Other material information relating to the Offer

Working to improve your health

Date: 1 December 2015

(This document replaces the document entitled “Other material information relating to the Offer” dated 26 November 2015 that was filed on the Disclose Register under AFT’s offer number (OFR10331) on 26 November 2015)

TABLE OF CONTENTS

Terms used in this document, including certain industry terms with which you may not be familiar, have the specific meaning given in Section 13 *(Glossary)* of the Product Disclosure Statement dated 1 December 2015 relating to the initial public offering of ordinary shares in AFT Pharmaceuticals Limited (**PDS**).

Forward looking statements

The PDS and certain documents in the Register Entry contain certain statements which relate to the future. Such statements are not a guarantee of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond our control and which may cause our actual results, performance or achievements to differ materially from those expressed or implied by such statements.

Given these uncertainties, you are cautioned not to place undue reliance on any forward looking statements contained in the PDS or in documents in the Register Entry. Under no circumstances should you regard the inclusion of forward looking statements as a representation or warranty by us or any other person referred to in the PDS with respect to the achievement of the results set out in any such statement, or that the underlying assumptions used will in fact be realised.

1. Further industry information

Pharmaceutical industry regulation

The pharmaceutical industry in which we operate is highly regulated. Our products are regulated by government agencies in each country in which they are sold and must be approved by those agencies before they can be marketed or sold in those countries. The process of gaining approval or authorisation for a pharmaceutical product from a government agency in a country is also known as 'registration' of a product.

New Zealand

The principal legislation governing the regulation of therapeutic products that are manufactured, sold or supplied in New Zealand is the Medicines Act 1981. Companies which wish to sell a medicine in New Zealand are required to gain approval for that medicine from the New Zealand Medicines and Medical Devices Safety Authority (Medsafe), New Zealand's regulatory authority for therapeutic goods. This approval process involves submitting an application with information that demonstrates the medicine meets recognised standards for quality, safety and efficacy that New Zealand expects and/or international standards. All medicines that have been approved in New Zealand are listed on the Medsafe website, as well as medicines where an application was submitted but approval was not granted.

Certain prescription and hospital medicines approved by Medsafe are subsidised by the Pharmaceutical Management Agency (PHARMAC) in New Zealand. The government regulates pricing for the publicly funded pharmaceuticals market through PHARMAC with funding priority being assigned following evaluation by the Pharmacology and Therapeutics Advisory Committee and thereafter prices being agreed through negotiations between PHARMAC and the pharmaceutical suppliers. In the case of off-patent medicines, for which there are multiple suppliers, prices are typically decided by sole supply tenders, whereby the winning bidder gets the right to be the sole supplier of that medicine for a fixed term, usually three years. PHARMAC lists those medicines subsidised by it on the Pharmaceutical products schedule maintained by it. For OTC or unfunded prescription medicines there are no price controls other than market competitive forces.

Australia

Pharmaceutical products are regulated in Australia by the Therapeutic Goods Administration (TGA) which oversees the quality, safety and efficacy of pharmaceutical products and other therapeutic goods. All pharmaceutical products must be approved by the TGA and listed in the Australian Register of Therapeutic Goods before they can be marketed or supplied for sale in Australia.

There are legal requirements that apply to all therapeutic goods in Australia, such as manufacturing requirements and product and labelling standards. A pharmaceutical product will not be approved by the TGA and authorised for supply unless all those requirements are met. The sponsor (the company or individual intending to supply the goods in Australia) is responsible for meeting those regulatory requirements.

The government regulates the pricing for the publicly funded pharmaceuticals market through the Pharmaceutical Benefits Scheme (PBS), which is a governmental healthcare programme established to subsidise the cost of pharmaceuticals to Australian citizens. For pharmaceutical products listed on the PBS, the price is agreed through negotiations between the Pharmaceutical Benefits Pricing Authority and pharmaceutical suppliers. The cost of more than 80% of all prescription medicines sold in Australia is subsidised by the PBS.

U.S.

In the U.S., the United States Food and Drug Administration (FDA) regulates drugs. Our drugs must be approved by the FDA before they may be marketed in the United States. In most cases clinical trials will have to be performed, and we will have to submit an investigational new drug application (IND) to the FDA which must become effective before human clinical trials may begin. If the clinical trials are successful, we will submit a new drug application (NDA) that includes information about the results of the clinical trials as well as information about the chemistry, manufacturing, and controls for the product. The NDA must be approved by the FDA prior to the new drug being marketed in the U.S. Even if individual ingredients of a drug have been approved previously by the FDA (e.g. certain doses of paracetamol), any combination of ingredients (e.g. *Maxigesic*) or change in dose may require the submission of an IND and an NDA or a supplemental NDA and FDA approval prior to being marketed.

The table below summarises the stages in the FDA's review and approval process for new drugs, and notes when *Maxigesic* tablets completed, or are expected to complete, those stages. Typically, the process from pre-clinical studies to formal drug approval for new drugs takes between 7 and 10 years for a new drug. The process for product line extensions (e.g. *Maxigesic* powder sachets) is shorter as much of the clinical data from the approval process for the initial product (e.g. *Maxigesic* tablets) may be used in the NDA for the product line extension. As noted in the table below, once the NDA is submitted, FDA review typically takes between 9 to 12 months.

