

TARGET MARKET DETERMINATION

Made By: **Island Pharmaceuticals Limited** ACN 641 183 842 (ASX code: ILA) (Company)

Product: Listed options to acquire fully paid ordinary shares in the capital of the Company (**New Shares**) pursuant to an entitlement offer under a prospectus dated 26 February 2024 (being the 'New Options' and the 'Piggy Back Options' as defined under the Prospectus) (**Options**)

Effective Date: 26 February 2024

1. About this Document

This target market determination (**TMD**) has been produced by the Company in relation to an offer of Options (being the 'New Options' and the 'Piggy Back Options' as defined under the Prospectus) by the Company, and seeks to help investors understand who the offer of Options is suitable for having regard to the objectives, financial situation and needs of that target market.

This document is not a full summary of the Options' terms and conditions and is not intended to provide financial advice. Investors are strongly recommended when making a decision about the Options to read in full the Prospectus dated 26 February 2024 (**Prospectus**) issued by the Company which outlines the relevant terms and conditions for each of the 'New Options' and the 'Piggy Back Options' as defined under the Prospectus (together, the Options). The Prospectus was issued by the Company pursuant to section 713 of the *Corporations Act 2001 (Cth)* (**Corporations Act**).

A copy of the Prospectus can be downloaded from the Company's Website: <https://www.islandpharmaceuticals.com/site/investor/prospectus>.

The offers under the Prospectus (collectively **Offers**) comprise, an offer of 2 shares for every 5 shares held plus 1 New Option (as defined under the Prospectus) for every 1 new share issued under the offer (**Entitlement Offer**), and 1 Piggy Back Option (as defined under the Prospectus) for every 1 New Option (as defined under the Prospectus) exercised within 3 months of the date on which the offer closes, as well as a Top-Up Offer (described below), with no minimum raise and a maximum raise of approximately **\$1.95** million (**Maximum Subscription Amount**).

Shareholders who subscribe for their full entitlement under the Offers (**Entitlement**) may also apply for Additional New Shares under a top-up facility (**Top-Up Offer**). The Top-Up Offer comprises, in aggregate, all New Shares not subscribed and issued to Shareholders that could have been issued under the Entitlement Offer (i.e. up to the Maximum Subscription Amount).

The Offers are fully underwritten by PAC Partners Securities Pty Limited ACN 623 653 912 (**Underwriter**) pursuant to an underwriting agreement entered into between the Company and the Underwriter dated on or around 26 February 2024 (**Underwriting Agreement**).

Where the Company does not receive acceptances for the entire Maximum Subscription Amount from Eligible Shareholders under the Entitlement Offer (and after allocations have been made under the Top-Up Offer) (**Shortfall**), the Underwriter will subscribe or procure subscriptions for the Shortfall in accordance with the terms of the Underwriting Agreement.

Under the Prospectus, for every 1 share issued under the Offers, the Company will issue one (1) New Option (as defined under the Prospectus), exercisable at 0.06 cents each with an expiry date of 12 months from the closing date of the Entitlement Offer (each a **New Option**), and for every New Option exercised within 3 months of the date on which the offer closes, 1 Piggy Back Option (with an exercise price of 6 cents (\$0.06) and expiry date of 12 months from the closing date of the Entitlement Offer) (each a **Piggy Back Option**).

Allocation of shares under the Top-Up Offer may be scaled back at the discretion of the Board.

The Company's shares (ASX code ILA) are listed on the Official List of the ASX and it is proposed that the Company will seek quotation of the Options on the ASX, with each of the New Options and Piggy back Options as an additional class of listed security. However, there is no guarantee that the Options will be quoted or as to what price the Options may trade on the ASX nor the volume / market for such Options.

All of the Offers will be made under the Prospectus. All recipients of this TMD are recommended to consult their professional adviser if they have any questions regarding the contents of the Prospectus.

Any recipient of this TMD who wishes to apply to be issued shares under the Offers will be automatically issued with New Options, and will need to make payment for the Offers pursuant to the terms of the Prospectus, as the case may be, that accompany the Prospectus. There is no cooling off period in respect of the issue of securities under the Prospectus.

