

Notice of Meeting 2022



24 October 2022

Dear Shareholder,

On behalf of the Board of Clarity Pharmaceuticals Ltd (**Clarity Pharmaceuticals** or the **Company**), I am pleased to invite you to attend the Company's 2022 Annual General Meeting (AGM). Enclosed is the Notice of Meeting setting out the business of the AGM.

Clarity Pharmaceuticals' 2022 AGM will be held on Thursday, 24 November 2022 commencing at 10:00am (Sydney time) at the Ground Floor Seminar Room of the National Innovation Centre at 4 Cornwallis Street, Eveleigh 2015 NSW.

Details on how to participate in the AGM (including how to vote) are set out in the attached Notice of Meeting. If you are unable to attend the meeting but would like to hear the presentations, you will be able to join a teleconference. Further details are contained in this notice. Attendance by teleconference will not entitle you to vote at the meeting. You are encouraged to cast your vote by proxy.

I encourage you to read the enclosed Notice of Meeting (including the Explanatory Memorandum) and the Proxy Form and consider lodging a directed proxy in advance of the meeting by following the instructions on the Proxy Form. To be effective, any directed proxy must be received at the share registry of the Company by no later than 10.00am (Sydney time) on Tuesday, 22 November 2022 (48 hours before the AGM).

The Chief Executive Officer, Dr Colin Biggin, and I will report on the performance of Clarity Pharmaceuticals during the year ended 30 June 2022. For further information please also refer to the 2022 Annual Report, which is available on our website <https://www.claritypharmaceuticals.com/investor-center/>.

Subject to the abstentions noted in the Explanatory Memorandum, the Directors of Clarity Pharmaceuticals unanimously recommend that shareholders vote in favour of all resolutions.

Thank you for your continued support of Clarity Pharmaceuticals and I look forward to your attendance at the AGM.

Yours faithfully,

A handwritten signature in blue ink, appearing to read "Alan Taylor", with a stylized flourish at the end.

Dr Alan Taylor
Executive Chairperson

Clarity Pharmaceuticals Ltd
ABN 36 143 005 341

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Annual General Meeting (**AGM** or **Meeting**) of shareholders of Clarity Pharmaceuticals Ltd (**Clarity Pharmaceuticals** or **Company**) will be held:

Date: Thursday, 24 November 2022
Time: 10:00am (Sydney time)
Venue: Ground Floor Seminar Room of the National Innovation Centre
at 4 Cornwallis Street, Eveleigh 2015 NSW

The Explanatory Memorandum accompanying this Notice of Meeting provides additional information on matters to be considered at the AGM. The Explanatory Memorandum, Entitlement to Participate and Vote section and Proxy Form are part of this Notice of Meeting.

CONSIDERATION OF REPORTS

The first item of business is to receive and consider the Financial Report, the Directors' Report, and the Independent Auditor's Report of the Company for the financial year ended 30 June 2022 (Reports).

All shareholders can view the Company's Annual Report which contains the Financial Report, the Directors' Report and the Independent Auditor's Report of the Company for the year ended 30 June 2022 on the Company's website at <https://www.claritypharmaceuticals.com/investor-center/>.

Shareholders are not required to vote on this item.

QUESTIONS AND COMMENTS

Following consideration of the Reports, the Chairman of the Meeting will give shareholders a reasonable opportunity to ask questions about or make comments on the business of the Meeting, the management of the Company or about the Company generally.

The Company's external auditor, Grant Thornton Audit Pty Ltd (Auditor), will attend the Meeting and there will be a reasonable opportunity for shareholders to ask the Auditor questions relevant to:

- the conduct of the audit;
- the preparation and content of the Independent Auditor's Report;
- the accounting policies adopted by the Company in relation to the preparation of its financial statements; and
- the independence of the Auditor in relation to the conduct of the audit.

The Chairman will also give the Auditor a reasonable opportunity to answer written questions submitted by shareholders that are relevant to the content of the Independent Auditor's Report or the conduct of the audit. In accordance with section 250PA of the Corporations Act 2001 (Cth), written questions for the Auditor must be submitted to the Company by no later than the fifth business day before the day on which the AGM is to be held (i.e. by no later than Thursday 17 November 2022).

ITEMS FOR APPROVAL

Resolution 1. Remuneration Report

To consider and, if thought fit, pass the following as a non-binding ordinary resolution of the Company:

“That the adoption of the Company’s Remuneration Report, forming part of the Company’s Annual Report for the financial year ended 30 June 2022, be and is hereby approved for the purposes of section 250R(2) of the Corporations Act 2001 (Cth) and for all other purposes.”

The Remuneration Report is contained in the 2022 Annual Report (available at <https://www.claritypharmaceuticals.com/investor-center/>). Please note that, in accordance with section 250R(3) of the Corporations Act 2001 (Cth) (**Corporations Act**), the vote on this resolution is advisory only and does not bind the Directors or the Company.

Voting Exclusion Statement

A vote on Resolution 1 must not be cast (in any capacity) by, or on behalf of, the following persons:

- a member of the Key Management Personnel (**KMP**) whose remuneration details are included in the 2022 Remuneration Report of the Company; or
- a closely related party of a member of the KMP (including close family members and companies that the member of the KMP controls).

However, a person described above may cast a vote on Resolution 1 as a proxy if the vote is not cast on behalf of a person described above and either:

- the proxy appointment is in writing that specifies the way the proxy is to vote on the resolution; or
- the vote is cast by the chair of the AGM and the appointment of the chair as proxy:
 - o does not specify the way the proxy is to vote on the resolution; and
 - o expressly authorises the chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the KMP.

“Key Management Personnel” and “closely related party” have the same meaning as set out in the Corporations Act.