	US REVIEW AND APPROVAL PROCESS	***MAXIGESIC TABLETS***
Pre-Clinical	**1. Preclinical studies** Tests, such as human enzyme interaction studies, completed by the drug sponsor to gather basic information on the safety and efficacy of the compound being investigated; research into compliance with the FDA's applicable regulations	Commenced in June 2008 Completed in 2012
	2. IND Submission Sponsor submits an Investigational New Drug application (IND) to the FDA based on results from initial testing. The FDA reviews the IND to assure that the proposed clinical trials do not place human subjects at unreasonable risk of harm	Completed in 2010
Clinical	**3. Clinical Trials** Human clinical trials performed in accordance with good clinical practice, to establish the safety and efficacy of the proposed drug for its intended use	Completed 1Q 2015
New Drug Application (NDA) Review	**4. Pre-NDA meeting** Prior to the submission of the New Drug Application (NDA), the sponsor meets with the FDA to obtain feedback from the FDA on the required studies and trials that need to be completed prior to formally seeking FDA approval	Completed in July 2015
	5. NDA Submission The drug sponsor submits its NDA. After an NDA is	Submission expected early 2016 following the

	received, the FDA has 60 days to determine whether the NDA is sufficiently complete to enable a substantive review. Following this, the NDA is filed and the FDA review typically takes 9 to 12 months	completion of the NDA
	6. Facility Inspection The FDA inspects the facility or facilities where the drug will be manufactured. Typically performed during NDA review period.	Completed – AFT is using and intends to only use existing FDA approved sites
	7. Drug Approval FDA reviewers can approve the application or issue a complete response letter if additional information is required	Approval expected to be received in late 2016
Post-Marketing	**8. Post-Approval Regulation** Once the FDA approves a drug, it is subject to ongoing regulation by the FDA. Discovery of problems after approval which are not corrected to the FDA's satisfaction may result in restrictions on the continued sale of the product.	US marketing of *Maxigesic* expected to commence in early 2017

2. Manufacturing and quality control of our products

We use third party manufacturers to manufacture all of our products. Our products are manufactured in a number of countries, including Australia, Canada, China, India, Italy, Germany, Malaysia, New Zealand, Sweden and the UK. Where practicable and where permitted under any applicable licensing arrangements, we use multiple manufacturers for any one product to mitigate any potential interruption to the supply chain. All of our key products have multiple manufacturing sites. For key innovative products under development, multiple sites are being included in the development programme. For many of our in-licensed products, the terms of our licence require us to purchase those products from the licensor or a third party manufacturer approved by the licensor. Historically we have had minimal interruption to supply, and where this has occurred, alternative sites have been available. In addition, our inventory policy is to hold approximately three months of product in our Australian and New Zealand warehouses. We believe we have adequate capacity through our third party manufacturers to meet anticipated demand for our products.

We monitor the quality of our products through our internal risk based quality assurance programme, which assesses key audit findings from external regulatory agencies. We audit certain of our third party manufacturers to monitor compliance with applicable current good manufacturing practices (GMPs), as defined by the FDA, the TGA or the EU Health Authority. Many of our licensees perform additional internal audits using their own 'Qualified Persons' (as defined by Directive 2001/83/EC of the European Regulations relating to Medicinal Products for Human Use) and make the results of their internal audits available to us. Our agreements with third party manufacturers require that each manufacturing facility used in the manufacture of our products retains GMP status from the FDA, the TGA, the EU Health Authority or the relevant authority of the jurisdiction in which we sell those products.

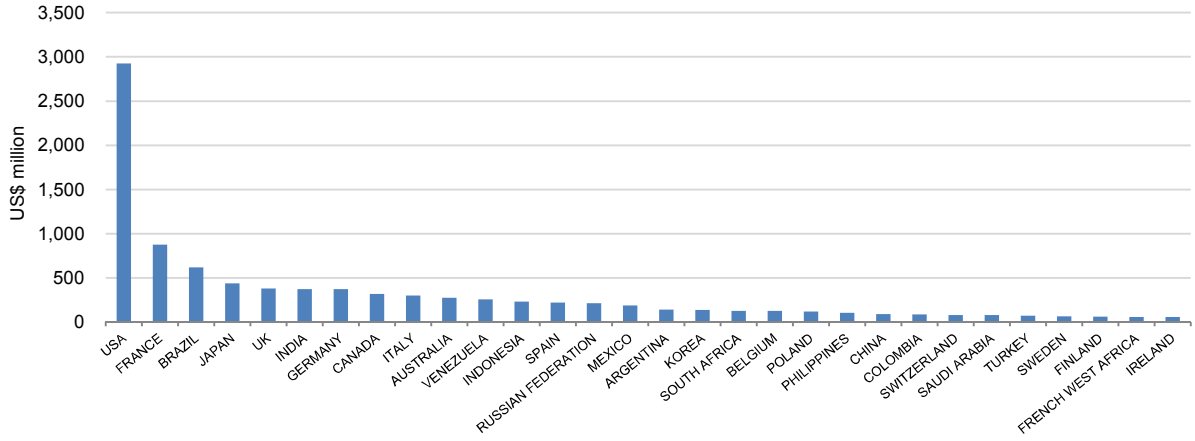
3. Further information about *Maxigesic*, *Pascaderm* and the *SURF* Nebuliser

Maxigesic | the analgesics market

The analgesics market, in which AFT's key innovative product *Maxigesic* is sold, is a subset of the overall pharmaceuticals market and comprises drugs used for relief from pain. The analgesics market grew globally at a CAGR of 3.6% between 2009 and 2014, and is projected to grow at 4.5% per annum to 2019 from US$24 billion in 2014 to US$30 billion.[1] The markets in Australia, New Zealand, the UK and the US are projected to grow at rates of 2.6%, 2.7%, 3.5%, and 3.9% per annum to 2019 respectively.

