



*ASX Limited
Market Announcements Office*

Phosphagenics Updates Long Term Incentive Scheme

12 September 2016, Melbourne: Australian drug delivery company, Phosphagenics Limited (ASX: POH; OTCQX: PPGNY), is pleased to announce it has completed a strategic review of its long term incentive arrangements for its employees and directors.

The Board has resolved to replace its current long term incentive scheme with a three-year Conditional Options Scheme which more appropriately aligns employee performance to the creation of shareholder wealth. Under the scheme, options will vest periodically, subject to the Company's share price meeting specified hurdles around each vesting point. The exercise price for vested options has been set at \$0.023, which is the 5-day VWAP immediately prior to 9 September 2016 plus 10%. A further grant condition is that all Conditional Rights currently on issue under the Company's Conditional Rights Scheme are forfeited by the employee, before the employee may accept a grant of options. In addition, it is proposed that, subject to shareholder approval:

- the Company's CEO Dr Murdoch participate in the scheme; and
- non-executive directors be issued conditional options on similar terms to executives apart from the performance hurdles which, in order to align with ASX corporate governance recommendations, will not attach performance targets.

Shareholder approval will be sought at the next general meeting of shareholders, currently anticipated to be the 2017 AGM, to be held before the end of May 2017. Further details on the terms of the Conditional Options and the scheme will be provided in the relevant notice of meeting.

In aggregate the proposed employee and director options would result in less than 5% of equity being converted into ordinary shares.

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