

NOTICE OF GENERAL MEETING AND EXPLANATORY MEMORANDUM

Notice is given that a General Meeting of shareholders of Parnell Pharmaceuticals Holdings Ltd (Company) will be held on:

- Thursday April 6th, 2023, at 8.30am (Australian Eastern Standard Time)
- The meeting is to be held in person at the Company's headquarters: First Floor, Unit 4, 476 Gardeners Road, Alexandria NSW, 2015, Australia

28 February 2023

Dear Shareholder,

On behalf of the Board of Directors of Parnell Pharmaceuticals Holdings Limited (ACN 137 904 413) (**Company**), I invite you to join us at a General Meeting (**GM**), which has been scheduled as follows:

Date: Thursday April 6th, 2023 (AEST)
Time: 8.30am. (AEST)
Venue: Held by physical attendance at: First Floor, Unit 4 Century Estate, 476 Gardeners Road, Alexandria, NSW, 2015

Outline of the business of the GM

At this GM, we will consider whether to approve the buying back of shares in the Company ("**Shares**") owned by Mr Robert Joseph and Mrs Kate Joseph, pursuant to a Settlement and Mutual Release Agreement recently made by the Company with Mr and Mrs Joseph.

Details of this business are contained in the enclosed Notice of GM and Explanatory Memorandum.

Voting at the GM or by proxy

A proxy form accompanies the enclosed Notice of GM. If you wish to attend the GM in person, please bring a copy of the proxy form with you. Registration will be available from [time] (AEST). If you are unable to attend in person, I encourage you to appoint a proxy to vote on the resolutions contained in the Notice of GM on your behalf, by completing and returning the enclosed proxy form. Details of how to submit the proxy form are included with the form.

If you have any difficulties placing your vote via proxy please do not hesitate to contact Brad McCarthy at brad.mccarthy@parnell.com or call +612 9667 4411.

On behalf of all of the Directors, we look forward to hearing from you at the GM.

Yours sincerely,



Alan Bell
Chairman

NOTICE OF GENERAL MEETING

Parnell Pharmaceuticals Holdings Ltd

ACN 137 904 413

NOTICE IS HEREBY GIVEN that a general meeting (“**GM**”) of shareholders (“**Shareholders**”) of Parnell Pharmaceuticals Holdings Ltd (ACN 137 904 413) (the “**Company**”) will be held by attendance in person or by proxy on Thursday April 6th, 2023, at 8.30am (AEST) at First Floor Unit 4 Century Estate, 476 Gardeners Road, Alexandria, NSW, 2015.

An Explanatory Memorandum and instructions on how to vote (including how to vote by proxy) are set out in this Notice of GM.

BUSINESS OF THE ANNUAL GENERAL MEETING

Approval of Share Buy-Back

To consider and if thought fit to pass, with or without amendment, the following resolution (the “**Resolution**”) as a **special resolution**:

“That, for the purposes of section 257D of the Corporations Act 2001 and for all other purposes, approval is given for the Company to buy back selectively and cancel 923,050 Shares currently held by or on behalf of Mr Robert Joseph and/or Mrs Kate Joseph on the terms and conditions set out in the Explanatory Statement included in the Notice of meeting.”

Notes:

1. Under the Corporations Act 2001 (“**Act**”), a company may make a selective buy-back if approved by a special resolution passed at a general meeting. The Company has entered into an agreement for the buy-back and cancellation of all the Shares held or controlled by Mr and Mrs Joseph, conditional on approval of that buy-back in accordance with the Act.
2. The Company will disregard any votes cast in favour of the Resolution by any person whose Shares are proposed to be bought back and any of their associates. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions given on the proxy form as to how the vote is to be cast, or if it is cast by a person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Further information about the Resolution is set out in the Explanatory Memorandum.

By order of the Board.