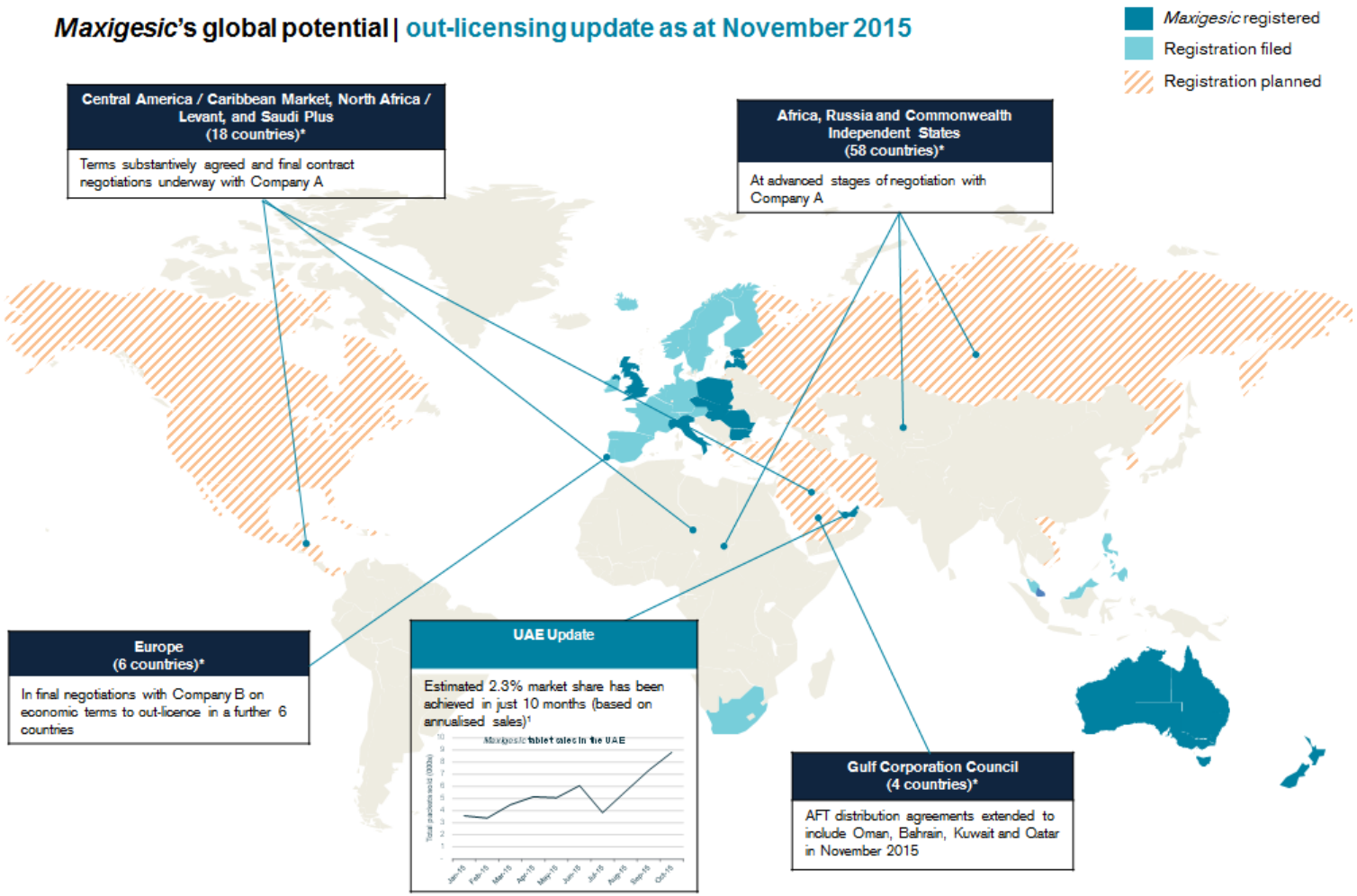
The ibuprofren and paracetamol market, which is the principal target analgesics market with respect to *Maxigesic*, grew at 5.2% per annum over the two years to June 2014.[2] The US represented approximately 28% of this market in 2014, three times the size of the next largest region, France. Australia and New Zealand combined represented 2.8% of this market.

Ibuprofen and paracetamol market by country, 2014[11]



[1] Data Monitor World Analgesic Market GMRT-Research-Analgesics Market Size-15-8.

[2] IMS World Review Pack (August 2015).



* Detailed list of countries over page

(1) The estimated 2.3% market share figure is based on annualised October 2015 US dollar sales of the UAE licensees, divided by the 2014 paracetamol and/or ibuprofen analgesic pharmacy market size for the UAE (Source: IMS World Review Pack (August 2015)). The UAE sales and IMS market size data are reported on a list price basis (i.e. gross sales).

Maxigesic's global potential | out-licensing update as at November 2015

Existing AFT Distributors in the Gulf Corporation Council	Company A		Company B
Gulf Corporation Council	Africa, Russia & Commonwealth Independent States	Central America / Caribbean Markets, North Africa / Levant & Saudi Plus	Europe
4 countries	58 countries	18 countries	6 countries
Oman, Bahrain, Kuwait and Qatar	**Africa (46 countries):** *REGION 1*, Western Africa: Comoros, Djibouti, Madagascar, Burundi, Chad, Democratic Republic of Congo, Central African Republic, Republic of the Congo, Gabon, Sao Tome/Principe, Equatorial Guinea, Cameroon, Niger, Benin, Burkina Faso, Mali, Mauritania, Ivory Coast, Liberia, Sierra Leone, Guinea, Guinea-Bissau, Gambia, Togo, Cape Verde Islands, Senegal Nigeria, Ghana, Rwanda. *REGION 2*, Eastern Africa: Kenya, Tanzania, Ethiopia, Eritrea, Uganda, Somalia. *REGION 3*, Southern Africa: Namibia, Mozambique, Botswana, Zambia, Angola, Mauritius, Zimbabwe, Malawi, Seychelles, Republic of South Africa, Swaziland, Lesotho. **Russia & Commonwealth Independent States (12 countries):** Russia, Ukraine, Belarus, Armenia, Azerbaijan, Kazakhstan, Kyrgyzstan, Moldova, Turkmenistan, Tajikistan, Uzbekistan, and Georgia	**Central America / Caribbean Market (11 countries):** Belize, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, and Panama and 4 Caribbean islands like Cuba and Dominican Republic **North Africa / Levant (6 countries):** Morocco, Algeria, Tunisia, Egypt, Jordan, and Lebanon **Saudi Plus (1 country):** Saudi Arabia	France, Andorra, Monaco, Belgium, Luxembourg, Switzerland