Resolution 2. Re-election of Director – Dr Chris Roberts

To consider and, if thought fit, pass the following as an ordinary resolution of the Company:

“That Dr Chris Roberts, who stands for re-election in accordance with clause 19.9 of the Company’s Constitution and being eligible for election, is re-elected as a Director of the Company.”

Resolution 3. Re-election of Director – Dr Thomas Ramdahl

To consider and, if thought fit, pass the following as an ordinary resolution of the Company:

“That Dr Thomas Ramdahl, who stands for re-election in accordance with clause 19.9 of the Company’s Constitution and being eligible for election, is re-elected as a Director of the Company.”

Resolution 4. Issue of options - Dr Alan Taylor (Executive Chair)

To consider and, if thought fit, pass the following as an ordinary resolution of the Company:

“That, pursuant to and for the purposes of ASX Listing Rule 10.14 and Sections 200C and 200E of the Corporations Act and for all other purposes, approval is given for the Company to grant 1,083,226 options to acquire ordinary shares in the Company to Dr Alan Taylor, a director of the Company, under the Company’s Equity Incentive Plan, on the terms and conditions set out in the Explanatory Memorandum.”

Resolution 5. Issue of options - Dr Colin Biggin (Managing Director / Chief Executive Officer)

To consider and, if thought fit, pass the following as an ordinary resolution of the Company:

“That, pursuant to and for the purposes of ASX Listing Rule 10.14 and Sections 200C and 200E of the Corporations Act and for all other purposes, approval is given for the Company to grant 837,855 options to acquire ordinary shares in the Company to Dr Colin Biggin, a director of the Company, under the Company’s Equity Incentive Plan, on the terms and conditions set out in the Explanatory Memorandum.”

Voting Exclusion Statement

The Company will disregard any votes cast in favour of Resolutions 4 and 5 by or on behalf of:

- a person referred to in ASX Listing Rule 10.14.1, 10.14.2 or 10.14.3 who is eligible to participate in the Company’s Equity Incentive Plan or by an associate of any of those persons; or
- a person appointed as proxy or attorney for a person who is entitled to vote on the relevant Resolution, if the person is a KMP of the Company or a closely related party of a member of the KMP of the Company, and the proxy appointment does not specify the way the proxy is to vote on the Resolution;

however, the Company need not disregard a vote in favour of any of Resolution 4 or 5 by:

- a person as proxy or attorney for a person who is entitled to vote on the relevant Resolution, in accordance with directions given to the proxy or attorney to vote on the relevant Resolution in that way; or
- the chair of the meeting as proxy or attorney for a person who is entitled to vote on the relevant Resolution, in accordance with a direction given to the chair to vote on the relevant Resolution as the chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - o the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the relevant Resolution; and
 - o the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Voting Prohibition Statement

In accordance with section 250BD of the Corporations Act, a person appointed as a proxy must not vote, on the basis of that appointment, on Resolutions 4 or 5 if:

- the proxy is either:
 - o a member of the KMP for the Company; or
 - o a closely related party of a member of the KMP for the Company; and
- the appointment does not specify the way the proxy is to vote on the respective Resolution.

However, the above prohibition does not apply if:

- the proxy is the chair of the meeting; and
- the appointment expressly authorises the chair to exercise the proxy even if the respective Resolution is connected directly or indirectly with the remuneration of a member of the KMP for the Company.

BY ORDER OF THE BOARD



Robert Vickery
Company Secretary
24 October 2022

ENTITLEMENT TO PARTICIPATE AND VOTE

In accordance with regulation 7.11.37 of the Corporations Regulations 2001 (Cth), the Board of the Company has determined that persons who are registered holders of shares of the Company as at 7:00pm (Sydney time) on Tuesday, 22 November 2022, will be entitled to participate and vote at the AGM as a shareholder.

If more than one joint holder of shares is present at the AGM (whether personally, by proxy or by attorney or by representative) and tenders a vote, only the vote of the joint holder whose name appears first on the register will be counted.

Appointment of Proxy

If you are a shareholder entitled to attend and vote, you may appoint an individual or a body corporate as a proxy. If a body corporate is appointed as a proxy, that body corporate must ensure that it appoints a corporate representative in accordance with section 250D of the Corporations Act to exercise its powers as proxy at the AGM.

A proxy need not be a shareholder of the Company.

A shareholder may appoint up to two proxies and specify the proportion or number of votes each proxy may exercise. If the shareholder does not specify the proportion or number of votes to be exercised, each proxy may exercise half of the shareholder's votes.

To be effective, the proxy must be received at the share registry of the Company by no later than **10:00am (Sydney time) on Tuesday, 22 November 2022** (48 hours before the AGM). Proxies must be received before that time by one of the following methods:

Online (preferred): www.linkmarketservices.com.au

By post: Clarity Pharmaceuticals Ltd
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia

By facsimile: 02 9287 0309 (within Australia)
+61 2 9287 0309 (from outside Australia)

By hand: Link Market Services Limited*
Level 12
680 George Street
Sydney NSW 2000

*during business hours Monday to Friday (9:00am – 5:00pm)

To be valid, a proxy form must be received by the Company in the manner stipulated above. The Company reserves the right to declare invalid any proxy not received in this manner.

Power of Attorney

A proxy form and the original power of attorney (if any) under which the proxy form is signed (or a certified copy of that power of attorney or other authority) must be received by the Company by no later than 10:00am (Sydney time) on Tuesday, 22 November 2022, being 48 hours before the AGM.