Alan Bell

Chairman

28 February 2023

EXPLANATORY MEMORANDUM

Parnell Pharmaceuticals Holdings Ltd

ACN 137 904 413

This Explanatory Memorandum is dated February 28th, 2023, and has been prepared in connection with the Notice of GM and serves as an explanation of, and contains information about, the business to be considered by Shareholders at the GM. It is given to Shareholders of the Company to help them determine how to vote on the Resolution.

This Explanatory Memorandum does not constitute financial product advice and does not constitute an offer to sell, or an offer to buy, securities in Australia, the United States or any other jurisdiction.

1. BUSINESS

The purpose of the GM is to consider and if thought fit to pass the Resolution as a special resolution.

1.1 Background

Approval of a selective share buy-back is sought pursuant to a Settlement and Mutual Release Agreement between dated 4 November 2022 between Mr Robert Joseph and Mrs Kate Joseph on the one hand and the Company on the other ("**Settlement Agreement**"). The Settlement Agreement arose in the following circumstances:

- Mr Joseph was formerly employed as a senior executive for the Company and certain subsidiaries.
- The Company terminated Mr Joseph's employment on 18 December 2017 and on 28 December 2017, the Company by a shareholder vote removed Mr Joseph as a director.
- On 14 June 2018, Mr Joseph commenced proceedings in the Federal Court of Australia against the Company, certain subsidiaries and Mr Alan Bell (Executive Chairman of the Company).
- The Company made cross claims against Mr Joseph in those proceedings.
- Following initial judgement and an appeal to the Full Federal Court, judgement was given with the result that Mr Joseph owed the Company US\$930,123.50 plus interest from 11 May 2021 ("**Judgement Debt**").
- Mr and Mrs Joseph currently reside in the United States of America and bearing in mind the uncertainty of obtaining payment of the Judgement Debt and the difficulties of enforcement of Australian judgements overseas,

Mr and Mrs Joseph and the Company entered the Settlement Agreement.

Under the Settlement Agreement, subject to the cancellation of the Shares the subject of the Resolution ("**Subject Shares**"), each of the parties release each other from all claims (including, without limitation, those related to the subject matter of the litigation). That release includes the Company releasing the Judgement Debt. No payments are to be made by or to the Company under the Settlement Agreement.

1.2 Legislative background for share buy-backs.

The Act states that the Act's provisions relating to share buy-backs seek to protect the interests of shareholders and creditors by:

- addressing the risk of the transaction leading to the company's insolvency;
- seeking to ensure fairness between the shareholders of the company; and
- requiring the company to disclose all material information

Section 257A of the Act allows a company to buy back its own shares if the buy-back does not materially prejudice the company's ability to pay its creditors and the company follows the procedures laid down in Part 2J.1 Division 2 of the Act.

The buy-back the subject of the resolution ("**Buy-Back**") is a selective buyback and, accordingly, section 257D(1) of the Act requires it to be approved by either:

- a special resolution at a general meeting of the company, with no votes being cast in favour of the resolution by any person whose shares are to be bought back or by their associates; or
- a resolution agreed to at a general meeting, by all shareholders.

Section 257D(2) of the Act requires the Company to include with the notice of general meeting a statement setting out all information known to the Company that is material to the decision on how to vote on the Resolution. The Company does not have to disclose information if it would be unreasonable to require the Company to do so because the Company had previously disclosed it to shareholders.

Section 257H(3) of the Act provides that immediately after registration of the transfer to a company of shares bought back, the shares are cancelled.