Pascaderm | developed in response to a hereditary skin condition, named patient sales on track for Q2 – Q3 2016

Hereditary skin condition

- Rare disorder affecting around 180,000 patients in the U.S. and EU
- Current treatments have significant relapse rates

Pascaderm development underway

Milestone	Timing	Progress
Assay method developed and validated	Q1 2015	**Completed**
6 month formulation stability study on existing named patient compounded formulations	Q1 2015	**Completed**
"Freedom to operate" (FTO) investigation around *Pascaderm* formulation	Q1 2015	**Completed**
Option to license existing clinical proof of concept data	Q2 2015	**Completed**
Selection of manufacturer in USA	Q2 2015	**Completed**
Formulation development	Q3 – Q4 2015	**Underway**
Open IND in the US	Q1 2016	
Validation of manufacture process and production of exhibit batches	Q1 2016	
Preclinical studies	Q1 – Q3 2016	
Clinical trials	Start Q2 2016	
Named patient sales	**Q2 – Q3 2016**	

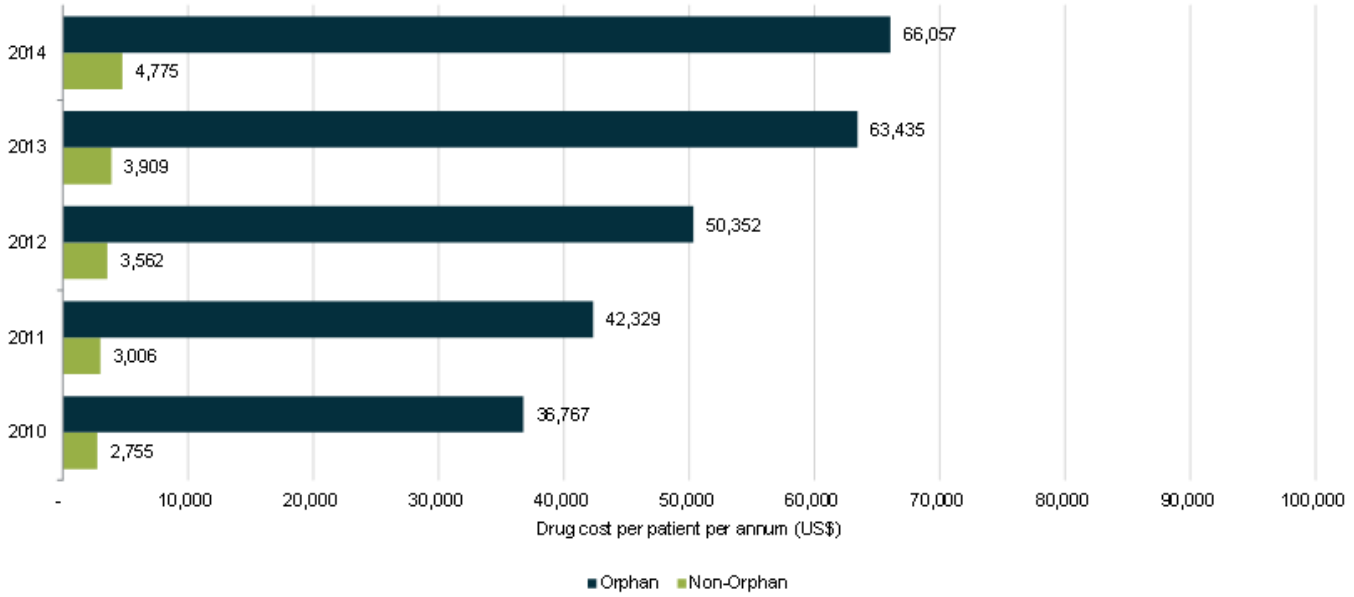
Named patient opportunity for early sales in 2016

- A number of key milestones towards named patient sales have **already been achieved**
- Annual revenue penetration sensitivity from named patient sales is shown on page 12

Pascaderm | median drug cost per patient per year in the US

- The median cost per patient for an orphan drug in the US in 2014 was US$66,057, versus US$4,775 for a non-orphan drug
- The median price of orphan drugs in the US increased by a factor of 1.8 from 2010 to 2014

Median drug cost per patient per year in the US, 2010 - 2014[1]



(1) Source: EvaluatePharma, 30 September 2015. Cost per patient is an estimate for the retail cost of a drug to a patient, for a given year, based on a 100% compliance to the treatment guidelines outlined in the FDA label.

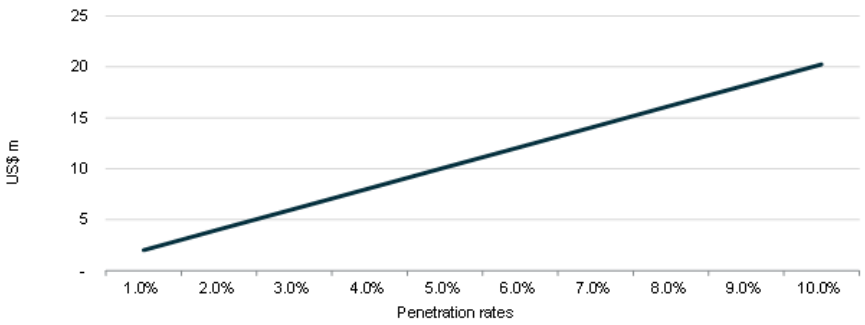
Pascaderm | potential annual market size and gross sales penetration sensitivity

Potential annual market size

US patients[1]	73,600
EU patients[2]	114,000
Total patients	**187,600**
Multiplied by:	
Assumed drug cost per patient per annum[4]	US$15,000
Potential annual market size (US and EU only)[5]	**US$2.8 billion**