This TMD is not a disclosure document for the purposes of the *Corporations Act 2001 (Cth)*, and therefore has not been lodged, and does not require lodgement, with the Australian Securities and Investments Commission (ASIC) nor does it contain a full summary of the terms and conditions of the Options. This TMD does not take into account your current financial position or circumstances nor what you intend for the future.

The Company is not licensed to provide financial product advice in relation to the Options nor the Offers.

2. Target Market

The information below summarises the overall class of investors that fall within the target market for the Options, based on the product key attributes and the objectives, financial situation and needs that they have been designed to meet.

Factor	Target Market
Investment Objective	<p>The New Options and the Piggy Back Options will each expire on a date which is 12 months after the closing date of the Entitlement Offer (Expiry Date), the Company expects that an investment in the Offers (which includes an investment in the Options) will be suitable for investors who wish to have a right, but not an obligation, in the short to medium term, to acquire Shares in the Company prior to the relevant Expiry Date.</p> <p>The Company expects that an investment in Options will be suitable to investors who wish to gain exposure to equities in a small/mid-cap company listed on the Australian Securities Exchange (ASX), the exposure being both the shares, the Options and the Shares that underlie the Options. It is proposed that the Company will seek quotation of the Options on the ASX as an additional class of listed security for the Company.</p>

	<p>The Options are likely to be for investors who are entitled to apply for them under the Prospectus and are seeking:</p> <p>(a) to profit from an appreciation in the market price of Shares in the Company by exercising the Options prior to their Expiry Date; or</p> <p>(b) reduce risk by locking in a price to purchase or sell underlying Shares,</p> <p>and in either case who are accustomed to participating in speculative investments in the biotechnology and health care sector - but investors should first consider the Prospectus, including the risk factors relating to an investment in securities of the Company.</p> <p>The Options are not designed for investors who require an income stream from their investment in the Options.</p>
Investment Timeframe	<p>The target market of investors will take a short to medium term outlook on their investment and are in a financial position that is sufficient for them to invest their funds over the period from the issue date of the Options until their Expiry Date to increase their shareholding and exposure to the potential upside in the Company's Shares into the future.</p> <p>Given the need to pay the exercise price in order to acquire Shares, Investors in the target market are in a financial position that is sufficient for them to invest their funds over a (approximately) 12 to 15 month time horizon should they wish to exercise their Options.</p> <p>An investment in the New Shares and Options under the Offers or the resulting Shares should be regarded as highly speculative.</p>
Investment Metrics	<p>As eligibility for investment is restricted to existing Shareholders for the Entitlement Offer, it is expected that the target market of investors will be able to withstand potential fluctuations in the value of their investment, especially as the Options are being issued for no additional consideration.</p> <p>An exercise price is required to be paid for the issue of the Shares on exercise of Options. As such, the capacity to realise the underlying value of the Options would require that they be exercised on or before their Expiry Date or, if there is demand, trading the Options on the ASX prior to the Expiry Date - presumably where the trading price of the underlying Shares is above the exercise price for the Options.</p> <p>The Options (and the resulting Shares) offer no guarantee that there will be a liquid market or any guarantee of the price at which the underlying Shares may trade, any income, capital protection or gains.</p>
Risk of Investment	<p>The Company considers that an investment in the Company in shares or upon the exercise of the Options is highly speculative, such that an investment in the Company is not appropriate for an investor who would not be able to bear a loss of some or all of the investment.</p> <p>Investors should also have a sufficient level of financial literacy and resources (either alone or in conjunction with an appropriate adviser) to understand and appreciate the risks of investing in Options as an asset class generally and the more specific risks of investing in an Australian listed company in the biotechnology and health care sector.</p> <p>There is a substantial risk that the Options may become:</p> <ul style="list-style-type: none"> • lower in value in the event that the Company's Share price does not appreciate or decreases; and

	<ul style="list-style-type: none"> worthless if the Company's share price on the Expiry Date is less than the exercise price of the Options.
Excluded class of consumers	<p>The Options are not suitable for investors:</p> <ul style="list-style-type: none"> who are not seeking to have the potential to increase their investment in the Company; who do not understand and appreciate the risks of investing in options as an asset class generally and the more specific risks of investing in the Company; who require an income stream from their investment; who do not ordinarily invest in speculative investments in the health care equipment and services sector; and who are resident outside Australia and New Zealand and therefore are not applicants under the Entitlement Offer or otherwise eligible.