1.3 Specific information concerning the Buy-Back

ASIC Regulatory Guide 110 sets out what ASIC expects a company to provide when disclosing information to shareholders with a notice of meeting for approval of a buy-back. This information is set out below:

- The Company's issued capital as at the date of this Explanatory Statement is 82,953,271 Shares.
- The Subject Shares are 923,050 Shares held by Mr and Mrs Joseph or either of them, representing approximately 1.1% of the Shares.
- The terms of the Buy-Back are set out in the Settlement Agreement which is summarised in section 1.1.
- There is no offer price for the Buy-Back as the consideration is in a non-cash form (being the mutual releases contained in the Settlement Agreement), and no cash consideration is provided separately for the Buy-Back. On the basis of the amount of the Judgement Debt (and, without taking account of interest), the amount released by the Company in favour of Mr Joseph is approximately US\$1.01, per Subject Share).
- The reason the Buy-Back is considered to be advantageous to the Company is that it finalises the separation of Mr Joseph from the Company commenced in 2017 and resolves all current and future issues between Mr and Mrs Joseph and the Company. It does so without the provision of any cash consideration and, for the reasons explained below, does so without any alteration to the assets and liabilities of the Company as set out in its last Annual Financial Statements. The only disadvantage of the share buyback is the loss of the opportunity of obtaining payment in cash for the Judgement Debt.
- The financial effect of the Buy-Back on the Company is to reduce the issued capital by 923,050 Shares to 82,030,221 Shares. There is no change to the value of the Company's assets in its accounts, because the Judgement Debt was not given a value in the accounts in light of the uncertainty of recovery of the amount either at all, or in full. The consequence will be that the Company's Total Equity will be unaffected by this change. As the Company has substantial accumulated losses, it currently has negative Total Equity. Accordingly, there is no meaningful alteration in the Company's per Share asset backing. However, future profits, if any, will be shared between the reduced number of Shares on issue following the Buy-Back.

- Since the Subject Shares represent only about 1% of the Shares, there will be no significant change in control of the Company. The largest shareholder, DW Healthcare Partners V, L.P. holds 45,932,642 Shares representing 55.37%. Following the Buy-Back those Shares will represent 56.00%. All other shareholdings will increase in the percentage they represent in a corresponding way.
- No directors will participate in the buyback.
- No independent expert's report is required by the Act for this approval and the Directors did not consider that it was necessary or desirable to obtain such a report, bearing in mind that there is no outflow of funds from the Company and the financial effect on the Company is negligible.

1.4 Directors' Recommendation and voting intention

Having considered the Information available, including that contained in this Explanatory Statement, the Directors unanimously recommend that Shareholders vote in favour of the Resolution as they consider the proposed Buy-Back to be in the best interests of Shareholders because the advantages of the Buy-Back outweigh the disadvantages, as set out above.

The Directors confirm that they intend to vote in favour of the Resolution in relation all votes that they control.

1.5 No other material information

There is no other information material to the making of a decision by Shareholders whether or not to vote in favour of the Resolution, being information that is known to the Directors which has not previously been disclosed to shareholders, other than as set out in this document.

2. VOTING INSTRUCTIONS

2.1 VOTING ELIGIBILITY AND VOTING IN PERSON

Shareholders entered on the Company's register of members as at 5:00 p.m. on Monday April 3rd, 2023, (AEST) will be entitled to attend and vote at the GM ("Register Date").

To vote in person, Shareholders are required to attend the GM at the time, date and place set out in the Notice of GM.

Please note that, if you hold your shares in "street name" through a broker, bank, or other nominee, you must direct the institution that holds your shares to vote them; you are not entitled to vote directly unless the institution holding your shares provides you a proxy issued in your name authorising you to vote the shares at the GM. Your broker, bank or nominee will provide instructions on how to instruct them to vote your shares.

2.2 PROXY INSTRUCTIONS

A Shareholder entitled to attend and vote at the GM is entitled to appoint up to two (where the Shareholder has more than two votes that can be cast at the GM) individuals or bodies corporate to act as proxies to attend and vote on the Shareholder's behalf. Where more than one proxy is appointed, each proxy may be appointed to represent a specific portion of the Shareholder's voting rights. If the appointment does not specify the proportion or number of votes that each proxy may exercise, each proxy may exercise half of the votes.

