of the Shares offered under the Prospectus on or before the date set out in the timetable (subject to customary pre-quotation conditions).

4. Warranties and indemnities

The Underwriting Agreement contains a number of representations and warranties given by the Company in favour of the Underwriter that are considered to be standard for an agreement of this nature. Furthermore, the Company has (subject to certain limitations) agreed to indemnify the Underwriter, and its directors, employees, agents, and contractors advisers against losses incurred in connection with the Prospectus and the Offer.

5. Unqualified termination events

The Underwriter may terminate the Underwriting Agreement upon the occurrence of certain termination events, including but not limited to:

- the All 300 Index as published by ASX falls 10% or more below its level as at close of business on the date of this Agreement;
- the Company does not lodge the Prospectus on or prior to the lodgement date or the Prospectus or the Offer is withdrawn by the Company;

- the Company chooses to or comes under an obligation, (including in accordance with the Corporations Act), to issue a supplementary or replacement prospectus or to repay any moneys received by the Company from any applicant, and fails to do so;
- ASIC gives notice of intention to hold a hearing in relation to the Prospectus under section 739(2) of the Corporations Act or makes an order under sections 739(1), 739(3) or 739(4) of the Corporations Act;
- ASIC gives notice of intention to hold a hearing examination, inspection, investigation, or it requires information to be disclosed, in connection with the Company, the Prospectus or the Issue;
- an order is made in connection with the Prospectus or the issue of the Shares under the Prospectus, including under sections 1324 and 1325 of the Corporations Act;
- any director or general manager of the Company is prosecuted for a criminal offence;
- there is an omission from, or a statement which is, or has become, false or misleading in the Prospectus and such omission or statement is or is likely to be materially adverse from the point of view of an investor;
- any person, other than the Underwriter, who has previously consented to being named in the Prospectus, withdraws that consent whether publicly or not;
- the Prospectus is withdrawn by the Company at any time prior to all the Shares under the Prospectus having been allotted;
- ASIC gives notice of an intention to prosecute the Company, any director or employee of the Company (or any related party of the Company), unless it withdraws that intention in writing on or before the Closing Date;
- the Takeovers Panel makes a declaration of unacceptable circumstances in relation to the Rights Issue Offer or otherwise makes an order prohibiting the Rights Issue Offer from proceeding; and
- ASX does not or indicates to the Company or the Underwriter that it will not permit official quotation of the Shares being issued under the Prospectus to commence.

6. Qualified termination events

The Underwriter may terminate their obligations under the Underwriting Agreement if certain events occur and that event has, or is likely to have, a material adverse effect on the outcome of the Offer or could give rise to a liability of the Underwriter under the Corporations Act. Such events include but are not limited to:

- the Company or any of its related parties fail to comply with:
 - a clause of its Constitution;
 - a statute; or
 - any policy or guideline of ASIC or any other requirement, order or request made by or on behalf of ASIC or any governmental agency;
- the Company or any of its related parties charges or agrees to charge (or grant any other form of security) over the whole or a substantial part of its business or property to any third party;
- there is a delay in any date specified in the timetable which is greater than 5 Business Days;
- the Company or any of its related parties:

- disposes or agree to dispose of the whole or a substantial part of its business or property; or
- ceases or threatens to carry on business,

in either case, without the prior written consent of the Underwriter;

- if a new circumstance has arisen since the Prospectus was lodged and would have been required under Chapter 6D of the Corporations Act to be included in the Prospectus if it had arisen before the Prospectus was lodged and is, or is likely to be, materially adverse from the point of view of an investor; or
- hostilities, political or civil unrest not presently existing commence (whether war has been declared or not) or a major escalation in existing hostilities, political or civil unrest occurs (whether war has been declared or not) involving any one or more of Australia, New Zealand, the United States of America, the United Kingdom, any member state of the European Union, Japan, Indonesia, North Korea or the Peoples Republic of China, or a terrorist act is perpetrated on any of those countries or any diplomatic, military, commercial or political establishment of any of those countries anywhere in the world;
- there is:
 - introduced into the Parliament of the Commonwealth of Australia or an Australian State or Territory a law intended to come into effect within 12 months; or
 - any official announcement on behalf of the Government of the Commonwealth of Australia or of the Government of an Australian State or Territory that a law will be introduced or policy adopted (as the case may be) with effect from the date of the announcement or within 3 months afterwards,
 which has altered adversely or could reasonably be expected to alter adversely:
 - any condition or circumstances relating to the Rights Issue Offer or the Prospectus existing at the time of execution of the Underwriting Agreement; or
 - the income tax position of the Company.

Annexure C – Pro Forma Statement of Financial Position

Pro-Forma Consolidated Statement of Financial Position						
			31.12.2023 (reviewed)	Offer	Pro-forma Statement (unaudited)	
Cash and cash equivalents			976,048	1,751,943	2,727,991	
GST input tax credits receivable			68,718	-	68,718	
Accrued research and development tax credits			562,706	-	562,706	
Prepayments			158,647	-	158,647	
Total current assets			1,766,119	1,751,943	3,518,062	
					-	
					-	
Total Assets			1,766,119	1,751,943	3,518,062	
Trade and other payables			554,268	-	554,268	
Employee benefits			66,265	-	66,265	
Borrowings			507,830	-	507,830	
Total current liabilities			1,128,363	-	1,128,363	
					-	
					-	
Net Assets			637,756	1,751,943	2,389,699	
					-	
Issued capital			19,900,792	1,751,943	21,652,735	
Reserves			1,370,197		1,370,197	
Accumulated losses			- 20,633,233		- 20,633,233	
Total equity			637,756	1,751,943	2,389,699	