+ Orphan drug designation approval for an additional use for *Pascaderm* has been sought in the US and will be sought in the EU

Potential annual gross sales penetration sensitivity (UK named patient sales)[1,3,4]



Named patient market example:

- The UK is a key market that AFT intends to target
- ~13,500 patients in this market[3]
- Assuming named patient uptake of 1% – 10% of these patients gives 135 – 1,350 potential patients per annum
- Assumed drug cost per patient per annum: US$15,000[4]
- **Penetration sensitivity is shown based on these assumptions**

(1) Management estimate
(2) Management estimate, based on the estimated number of US patients, multiplied by the ratio of the EU population to the US population
(3) Management estimate, based on the estimated number of US patients, multiplied by the ratio of the UK population to the US population
(4) Management assumption, on a gross basis
(5) The potential annual market size is intended to reflect the total addressable market for *Pascaderm* in the US and EU. As there is no current market for topical drugs to treat the skin condition for which *Pascaderm* is being developed, we have calculated the potential annual market size for *Pascaderm* on the basis of the theoretical patient population that could be treated with it (being 100% of the patient population in the US and the EU) multiplied by the assumed drug cost per patient per annum. The potential annual market size is not a revenue forecast for *Pascaderm* nor does it provide any indication of the market share that we may achieve in that market. It does not take into account the costs of servicing the market, the costs of goods sold or third party licensing fees, which in some cases could be material.

Intranasal drug delivery technology | overview, advantages and uses

Overview

- Nasal administration of medications is emerging as a promising method of delivering medications directly to the blood stream, replacing the need for intravenous administration in some uses whiles still achieving rapid and effective results

Advantages[1]:

- Large nasal mucosal surface area for dose absorption
- Rapid drug absorption via highly-vascularized mucosa
- Rapid onset of action
- Ease of administration, non-invasive
- Avoidance of the gastrointestinal tract and first-pass metabolism
- Improved bioavailability
- Lower dose/reduced side effects
- Minimal aftertaste
- Improved convenience and compliance
- Self-administration

Therapeutic indications and medications[2]:

- Seizure (Midazolam, Lorazepam)
- Pain control (Fentanyl, Ketamine, Ketorolac, Butorphanol, Hydromorphone)
- Sedation (Midazolam, Fentanyl, Ketamine)
- Agitation (Haloperidol, Midazolam)
- Opiate overdose (Naloxone)
- Hypoglycemia (Glucagon)
- Sexual dysfunction
- Vaccines

Sources: (1) kurvetech.com, (2) med.umkc.edu

SURF Nebuliser | Commercial potential for nasal drug delivery

AFT commissioned research by a recognised specialist Professor in Respiratory Technology at an Australasian University, which identified the following:

Background	• **Chronic sinus infection occurs regularly in patients with chronic sinusitis** • In Australia, over 1.9 million cases were diagnosed between 2010-11 • Symptoms prevalent in ~16% of the population • Acute sinusitis occurs in up to 4.6% of young adults • Surgical intervention required in many cases • Chronic sinusitis results in hyper-mucosal secretion, inflammation and severe discomfort and pain
Market	• There is no **current marketed nasal aerosol medicine for the treatment of chronic sinusitis that specifically targets the sinuses or an efficient device capable of nasal drug delivery** • Current approaches to delivery include the administration of antibiotics, mucolytic and steroids • Administration is either conducted using nasal pumps or modified nebulisers, originally developed for 'lung-targeting' • These result in virtually no access to the target site, thus limited therapeutic efficacy • Only competitor reported to achieve ca. 6.5% sinus deposition and has long dosing times (4min/nostril)
AFT approach	• AFT has **developed a novel device that specifically targets the sinuses and this has been shown to be highly efficient at generating an aerosol of suitable size for nasal drug delivery (> 10 µm)** • Demonstrated that it is possible to generate a pulsed frequency 'cloud' suitable for para-sinus targeting • No such device exists on the market than can generate pulsed aerosol clouds that have a suitable size for nasal targeting with high delivery rates • The *SURF* Nebuliser has the potential to deliver a dose in seconds rather than minutes, making it comparable with nasal pumps rather than nebuliser technology • The *SURF* Nebuliser prototype shows narrow particle size could be achieved over a number of pulses • Output rate was 20x that of the commercially available device • Two other commercial nebulizers were tested and it was demonstrated they were not suitable for nasal deposition

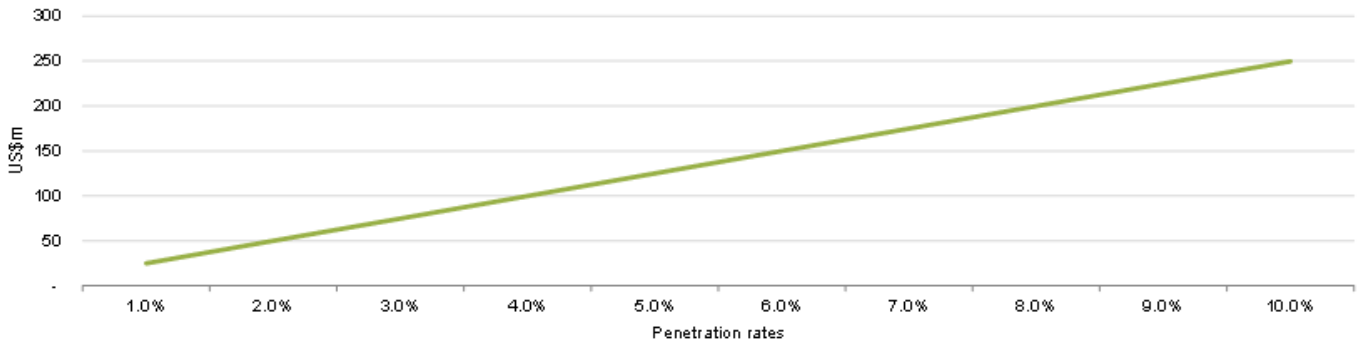
Ultimately, this makes the AFT device unique in the market for nasal drug delivery and for the treatment of chronic sinusitis and other upper respiratory tract diseases

