



# Notice of Annual General Meeting

and Explanatory Memorandum

2004

For a meeting to be held at 2.30pm on Monday 29  
November 2004 at Unit 1, 35-41 Waterloo Road,  
North Ryde, New South Wales



Proteome Systems Limited (ABN 56 080 277 998)

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This is an important document. Please read it carefully.

It contains the resolutions which will be voted upon at the Annual General Meeting (AGM) at 2.30pm on Monday 29 November 2004 and information in relation to those resolutions for your consideration.

If you are unable to vote in person at the AGM, please complete the enclosed proxy form and return it by 2.30pm on 27 November 2004 in accordance with the instructions on the proxy form.

Documents can be sent to the Company:

**by mail: Locked Bag A14, Sydney South NSW, 1235, Australia**

**by fax: +61 2 9287 0309**

## HOW TO VOTE

### Voting entitlement

For the purposes of the Annual General Meeting, only those persons holding Shares at **2.30pm on Saturday 27 November 2004** will be treated as Shareholders. This means that if you are not the registered holder of a relevant Share at that time you will not be entitled to vote in respect of that Share.

On a show of hands each Shareholder has one vote. On a poll each Shareholder has one vote for each Share they hold.

### How to Vote

You may vote by attending the meeting in person or by proxy.

### Voting In Person

You may vote in person by attending the meeting. The meeting details are:

**Time: 2.30pm, Monday 29 November 2004**  
**Place: Unit 1, 35-41 Waterloo Road, North Ryde, New South Wales**

### Voting By Proxy

A Shareholder who is entitled to attend and vote at the meeting may appoint a person or body corporate, who need not be a Shareholder of the Company, as the Shareholder's proxy to attend and speak and vote on behalf of the Shareholder.

A Shareholder entitled to attend and cast 2 or more votes at the meeting is entitled to appoint **not more than 2 proxies**, who need not be Shareholders of the Company, to attend and speak and vote on behalf of the Shareholder.

Where 2 proxies are appointed, each proxy must be appointed to represent a specified proportion of the Shareholder's voting rights. If 2 proxies are appointed, insert the relevant number of Shares in respect of which the appointment is made. If the appointment does not specify the proportion or number of the Shareholder's votes each proxy may exercise, each proxy may exercise half the votes.

Any person who is a joint holder of Shares may appoint a proxy by completing the form of Proxy attached to this Notice. If more than one joint holder appoints a proxy or seeks to vote personally at the meeting, then the person whose name stands first on the register shall alone be entitled to vote. If the appointment is signed by an attorney, the power of attorney or a certified copy of it must be sent with the proxy form.

Should you wish to vote by proxy, please complete the proxy form, included with this Notice, and return it to the Share Registry, ASX Perpetual Registrars Limited, **so that it is received by no later than 2.30pm on Saturday 27th November 2004.**

**by mail: Locked Bag A14, Sydney South NSW, 1235, Australia**

**by fax: +61 2 9287 0309**

NOTICE OF ANNUAL GENERAL MEETING 2004 Proteome Systems Limited

PROTEOME SYSTEMS LIMITED  
(ABN 56 080 277 998)

## **NOTICE OF ANNUAL GENERAL MEETING**

NOTICE is hereby given that an Annual General Meeting of Shareholders of Proteome Systems Limited (the *Company*) will be held at **Unit 1, 35-41 Waterloo Road, North Ryde, New South Wales at 2.30pm on Monday 29 November 2004.**

*Please note that the resolutions should be read in conjunction with the Explanatory Memorandum.*

## ITEMS OF BUSINESS

### Item 1: Financial Statements and Reports

To receive and consider the Company's Financial Report and the reports of the Directors and the Auditor in respect of the year ended 30 June 2004.

### Item 2: Election of Graham Bradley as a Director

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

"THAT Mr Graham Bradley, who having been appointed by the Board since the last annual general meeting, retires in accordance with clause 42(b) of the Company's Constitution and, being eligible, offers himself for election, be elected as a Director of the Company".

### Item 3: Election of Phillip Morley as a Director

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

"THAT Mr Phillip Morley, who having been appointed by the Board since the last annual general meeting, retires in accordance with clause 42(b) of the Company's Constitution and, being eligible, offers himself for election, be elected as a Director of the Company".

### Item 4: Re-election of John Martin as a Director

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

"THAT, Mr John Martin, who having held office for more than three years, retires in accordance with clause 45 of the Company's Constitution and, being eligible, offers himself for re-election, be re-elected as a Director of the Company".