Corporate Representatives

A body corporate which is a shareholder, or which has been appointed as a proxy, is entitled to appoint any person to act as its representative at the AGM. The appointment of the representative must comply with the requirements under section 250D of the Corporations Act. The representative should provide to the Company's share registry, by email to vote@linkmarketservices.com.au, prior to the commencement of the AGM a properly executed letter or other document confirming its authority to act as the body corporate's representative. A "Certificate of Appointment of Corporate Representative" form may be obtained from the Company's share registry or online at www.linkmarketservices.com.au.

Voting at the Meeting

It is intended that voting on each of the proposed resolutions at this Meeting will be conducted by way of a poll, rather than on a show of hands.

INFORMATION FOR SHAREHOLDERS AND INSTRUCTIONS ON HOW TO VOTE

Shareholder questions – submitted prior to the Meeting

Shareholders who are unable to attend the Meeting or who may prefer to register questions in advance are invited to do so. Please log onto www.linkmarketservices.com.au, select 'Voting' and then click 'Ask a Question'.

To allow time for the Company to collate questions and prepare answers, please submit any questions by 5:00pm (Sydney time) on Thursday, 17 November 2022. Questions will be collated and, during the AGM, the Chairman will seek to address as many of the more frequently raised topics as possible. However, there may not be sufficient time available at the AGM to address all topics raised. Please note that individual responses will not be sent to shareholders.

Conduct of the Meeting

Clarity Pharmaceuticals is committed to ensuring that its shareholder meetings are conducted in a manner which provides those shareholders (or their proxy holders) who attend the Meeting with the opportunity to participate in the business of the Meeting in an orderly fashion and to ask questions about and comment on matters relevant to the business of the Meeting or about the Company generally.

Clarity Pharmaceuticals will not allow conduct at any shareholder meeting which is discourteous to those who are present at the meeting, or which in any way disrupts or interferes with the proper conduct of the meeting. The Chairman of the Meeting will exercise his powers as the Chairman to ensure that each shareholder meeting is conducted in an orderly and timely fashion, in the interests of all attending shareholders.

Participation in the AGM

Physical attendance only

The Meeting will be held at the Ground Floor Seminar Room of the National Innovation Centre at 4 Cornwallis Street, Eveleigh 2015 NSW and therefore shareholders will only be able to attend the Meeting by attending in person. Shareholders that attend the Meeting in person will be able to vote at the Meeting and ask questions.

In addition to attending the AGM in person, shareholders can also participate in the Meeting by:

- **Voting by Lodging a Proxy:** by no later than **10:00am (Sydney time) on Tuesday, 22 November 2022** either by lodging a proxy online at www.linkmarketservices.com.au or by returning the enclosed Proxy Form.
- **Dialling in to the Meeting via Teleconference to listen as a guest:** for shareholders who are unable or do not wish to attend the Meeting, this will allow them to listen to the Meeting live. Shareholders will need to contact Link Market Services to obtain a PIN number and telephone number for the shareholder phone line. Shareholders will only be dialling in to the Meeting as a guest and therefore will not have an ability to ask questions or to vote if they participate in the Meeting by this method.

Should you have any questions on how to vote, please contact our Share Registry, Link Market Services on +61 1300 554 474 (toll free within Australia) or by email at registrars@linkmarketservices.com.au.

EXPLANATORY MEMORANDUM

This Explanatory Memorandum has been prepared for the information of shareholders of the Company (**Shareholders**) in relation to the business to be conducted at the Company's AGM to be held at **10.00am on Thursday, 24 November 2022**.

The purpose of this Explanatory Memorandum is to provide Shareholders with information that is reasonably required by Shareholders to decide how to vote upon each of the resolutions to be considered at the Meeting (**Resolutions**). Please note that the Meeting will be a physical meeting with no virtual attendance (other than the ability to dial in to listen to the meeting as a guest, with guests having no ability to ask questions or vote) and all votes will be conducted by a poll.

Subject to the abstentions noted below, the Directors unanimously recommend that Shareholders vote in favour of all Resolutions.

The Chairman of the Meeting intends to vote all available undirected proxies in favour of each Resolution.

Resolution 1, relating to the Remuneration Report, is advisory only and does not bind the Directors or the Company.

Resolutions 2 - 5 are ordinary resolutions, which require a simple majority of votes cast by Shareholders present and entitled to vote on the Resolution.

Resolution 1. Remuneration Report

As required by section 250R(2) of the Corporations Act, a resolution that the Company's Remuneration Report be adopted will be put to the vote. Section 250R(3) of the Corporations Act provides that the vote on this Resolution is advisory only and does not bind the Directors or the Company. The Board of the Company (Board) will take the outcome of the vote into account in setting remuneration policy for future years.

However, in accordance with Division 9 of Part 2G.2 of the Corporations Act, if at least 25% of the votes cast are against the adoption of the Company's Remuneration Report at this AGM, and again in relation to the Company's 2023 Remuneration Report at the 2023 annual general meeting (**2023 AGM**), the Company will be required to put to the vote a resolution (**Spill Resolution**) at the 2023 AGM to approve the calling of a further meeting (**Spill Meeting**) within 90 days of the 2023 AGM. If this occurs, all of the directors who were in office when the resolution regarding the Company's 2023 Remuneration Report was passed, other than the Company's Managing Director, will need to stand for re-election at the Spill Meeting.

Shareholders can view the full Remuneration Report at page 46 of the Company's Annual Report which is available on the Company's website at <https://www.claritypharmaceuticals.com/investor-center/>.

Following consideration of the Remuneration Report, the Chairman of the Meeting will give Shareholders a reasonable opportunity to ask questions about, or make comments on, the Remuneration Report.

The Directors abstain, in the interests of good corporate governance, from making a recommendation in relation to Resolution 1.