SURF Nebuliser | example of potential market size

Dental conscious sedation – US only[1]

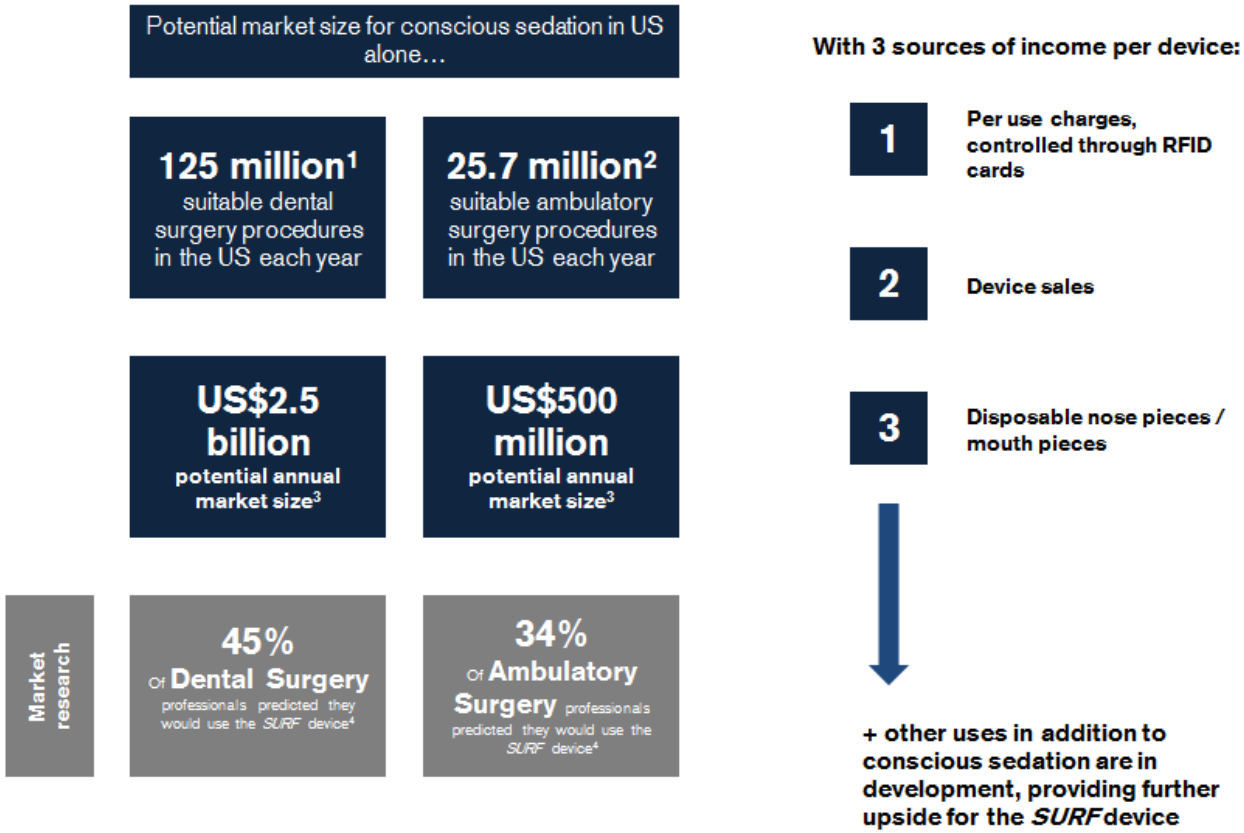
Procedure type	Percentage of procedures	Number of procedures per year
Diagnostic	43.40%	237,832,000
Preventative	32.50%	178,100,000
Restorative	6.10%	33,428,000
Prosthetic	6.00%	32,880,000
Orthodontic	5.40%	29,592,000
Oral Surgery	3.10%	16,988,000
Endodontic	1.60%	8,768,000
Periodontic	0.60%	3,288,000
Other Procedure	1.30%	7,124,000
Total Procedures	**100%**	**548,000,000**
Procedures likely to involve conscious sedation / anaesthesia	**22.80%**	**124,944,000**

Potential annual revenue penetration sensitivity (US dental conscious sedation market)[2]



(1) Dental Procedures, United States, 1999 and 2009 (MEPS). Manski, RJ., Brown, E. http://meps.ahrq.gov/mepsweb/data_files/publications/st368/stat368.shtml
(2) Based on an assumed per use revenue of US$20 per procedure

SURF Nebuliser | market potential



(1) Dental Procedures, United States, 1999 and 2009 (MEPS). Manski, RJ., Brown, E. http://meps.ahrq.gov/mepsweb/data_files/publications/st368/stat368.shtml
(2) Cullen, K., Hall, M., and Golosinskiy, A. (2009). Ambulatory surgery in the United States, 2006. Technical report, Center for Disease Control; Gan TJ et al. Consensus guidelines for managing postoperative nausea and vomiting. Anesth Analg. 2003;97:62–71
(3) The potential annual market size is intended to reflect the total addressable market for *SURF* Nebuliser for conscious sedation use in the US in the surgical procedures specified. We have calculated the total addressable market based on the total number of suitable surgical procedures undertaken in the US multiplied by an assumed per use revenue of US$20. The potential annual market size is not a revenue forecast for the SURF Nebuliser nor does it provide any indication of the market share that we may achieve in that market. It does not take into account the costs of servicing the market, the costs of goods sold or third party licensing fees, which in some cases could be material.
(4) MedPanel Market Research conducted for AFT in the US and UK only

4. Our research and development teams

Our development teams are headed by Ioana Stanescu for Drug Development and Dr Brendon Woodhead for New Product Development – Medical Devices. They are further supported by Dr Hartley Atkinson and Dr Doug Wilson who together hold extensive experience in drug development and regulation in large multinational pharmaceutical companies. We have a team of technical staff including an engineer, nurses and scientists who support the development programme in addition to a network of contracted experts in New Zealand, Australia, the US and the EU. Studies are conducted in various clinical trial centres in New Zealand (Auckland, Hamilton and Christchurch), Australia (Sydney), the US (Austin, Texas), the UK (Cardiff, Wales), Spain, Jordan (Amman) and Russia (Rostov and Moscow).