3. Distribution Conditions

The Entitlement Offers (including the Top-Up Offer) are being made to shareholders who are registered as a holder of Shares as at the Record Date (7.00pm on 29 February 2024) (**Record Date**) and have an address on the Company's share register in Australia or New Zealand (and certain other eligible shareholders) (**Eligible Shareholders**). The Prospectus includes these jurisdictional conditions on eligibility.

The New Options will first be issued to Shareholders who subscribe under the Entitlement Offer and the Top-Up Offer. If there remains any Shortfall after these subscriptions, the New Options will be issued to the Underwriter or subscribers procured by the Underwriter in accordance with the terms of the Underwriting Agreement..

The New Options can only be distributed by the Company by making an application for new shares (and accompanying New Options) pursuant to the terms of the Prospectus.

The Company has emphasised that an investment in the Options, and in the Shares underlying the Options, is speculative in nature and not suitable for investors for whom such an investment is inappropriate. The Company considers that these distribution conditions will ensure that persons who invest in Options fall within the target market in circumstances where personal advice is not being provided to those persons by the Company.

4. Review Triggers

The Options are being offered for a limited offer period set out in the Prospectus, after the conclusion of which the Options will no longer be available for investment by way of a new issue. There is no guarantee that the Options may be able to be transferred at any time in the future.

It follows that the TMD will only apply in the period between the commencement of the offer of the Options and the issue of the Options shortly after the close of the Offers (**Offer Period**), after which the TMD will be withdrawn.

To allow the Company to determine whether circumstances exist that indicate this TMD is no longer appropriate to the Options and should be reviewed, the following review triggers apply for the Offer Period:

- (a) there is a material change to the Options' key attributes that make it no longer consistent with the likely objectives, financial situation and needs of investors in the target market;
- (b) the Company lodges with ASIC a supplementary or replacement prospectus in relation to the Prospectus;
- (c) any event or circumstance that would materially change a factor taken into account in making this TMD or the Company otherwise identifies a substantial divergence in how the Options are being distributed and acquired from that described in this TMD;
- (d) the existence of a significant dealing of the Options that is not consistent with this TMD;
- (e) ASIC raises concerns with the Company regarding the adequacy of the design or distribution of the Options or this TMD; and
- (f) material changes to the regulatory environment that applies to an investment in the Options

The Company may also amend this TMD at any time.

5. Review Period

If a review trigger occurs during the Offer Period, the Company will undertake a review of the TMD in light of the review trigger as soon as reasonably practicable and, in any case, within five business days of the review trigger occurring.

The Company will otherwise complete a review of the TMD immediately prior to the issue of Options under each of the Offers. As the Shortfall Offer may extend beyond the period of one month, the Company will undertake a monthly review of the TMD until the Offer Period expires.

6. Information Reporting

The reporting requirements of all distributors is detailed in the table below:

Reporting Requirement	Period for reporting to the Company by the distributor	Information to be provided
Whether the distributor received complaints about the Options.	<ul style="list-style-type: none"> • For such time as the Offer Period remains open, within 10 business days after the end of each quarter. • Within 10 business days after the end of the Offer Period. 	<ul style="list-style-type: none"> • The number of complaints received. • A summary of the nature of each complaint or a copy of each complaint.
A significant dealing of the Options that is not consistent with this TMD.	As soon as reasonably practicable after the significant dealing occurs, but in any event no later than 10 business days after the significant dealing occurs.	<ul style="list-style-type: none"> • Details of the significant dealing. • Reasons why the distributor considers that the significant dealing is not consistent with this TMD,

		but subject to the Company's assessment of the ASX market and whether any "significant dealings" occur in an "off market" environment. In addition, it has no capacity to identify the objectives, financial situation and needs of any investors who acquire the Options.
A summary of the steps taken by the distributor to ensure that its conduct was consistent with this TMD.	Within 10 business days after the end of the close of the offer of Options in accordance with the Prospectus.	A summary of the steps taken by the distributor to ensure that its conduct was consistent with this TMD.

7. Contact Details

Contact details in respect of this TMD for the Company are:

Cameron Jones – Company Secretary
Email: cameron.jones@bio101.com