Resolution 2. Re-election of Director – Dr Chris Roberts

Dr Chris Roberts joined the Board in March 2016 as a non-executive Director of the Company. In accordance with clause 19.9 of the Constitution, Dr Roberts stands for re-election as a Director at the AGM and is eligible for re-election as a Director of the Company. If Shareholders do not approve the re-election of Dr Roberts, Dr Roberts will cease to be a Director at the conclusion of the Meeting.

The Board has considered whether Dr Roberts has any interest, position or relationship that may interfere with his independence as a Director, having regard to the relevant factors as set out in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (4th Edition). Dr Roberts holds shares in the Company amounting to 6.9% of issued capital. For this reason, the Board considers that Dr Roberts is a non-independent director and, if re-elected, will continue to be a non-independent Director.

Dr Roberts has over 40 years of experience in the medical innovation space and has served on the boards of a number of ASX-listed companies during his career. Dr Roberts was previously the CEO of ASX-listed company Cochlear Limited and Chairman of ASX-listed company Sirtex Medical Ltd. Dr Roberts was also Executive Vice-President and a director of the dual-listed (ASX and NYSE) company ResMed Inc., a global sleep disorder treatment company. Dr Roberts is a non-executive director of ASX listed HealthCo Health and Wellness REIT and unlisted HMC Capital Partners Fund 1.

Dr Roberts holds a Bachelor of Engineering (Honours) in Chemical Engineering from the University of New South Wales, an MBA from Macquarie University and a PhD from the University of New South Wales. He has also been awarded Honorary Doctor of Science degrees from Macquarie University and the University of New South Wales.

Prior to submitting himself for re-election, Dr Roberts has confirmed that he would continue to have sufficient time to properly fulfil his duties and responsibilities to the Company.

The Board supports the re-election of Dr Roberts as he will contribute to the Board significant experience and in-depth knowledge in the medical innovation space.

For the reasons set out above, the Directors, with Dr Roberts abstaining, unanimously recommend that Shareholders vote in favour of Resolution 2.

Resolution 3. Re-election of Director – Dr Thomas Ramdahl

Dr Thomas Ramdahl joined the Board in March 2019 as a non-executive Director of the Company. In accordance with clause 19.9 of the Constitution, Dr Ramdahl stands for re-election as a Director at the AGM and is eligible for re-election as a Director of the Company. If Shareholders do not approve the re-election of Dr Ramdahl, Dr Ramdahl will cease to be a Director at the conclusion of the Meeting.

The Board has considered whether Dr Ramdahl has any interest, position or relationship that may interfere with his independence as a Director, having regard to the relevant factors as set out in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (4th Edition). The Board considers that Dr Ramdahl is and, if re-elected, will continue to be an independent Director.

Dr Ramdahl is a pharmaceutical executive with over 20 years of clinical and development experience. In 2001, he became President and the first CEO of Algeta ASA. When Dr Ramdahl joined Algeta, he was one of six employees and he played an instrumental role in its success,

serving in several senior positions within the company through to and post the acquisition of Algeta by Bayer AG in 2014 for US\$2.9 billion. Dr Ramdahl has authored more than 40 publications and is a co-inventor of several patents. Dr Ramdahl currently serves as Chairman of Precirix (Belgium) and AppSens AS (Norway). He was formerly a non-executive director of Nordic Nanovector ASA (Norway).

Dr Ramdahl gained his PhD in Environmental Chemistry from the University of Oslo and holds a Master of Science in Organic Chemistry from the Norwegian Institute of Technology.

Prior to submitting himself for re-election, Dr Ramdahl has confirmed that he would continue to have sufficient time to properly fulfil his duties and responsibilities to the Company.

The Board supports the re-election of Dr Ramdahl as he will contribute to the Board significant clinical and development experience.

For the reasons set out above, the Directors, with Dr Ramdahl abstaining, unanimously recommend that Shareholders vote in favour of Resolution 3.

Resolutions 4 - 5. Issue of options to the Company's Executive Chair and Chief Executive Officer / Managing Director

General

Resolutions 4 and 5 seek the approval of the Company's Shareholders under ASX Listing Rule 10.14 and Sections 200C and 200E of the Corporations Act to the grant of options to acquire ordinary shares in the Company under the Company's Equity Incentive Plan to:

- Dr Alan Taylor, Executive Chair of the Company (**Taylor Options**); and
- Dr Colin Biggin, Managing Director / Chief Executive Officer of the Company (**Biggin Options**),

on the terms and conditions set out below.

ASX Listing Rule 10.14

ASX Listing Rule 10.14 provides that an entity must not permit a director of the entity to acquire equity securities under an employee incentive scheme without shareholder approval.

Accordingly, Shareholder approval for the issue of the Taylor Options (under Resolution 4) and Biggin Options (under Resolution 5) is sought for the purposes of ASX Listing Rule 10.14.

If Shareholder approval in relation to Resolutions 4 and 5 is received, approval is not required under ASX Listing Rule 7.1 and the subsequent issue of the ordinary shares the subject of the Taylor Options and Biggin Options will not be counted towards the Company's 15% placement capacity restriction set out in ASX Listing Rule 7.1.

Sections 200C and 200E of the Corporations Act

Section 200C of the Corporations Act provides that a person must not give a benefit to a person who holds a managerial or executive office (or their relatives or associates) in a company in connection with the transfer of the whole or any part of the undertaking or property of the company unless there is shareholder approval under section 200E of the Corporations Act for the giving of the benefit.