We have developed considerable internal expertise and regularly hold meetings with major regulatory agencies around the world in order to clarify our development pathways including: FDA (US), Mhra (UK), TGA (Australia), Saudi FDA (Saudi Arabia), HSA (Singapore), BPFK (Malaysia) and the Ministry of Health (Russian Federation). We have a separate regulatory team led by Vladimir Ilievski and supported by five scientists who work together with our development teams.

5. AFT Corporate Governance

The Board has ultimate responsibility for the strategic direction of AFT, and to ensure AFT is properly managed to protect and enhance the interests of its shareholders.

Board procedures

The Board has adopted a charter that sets out the role, responsibilities, composition and structure of the Board.

The Board currently intends to meet not less than six times during the financial year, with other meetings being held during the financial year as and when required.

Board committees

The Board has two formally constituted committees: the Audit and Risk Committee and the Regulatory and Product Development Oversight Committee.

Audit and Risk Committee

The Audit and Risk Committee is responsible for overseeing AFT's risk management, treasury, insurance, accounting and audit activities, and reviewing the adequacy and effectiveness of internal controls, meeting with and reviewing the performance of external auditors, reviewing the consolidated financial statements, and making recommendations on financial and accounting policies.

The current members of the Audit and Risk Committee are Jon Lamb (Chair), Jim Burns and David Flacks.

Regulatory and Product Development Oversight Committee

The Regulatory and Product Development Oversight Committee is responsible for overseeing the Company's regulatory risk management framework and the progress and costs of the Company's key clinical and product development projects. The Committee is also responsible for reviewing product labelling to ensure that it is up to date with current and on-going regulatory and clinical knowledge.

The current members of the Regulatory and Product Development Oversight Committee are: Doug Wilson (Chair), Hartley Atkinson and Marree Atkinson.

Policies and procedures

Once the Shares are quoted on the NZX Main Board and ASX, AFT will be required to comply with the NZX Listing Rules, the ASX Listing Rules to the extent specified in ASX Listing Rule 1.15 and the applicable disclosure requirements of securities and other laws in New Zealand and Australia.

Key policies and procedures adopted by the Board are as follows:

- securities trading policy;
- market disclosure policy;
- auditor independence policy; and
- code of ethics.

6. Other terms of the Offer

Escrow arrangements

The Selling Shareholder, the CRG Funds and each of the directors and senior managers who hold relevant interests in Shares at the date of the PDS (being David Flacks, Jon Lamb, Doug Wilson, Jim Burns and Malcolm Tubby) (together the **Escrowed Shareholders**) have entered into escrow arrangements with AFT in respect of the following Shares (the **Escrowed Shares**):

- for the Selling Shareholder, the Shares held by the Selling Shareholder upon listing of AFT other than any Shares offered for sale by the Selling Shareholder under the Offer; and

- for each other Escrowed Shareholder, the Shares held by that Escrowed Shareholder upon listing of AFT other than any Shares acquired by the Escrowed Shareholder under the Offer.

Under these arrangements, each Escrowed Shareholder has agreed not to sell or otherwise dispose of any of the Escrowed Shares until the first Business Day after AFT's preliminary announcement has been released in respect of its financial results for the year ending 31 March 2017, subject to the exceptions described below.

An Escrowed Shareholder may sell or otherwise transfer any its Escrowed Shares:

- with the approval of the directors who are not "interested" in the decision (as that term is defined in the Companies Act), AFT and NZX;

- to an "affiliate" (being a person owned or controlled by, or under common ownership or control with, the Escrowed Shareholder and in relation to a family trust includes any beneficiary of that trust), provided that such affiliate has agreed to be bound by the escrow terms; or

- in connection with a takeover offer under the Takeover Code or similar scheme of arrangement.

The Selling Shareholder may sell or otherwise dispose of 15% of the Escrowed Shares held by it from the first Business Day following the six month anniversary of quotation of the Shares on the NZX Main Board.

These restrictions do not apply, and therefore no approval is needed, for an Escrowed Shareholder to grant a security interest in favour of a bona fide lender to that Escrowed Shareholder.

The escrow arrangements are contained in the escrow deeds on the Disclose Register at www.business.govt.nz/disclose under AFT's offer number (OFR10331).

Further selling restrictions

These selling restrictions are additional to those described in *Section 5 (Terms of the Offer)* in the PDS.

Takeovers Code

Once the Shares are quoted on the NZX Main Board (expected to occur on 22 December 2015), AFT will be a "Code Company" under the Takeovers Code. The Takeovers Code prohibits, amongst other things, any person (together with their associates (as defined in the Takeovers Code)) from becoming the holder or controller of 20% or more of the voting rights in AFT other than in compliance with the requirements of the Takeovers Code. You should seek legal advice

in relation to any act, omission or circumstance which may result in you breaching any provision of the Takeovers Code.

Overseas Investment Act 2005

Any person who is an "overseas person" for the purposes of the Overseas Investment Act 2005 and who intends to acquire 25% or more of the Shares (or make any other acquisition regulated by that Act) will be required to obtain any necessary consent under the Overseas Investment Act 2005.

Australian Securities and Investments Commission relief

The Australian Securities and Investments Commission has declared the Offer to be a recognised offer within the meaning of section 1200B(1) of the Corporations Act 2001 (Cth), notwithstanding that AFT did not give the notice and lodge the documents referred to in section 1200C(5) of the Corporations Act 2001 (Cth) 14 days before the Offer was first made in Australia.