A proxy may, but need not, be a Shareholder of the Company.

A Shareholder that is a body corporate or corporation, or which has been appointed as a proxy, is entitled to appoint any individual to act as its representative at the GM. The appointment of the representative must comply with the requirements under section 250D of the Corporations Act 2001 (Cth). The representative should bring to the GM a properly executed letter or other document confirming its authority to act as the shareholder's corporate representative.

A Proxy Form accompanies this Notice of GM ("**Proxy Form**"). The Proxy Form is an integral part of this Notice of GM and both documents should be read together.

Completed Proxy Forms (and a certified copy of the power of attorney or other instruments or authorities, if any, under which each Proxy Form was signed) should be delivered to the Company by one of the following methods:

1. by mail: Attn: Company Secretary
Parnell Pharmaceuticals Holding Ltd
Unit 4, Century Estate
476 Gardeners Road
Alexandria NSW 2015
Australia
2. by email: brad.mccarthy@parnell.com; or
3. by facsimile: +61 2 9667 4139.

The Proxy Form must be signed by the Shareholder or his/her attorney duly authorised in writing. In the case of shares jointly held by two or more persons, all joint-holders must sign the Proxy Form.

To be effective, Proxy Forms must be received by no later than 5:00 p.m. on Monday April 3rd, 2023. Proxy Forms received after this time will be invalid.

Shares Held in Street Name. If your shares are held in "street name" by your broker, bank or other nominee, you will receive instructions from your broker, bank or other nominee that you must follow in order for your shares to be voted. You may also vote in person at the GM if you obtain a legal proxy from your broker, bank or other nominee.

Banks, brokers, or other holders of record may vote shares held for a customer in street name on matters that are considered to be "routine" even if they have not received instructions from their customer. A broker "non-vote" occurs when a bank, broker, or other holder of record has not received voting instructions from a customer and cannot vote the customer's shares because the matter is not considered routine.

The Resolution is not considered to be 'routine'. As a result, if you do not instruct your bank, broker or other nominee how to vote with respect to this matter, your bank, broker or other nominee may not vote on this proposal and a broker "non-vote" will occur.

3. WHO MAY ATTEND

All record and beneficial Shareholders and their duly appointed proxies and representatives, may attend the GM in person.

Any other person may attend the GM in person only at the invitation of the Company.

4. FURTHER INFORMATION

For more information on the GM, please contact the Company's Chief Executive Officer, Brad McCarthy, by telephone on +612 9667 4411 or, by email at brad.mccarthy@parnell.com.

GENERAL MEETING PROXY FORM

This Proxy Form has been prepared Parnell Pharmaceuticals Holdings Ltd (ACN 137 904 413) (“**Company**”) in connection with the Notice of GM and Explanatory Memorandum dated February 28th, 2023, in relation to the Annual General Meeting of the Company to be held at First Floor, Unit 4, 476 Gardeners Road, Alexandria, New South Wales 2015 Australia on Thursday April 6th, 2023, at 8.30am (AEST)) (“**GM**”). Unless otherwise stated, all capitalised terms have the meaning given in the Notice of GM and Explanatory Memorandum.

I/We

being a member/s of the Company entitled to attend and vote at the GM, hereby appoint:

Appoint

Name of proxy

or failing the person so named or, if no person is named, the Chairman of the GM, or the Chairman’s nominee, to vote in accordance with the following directions or, if no directions have been given, as the proxy sees fit at the GM and at any adjournment thereof. If no directions are given, the Chairman intends to vote proxies for which he is the proxy holder in favour of each resolution.

Items of Business

	FOR	AGAINST	ABSTAIN
Item 1 Approval of Selective Share Buy-Back	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Signature of Shareholders

Individual or Shareholder 1

Shareholder 2

Shareholder 3

Sole Director and Sole Company Secretary

Director

Director/Company Secretary

Contact Name

Contact Daytime Telephone

____/____/2022
Date