As outlined in the summary of the material terms of the Equity Incentive Plan (set out below), in the event of a change of control, the Board has the discretion to determine whether, and the extent to which, securities granted under the Equity Incentive Plan vest or cease to be subject to restrictions. The Equity Incentive Plan defines a “Control Event” as being an offer by a person for shares to acquire Control (as that term is defined in the Equity Incentive Plan) of the Company, or any other event which the Board reasonably considers should be regarded as a Control Event (which could, for example, include an event that comprises the transfer of the whole or any part of the undertaking or property of the Company (**200C Event**)).

Therefore, the Company is seeking that Shareholders approve, for the purposes of sections 200C and 200E of the Corporations Act, any benefit that may be conferred on any of Dr Taylor or Dr Biggin as a result of any accelerated vesting of any of the Taylor Options or Biggins Options respectively held by them where a Control Event occurs that involves a 200C Event.

The monetary value of the benefit that may be given to Dr Taylor or Dr Biggin respectively will be the monetary value of any Taylor Options or Biggin Options that respectively vest as a result of the Board exercising its discretion under the Equity Incentive Plan in relation to a Control Event that involves a 200C Event. The actual value of any such benefit that may be given to any one or both of Dr Taylor and Dr Biggin cannot presently be ascertained but matters, events and circumstances that will, or are likely to, affect the calculation of that monetary value include:

- the date on which any 200C Event occurs;
- the number of Taylor Options or Biggins Options held by Dr Taylor or Dr Biggin respectively that have not been exercised;
- the number of Taylor Options or Biggins Options respectively that will be deemed to have vested and are subsequently exercised as a result of the 200C Event; and
- the market price of the Company’s ordinary shares on the ASX on the date of calculation.

Chapter 2E of the Corporations Act

Chapter 2E of the Corporations Act requires that for a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- obtain the approval of the public company’s members in the manner set out in sections 217 to 227 of the Corporations Act; and
- give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The issue of the Taylor Options and the Biggin Options each constitute the giving of a financial benefit, as both Dr Taylor and Dr Biggin are related parties of the Company by reason of being directors of the Company.

The Board has considered the application of Chapter 2E of the Corporations Act and, having regard to the circumstances of the Company, the circumstances of each of Dr Taylor and Dr Biggin (respectively), including the responsibilities involved in their office and employment with the Company, and the remuneration practices of the Company’s peers in the market, resolved that

the issue of the Taylor Options and the Biggin Options constitute “reasonable remuneration” and therefore fall with the exception provided by section 211 of the Corporations Act. Accordingly, the Company will not seek approval pursuant to section 208 of the Corporations Act for the issue of either the Taylor Options or Biggin Options.

Details of the Taylor Options and Biggin Options

Set out below are details of the Taylor Options and Biggin Options.

	Taylor Options - Dr. Alan Taylor Resolution 4	Biggin Options - Dr. Colin Biggin Resolution 5
Number of options	1,083,226 options to acquire ordinary shares in the Company	837,855 options to acquire ordinary shares in the Company
Grant Date	The date that the options are granted to Dr Taylor, being the date of the AGM or shortly thereafter	The date that the options are granted to Dr Biggin, being the date of the AGM or shortly thereafter
Exercise Price	\$0.508	\$0.508
Vesting	<ul style="list-style-type: none"> • 25% of the options vest on the date that is 12 months after the Grant Date • 25% of the options vest on the date that is 24 months after the Grant Date • 50% of the options vest on the date that is 36 months after the Grant Date 	<ul style="list-style-type: none"> • 25% of the options vest on the date that is 12 months after the Grant Date • 25% of the options vest on the date that is 24 months after the Grant Date • 50% of the options vest on the date that is 36 months after the Grant Date
Expiry	The date that is 5 years after the Grant Date	The date that is 5 years after the Grant Date
Indicative value*	\$508,702	\$393,471
Indicative value as % of total remuneration package	38%*	38%*

**Note: The indicative values of the Taylor Options and Biggin Options each respectively set out above were calculated using the Black-Scholes valuation method which utilised the 5-day volume weighted average price of the Company's ordinary shares as at 11 October 2022 (being \$0.62). The actual value of the Taylor Options and Biggin Options (respectively) may differ from the indicative value if there is any significant change in the Company's share price between the date of this Explanatory Memorandum and the Grant Date.*

Reasons for the grant of the Taylor Options and Biggin Options

The Board has approved the proposed grant of the Taylor Options and the Biggin Options to each of Dr Taylor and Dr Biggin (respectively) in accordance with the above table for the following reasons:

- The issue of the Taylor Options and the Biggin Options promotes further ownership in the Company by each of Dr Taylor and Dr Biggin and further aligns their interests with Shareholders by linking part of their remuneration to the long-term success of the Company and its financial performance.
- The issue of the Taylor Options and the Biggin Options, rather than and instead of a cash bonus as a long-term incentive, presents a cost effective and efficient way to remunerate each of Dr Biggin and Dr Taylor as it allows the Company to spend a greater portion of its cash reserves on its operations than it would if any such bonus was required to be paid to Dr Taylor or Dr Biggin in cash.
- The Company's Remuneration Committee recommended the proposed issue of the Taylor Options and the Biggin Options to the Board. This recommendation followed the Remuneration Committee consulting with an independent remuneration consultant (**Remuneration Consultant**) in relation to the structure of the long-term incentive component of each of Dr Taylor's and Dr Biggin's remuneration package. The Remuneration Consultant advised the Remuneration Committee that the proposed remuneration structure for each of Dr Taylor and Dr Biggin, including the issue of the Taylor Options and the Biggin Options, would align with the remuneration practice of other similar entities. In addition, in recommending the proposed issue of the Taylor Options and the Biggin Options the Remuneration Committee referred to a remuneration report that was prepared for the Company by the Remuneration Consultant in 2021.
- The Exercise Price of \$0.508 was determined as being 10% above the 5-day volume weighted average price of the Company's ordinary shares as at 1 July 2022, being the first day of the 2022/2023 financial year. This Exercise Price was also applied to options granted by the Company under the Equity Incentive Plan to employees of the Company in July 2022. The Remuneration Committee and the Board formed the view that the Exercise Price of \$0.508 was appropriate given that the Taylor Options and Biggin Options are proposed to be issued as remuneration for each of Dr Taylor and Dr Biggin in respect of the 2022/2023 financial year (as was the case of the option grants to employees that were made in July 2022).
- The Remuneration Committee and the Board formed the view that the vesting conditions that apply to each of the Taylor Options and Biggin Options (respectively) are appropriate in the context of the Company's circumstances as a pre-revenue Company that is undergoing clinical trials and that only recently listed on ASX, because:
 - o it is important that the Company retain its key staff and maintain consistency of management. This is particularly so during a tight employment market, and at a point where the clinical programme has expanded to six active trials, the outcomes of which will be pivotal to the long term strategic focus of the Company; and
 - o it is challenging to determine meaningful long-term vesting conditions that are performance-based.