7. Overview of AFT operating revenue by region

Operating Revenue (NZD$000)		FY2013	FY2014	FY2015	1HFY2015	1HFY2016
New Zealand	OTC	10,210	11,014	11,067	5,203	5,987
	Prescription	13,206	12,596	13,256	5,869	6,837
	Hospital	4,032	5,180	5,075	2,222	2,210
	Total	**27,448**	**28,790**	**29,398**	**13,294**	**15,034**
Australia	OTC	7,642	11,296	15,618	6,057	8,075
	Prescription	810	2,620	3,467	1,660	2,318
	Hospital	4,463	6,119	7,239	3,028	3,430
	Total	**12,915**	**20,035**	**26,324**	**10,745**	**13,823**
Southeast Asia	OTC	-	-	-		
	Prescription	-	-	35	13	11
	Hospital	-	-	126	38	248
	Total	**-**	**-**	**161**	**51**	**259**
Rest of World	OTC	-	10	145	10	88
(excluding	Prescription	-	-	-		
Southeast Asia)	Hospital	-	104	213	53	339
	Total	**-**	**114**	**358**	**63**	**427**
Total Operating Revenue		**40,363**	**48,939**	**56,241**	**24,153**	**29,543**

New Zealand

New Zealand revenue has grown 3.5% per annum over the last two years reflecting the wider range of products we sell and that New Zealand is a relatively more established market for us. This recent growth is lower than the 5.0% annual growth rate we have delivered over the previous five years, for the reasons outlined below, and we expect future growth rates to be at these higher levels. The first half of FY2016 has grown at 13.2% compared to the previous corresponding period.

In OTC we are the largest supplier of allergy products and as a result overall growth will be at the market rate and annually will vary with the season. Sales of other products such as *Maxigesic*, *Crystaderm* and Eyecare generated good levels of growth in FY2015. However, overall growth was constrained by declines in some older products such as *Lax-sachets* and some manufacturing difficulties in a key product, *Zostrix* and *ZostrixHP*. We have responded to these with product improvements and new manufacturing sites for products. The regulated nature of the pharmaceutical industry means that these changes may take some time to implement.

Prescription in FY2014 declined due to the loss of a relatively significant product from the PHARMAC pharmaceutical schedule in 2013. However, later in FY2014 our Imatinib-AFT product was added to the schedule and this made up the shortfall in FY2015.

In respect of the PHARMAC pharmaceutical schedule, each product is reviewed generally in a three yearly cycle, with an even spread over calendar years and, in general, no single year being significantly different. As such, growth of our products on these schedules are constrained to these cycles and patient usage is generally quite stable.

In FY2014 we had two hospital products added to the PHARMAC pharmaceutical schedule and also benefited from a competitor's temporary stock unavailability.

There are approximately 900 pharmacies and 200 hospitals which are supplied by four main licensed wholesalers through their 17 branches. We receive regular bulk orders from the wholesaler branches. We deliver product to the branches and invoice the parent wholesaler. We also receive regular bulk orders from the main grocery chains' centralised distribution centres, deliver to these and invoice the parent chain. The largest wholesaler accounted for approximately $12m of our operating revenue in FY2015.

Australia

Australian operating revenue grew at 31% in FY2015 and 55% in FY2014. This was from a combination of growth from existing products in the market and the introduction of new products. We expect these factors to continue to drive high growth in Australia. In the first half of FY2016 operating revenue has grown at 29% compared to the previous corresponding period.

OTC growth in FY2014 was driven by the launch of *Maxigesic* and growth of Eyecare and *Paracetamol OsteoTab*, which we launched late in FY2013. Sales generated by the latter two drove the growth in FY2015. The large pre-launch Australian stock orders of *Maxigesic* at the end of FY2014 had the one-off effect of lowering the regular monthly orders in FY2015 for *Maxigesic*.

Prescription growth for both FY2014 and FY2015 was led by the introduction of *Femme-tab* and supported by good growth in other prescription products.

Hospital growth for both FY2014 and FY2015 was led by growth in non-antibiotic injectables and *Cefe's* antibiotics.

There are approximately 5,000 pharmacies and 1,400 hospitals which are supplied by five main licensed wholesalers through their 27 branches. Queensland Health, a Queensland State government purchaser, and a small number of customers order directly from us. The ordering, delivery and invoicing follow the same procedure as for New Zealand wholesalers. The largest wholesaler accounted for approximately $11m of our operating revenue in FY2015.

Southeast Asia

Southeast Asian operating revenues commenced late in FY2015 achieving $0.2m. We expect rapid growth in these markets as our products become registered and then marketed. Hospitals and pharmacies order from our distributors, two in Singapore and one in Malaysia, which facilitate delivery and invoicing. We invoice the distributors on their monthly sales. The model is the same in Brunei other than that the distributor purchases product from us up front.

Rest of World (excluding Southeast Asia)

Rest of World (excluding Southeast Asia) operating revenues commenced in FY2014 and achieved $0.4m in FY2015 with sales into the UAE, Iraq, Saudi Arabia and the Balkans. As we continue to expand, our revenue model is expected to shift heavily towards product sales and royalties from established in-market third party distributors and licensees.

8. Total estimated costs of offer and issue

The total estimated costs of the Offer and the issue of new Shares and sale of existing Shares under the Offer are approximately $3.5 million. Of this, $1.4 million is an estimate of the total amount to be paid by AFT to First NZ Capital Securities Limited as fees for the arranger, lead manager and broker services provided by it. The amount to be paid to First NZ Capital Securities will depend on a number of factors, including the amount raised under the Offer.

From its fees, First NZ Capital Securities will pay firm allocation commissions of 0.5% and retail brokerage of 1.0% on retail applications bearing brokers' stamps pursuant to a firm allocation under the Broker Firm Offer.