The board is nonetheless committed to introducing long term performance based vesting conditions in future years.

- The Board resolved that the issue of the Taylor Options and the Biggin Options (respectively) constitute “reasonable remuneration” (as noted above).
- If Resolution 4 is passed, the Company will be able to proceed with the grant of the Taylor Options to Dr Taylor.
- If Resolution 5 is passed, the Company will be able to proceed with the grant of the Biggin Options to Dr Biggin.
- If Resolution 4 is not passed, the Company will not be able to proceed with the grant of the Taylor Options to Dr Taylor, and the Board will need to consider an alternative remuneration structure for Dr Taylor.
- If Resolution 5 is not passed, the Company will not be able to proceed with the grant of the Biggin Options to Dr Biggin, and the Board will need to consider an alternative remuneration structure for Dr Biggin.

Resolutions are separate

Each of Resolutions 4 and 5 are separate Resolutions to be considered by Shareholders independently. In addition, Resolutions 4 and 5 are not interdependent Resolutions, meaning that the approval of one Resolution will not impact the outcome of another Resolution (e.g. if Resolution 4 is not approved, this does not impact the ability of Resolution 5 to be approved or vice versa). Accordingly, if only one of Resolutions 4 and 5 are approved by Shareholders, the Resolution that is approved will remain valid even if the other Resolution is not approved by Shareholders.

Information required under ASX Listing Rule 10.15

The following information is provided in accordance with ASX Listing Rule 10.15:

- (*ASX Listing Rule 10.15.1*): The Taylor Options are proposed to be issued to Dr Taylor (pursuant to Resolution 4). The Biggin Options are proposed to be issued to Dr Biggin (pursuant to Resolution 5).
- (*ASX Listing Rule 10.15.2*): Each of Dr Taylor and Dr Biggin fall in the category under ASX Listing Rule 10.14.1, because both Dr Taylor and Dr Biggin are directors of the Company.
- (*ASX Listing Rule 10.15.3*): The number and class of securities proposed to be issued to Dr Taylor and Dr Biggin (respectively) under the Equity Incentive Plan under Resolutions 4 and 5 are set out in the above table.
- (*ASX Listing Rule 10.15.4*): Details regarding the current total remuneration package of each of Dr Taylor and Dr Biggin is set out below:

	Dr Taylor	Dr Biggin
Base salary	\$517,708	\$394,708
Superannuation	\$25,292	\$25,292
Short-term incentive	\$271,500	\$210,000
Long-term incentive (subject to approval of Resolutions 4 and 5 respectively)	\$508,702	\$393,471

- (ASX Listing Rule 10.15.5): No securities have previously been issued to either of Dr Taylor or Dr Biggin under the Company's Equity Incentive Plan.
- (ASX Listing Rule 10.15.6): The securities to be issued to each of Dr Taylor and Dr Biggin under Resolutions 4 and 5 (respectively) are options to acquire ordinary shares in the Company. The material terms attaching to the options are set out in the above table and also in the material terms of the Equity Incentive Plan (set out below). An explanation of why this type of security is being used, and the value of the Taylor Options and the Biggin Options, are both set out above.
- (ASX Listing Rule 10.15.7): The Company will issue the Taylor Options and the Biggin Options to each of Dr Taylor and Dr Biggin (respectively) on the Grant Date (set out above, being the date of the AGM or shortly thereafter).
- (ASX Listing Rule 10.15.8): The Taylor Options and Biggin Options will each be issued for no cash consideration, however the Exercise Price (being \$0.508 as specified above) will be payable in order for Dr Taylor or Dr Biggin to exercise the Taylor Options or Biggin Options (as applicable).
- (ASX Listing Rule 10.15.9): A summary of the material terms of the Equity Incentive Plan is set out below.
- (ASX Listing Rule 10.15.10): No loans will be provided to either of Dr Taylor or Dr Biggin in relation to the proposed issue of the Taylor Options or Biggin Options (respectively).
- (ASX Listing Rule 10.15.11): The Company confirms the following:
 - o details of any securities issued under the Equity Incentive Plan will be published in the annual report of the Company relating to the period in which they were issued, along with a statement that approval for the issue was obtained under ASX Listing Rule 10.14; and
 - o any additional persons covered by ASX Listing Rule 10.14 who become entitled to participate in an issue of securities under the Equity Incentive Plan after some or all of Resolutions 4 and 5 are approved and who were not named in this Explanatory Memorandum will not participate until approval is obtained under ASX Listing Rule 10.14 in respect of that person.

Material terms of the Equity Incentive Plan

Set out below is a summary of the material terms of the Equity Incentive Plan:

- *Eligibility*: Directors, employees, contractors or consultants of the Company's corporate group or any other person who the Board determines in its discretion to be eligible to participate in the Equity Incentive Plan and who is invited to participate in the Plan.
- *Types of securities*: The Equity Incentive Plan provides flexibility for the Board to grant one or more of the following securities subject to the terms of the individual invitation at the relevant time:
 - o options;
 - o performance rights; or
 - o restricted shares.
- *Invitations to participate*: The Board may invite an eligible person to participate in the Equity

Incentive Plan and grant an eligible person options, performance rights and / or restricted shares in its discretion. The Board has the discretion to set the terms and conditions on which it will grant options, performance rights and restricted shares in the individual invitations.

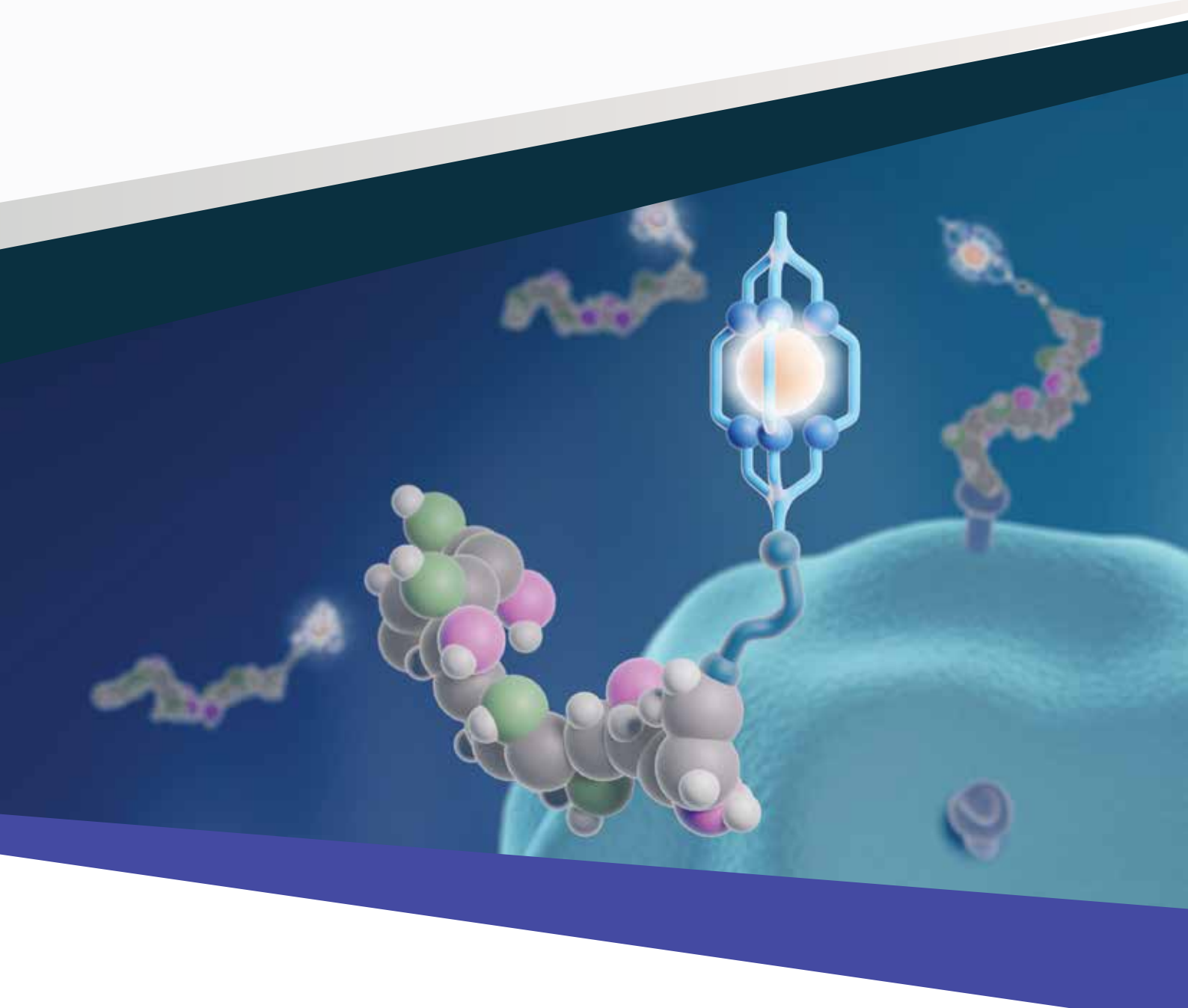
- *Consideration payable:* No consideration is payable by a participant in respect of the grant under the Equity Incentive Plan, unless the Board determines otherwise.
- *Vesting conditions:* Securities granted under the Equity Incentive Plan will vest subject to the satisfaction of the conditions (if any) that are determined by the Board from time to time and set out in the individual invitations.
- *Rights associated with options and performance rights:* Options and performance rights will not carry any voting rights or right to dividends. Shares issued or transferred to participants on conversion of a performance right or exercise of an option (as applicable) will have the same rights and entitlements as other issued ordinary shares, including voting and dividend rights.
- *Vesting:* Vesting of a security under the Equity Incentive Plan is subject to any vesting or performance conditions determined by the Board and specified in the individual invitations.
- *Restrictions on dealing:* Participants must not sell, transfer, encumber, hedge or otherwise deal with securities granted under the Equity Incentive Plan. Following vesting of the applicable security and issue or transfer of an ordinary share (as applicable), the participant will be free to deal with the ordinary shares delivered, subject to the requirements of the Company's Securities Trading Policy.
- *Bonus issues, pro-rata issues and capital reorganisations and reconstructions:* The Equity Incentive Plan provides for adjustments to be made to the number of ordinary shares which a participant would be entitled to receive on the vesting and / or exercise of performance rights and / or options (as applicable) in the event of a bonus issue or pro-rate issue to holders of ordinary shares or a reorganisation of capital, subject to the ASX Listing Rules and all applicable laws. If the capital of the Company is reconstructed, the number of securities held by each participant under the Equity Incentive Plan may, in the discretion of the Board, be adjusted such that the value of the securities held prior to any reorganisation is restored.
- *Cessation of employment:* If a participant is considered a "good leaver", a pro-rata portion of any unvested securities granted under the Equity Incentive Plan will remain on foot and will be tested at the end of the relevant performance period against the applicable performance conditions. A "good leaver" includes a participant who ceases employment with the Clarity corporate group by reason of retirement, genuine redundancy, death, invalidity or any other reason as determined by the Board. Generally, any unvested securities granted under the Equity Incentive Plan will forfeit or lapse where the participant ceases employment with the Clarity corporate group for any reason other than as a "good leaver".
- *Clawback of equity:* The Board has the discretion to clawback unvested securities from participants in certain circumstances, including in the case of fraud, gross misconduct or material misstatement of the Company's financial statements.
- *Change of control:* The Board has the discretion to determine whether, and the extent to which, securities granted under the Equity Incentive Plan vest or cease to be subject to restrictions upon a change of control.
- *Source of ordinary shares:* The Board has the discretion to issue or procure the transfer of any ordinary shares granted under the Equity Incentive Plan, including on the vesting and / or exercise of performance rights and / or options (as applicable).


- *Trustee:* The Company may appoint a trustee to acquire and hold ordinary shares on behalf of participants or for the transfer to future participants or otherwise for the purposes of the Equity Incentive Plan.
- *Amendments:* Subject to the ASX Listing Rules, the Board may, in its absolute discretion, amend the Equity Incentive Plan rules or waive or modify the application of the Equity Incentive Plan rules, except in certain circumstances.

Recommendation


The Directors (other than Dr Alan Taylor, who abstains given his personal interest in Resolution 4) recommends that Shareholders vote in favour of Resolution 4.


The Directors (other than Dr Colin Biggin, who abstains given his personal interest in Resolution 5) recommends that Shareholders vote in favour of Resolution 5.



LODGE YOUR VOTE
 **ONLINE**
<https://investorcentre.linkgroup.com>
 **BY MAIL**
 Clarity Pharmaceuticals Ltd
 C/- Link Market Services Limited
 Locked Bag A14
 Sydney South NSW 1235 Australia

 **BY FAX**
 +61 2 9287 0309

 **BY HAND**
 Link Market Services Limited
 Parramatta Square, Level 22, Tower 6,
 10 Darcy Street, Parramatta NSW 2150

 **ALL ENQUIRIES TO**
 Telephone: 1300 554 474 Overseas: +61 1300 554 474

X99999999999
PROXY FORM
APPOINT A PROXY
 the Chairman of the Meeting (mark box)

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy

STEP 1

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Annual General Meeting of the Company to be held at **10:00am (Sydney time) on Thursday, 24 November 2022 at the Ground Floor Seminar Room of the National Innovation Centre at 4 Cornwallis Street, Eveleigh 2015 NSW.** (the Meeting) and at any postponement or adjournment of the Meeting.

Important for Resolutions 1, 4 and 5: If the Chairman of the Meeting is your proxy, either by appointment or by default, and you have not indicated your voting intention below, you expressly authorise the Chairman of the Meeting to exercise the proxy in respect of Resolutions 1, 4 and 5, even though the Resolutions are connected directly or indirectly with the remuneration of a member of the Company's Key Management Personnel (**KMP**).


The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting. Please read the voting instructions overleaf before marking any boxes with an

Resolutions

	For	Against	Abstain*		For	Against	Abstain*
1 Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	5 Issue of options - Dr Colin Biggin (Managing Director / Chief Executive Officer)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Re-election of Director – Dr Chris Roberts	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Re-election of Director – Dr Thomas Ramdahl	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Issue of options - Dr Alan Taylor (Executive Chair)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

 * If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on a poll and your votes will not be counted in computing the required majority on a poll.

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Joint Shareholder 2 (Individual)

Joint Shareholder 3 (Individual)

Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

CU6 PRX2201C


HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Form, including where the Resolution is connected directly or indirectly with the remuneration of KMP.

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- return both forms together.

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" must be received at vote@linkmarketservices.com.au prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry or online at www.linkmarketservices.com.au.

LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **10:00am (Sydney time) on Tuesday, 22 November 2022**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:



ONLINE

<https://investorcentre.linkgroup.com>

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" - Securityholder Reference Number (SRN) or Holder Identification Number (HIN).



BY MOBILE DEVICE

Our voting website is designed specifically for voting online. You can now lodge your proxy by scanning the QR code adjacent or enter the voting link <https://investorcentre.linkgroup.com> into your mobile device. Log in using the Holder Identifier and postcode for your shareholding.

QR Code



To scan the code you will need a QR code reader application which can be downloaded for free on your mobile device.



BY MAIL

Clarity Pharmaceuticals Ltd
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia



BY FAX

+61 2 9287 0309



BY HAND

delivering it to Link Market Services Limited*
Parramatta Square
Level 22, Tower 6
10 Darcy Street
Parramatta NSW 2150

*during business hours Monday to Friday (9:00am - 5:00pm) and subject to public health orders and restrictions