### Item 5: Directors' Remuneration

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

"THAT the maximum aggregate amount out of which Directors' fees may be paid be fixed at \$350,000 to be divided amongst the Directors in such manner as they may determine".

**Voting Exclusion:** As required by the ASX Listing Rules, the Company will disregard any votes cast on this resolution by any Director or their associates unless the vote is cast as proxy for a person entitled to vote in accordance with a direction on the proxy form or unless the vote 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.

### Item 6: New Performance Share Plan

To consider and if thought fit, to pass the following resolutions as ordinary resolutions:

"THAT the Proteome Systems Performance Share Plan, the principal terms and conditions of which are summarised in the Explanatory Memorandum to this Notice of Meeting, and the issue of shares under that plan, be approved for all purposes (including as an exception to ASX Listing Rule 7.1)".

"THAT the Board be authorised to establish further plans based on the Proteome Systems Performance Share Plan but modified to take into account local considerations such as tax, securities or other laws in territories outside Australia, provided that any shares made available under such further plan are treated as counting against the limits on securities which may be issued under the Company's incentive plans and that any such plan be approved for all purposes (including as an exception to ASX Listing Rule 7.1)".

**Voting Exclusion Statement:** As required by the ASX Listing Rules, the Company will disregard any votes cast on this resolution by any Director (except one who is ineligible to participate in the Performance Share Plan), or their associates unless the vote is cast as proxy for a person entitled to vote in accordance with a direction on the proxy form or unless the vote 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.

**Item 7: Approval of securities issued to an Executive Director under the Proteome Systems Performance Share Plan**

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

“THAT, for all purposes including for the purposes of ASX Listing Rule 10.14, approval be given to offer and issue to Dr Keith Williams, an executive director of the Company, rights to acquire fully paid ordinary shares in the Company under the Proteome Systems Performance Share Plan on the terms set out in the Explanatory Memorandum to this Notice of Meeting and to issue or transfer fully paid ordinary shares in the number, at the time, upon the terms and subject to the conditions contained in the offer of performance rights”

**Voting Exclusion Statement:** As required by the ASX Listing Rules, the Company will disregard any votes cast on this resolution by Dr Williams or his associates or any other Director entitled to participate in the Plan or their associates unless the vote is cast as proxy for a person entitled to vote in accordance with a direction on the proxy form or unless the vote 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.

**Item 8: Approval of securities issued to an Executive Director under the Proteome Systems Performance Shares Plan**

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

“THAT for all purposes including for the purposes of ASX Listing Rule 10.14, approval be given to offer and issue to John Martin, an executive director of the Company, rights to acquire fully paid ordinary shares in the Company under the Proteome Systems Performance Share Plan on the terms set out in the Explanatory Memorandum to this Notice of Meeting and to issue or transfer fully paid ordinary shares in the number, at the time, upon the terms and subject to the conditions contained in the offer of performance rights”

**Voting Exclusion Statement:** As required by the ASX Listing Rules, the Company will disregard any votes cast on this resolution by Mr Martin or his associates or any other Director entitled to participate in the Plan or their associates unless the vote is cast as proxy for a person entitled to vote in accordance with a direction on the proxy form or unless the vote 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.

By order of the Board.



**Lisa Jones**  
**Company Secretary**  
**26 October 2004**

## EXPLANATORY MEMORANDUM

### Financial Statements and Reports

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The Chairman will allow a reasonable opportunity for the shareholders as a whole to ask questions or make comments on the management of the company and to ask the representative of the auditor questions relevant to the conduct of the audit and the preparation and content of the auditor's report. There is no requirement for a formal resolution on this matter.

### Election of Directors

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Items 2, 3 and 4 of the Notice of Meeting deal with the election and re-election of directors.

Under the Company's Constitution and the ASX Listing Rules, a director appointed by the Board to fill a casual vacancy or as an addition to the Board may hold office only until the next annual general meeting of the Company and is then eligible for election at that meeting. Graham Bradley and Phillip Morley are required to submit for election under this rule. They have both indicated that they will offer themselves for election.

Under the Company's Constitution and the ASX Listing Rules, a director must not hold office without re-election past the third annual general meeting following the director's appointment or three years, whichever is the longer. John Martin is required to submit for re-election under this rule. He has indicated that he will offer himself for re-election.

#### **Recommendation**

The Board, other than the candidates themselves, unanimously support the election of Graham Bradley and Phillip Morley and the re-election of John Martin.

### Directors' Remuneration

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Under the Company's Constitution, the limit on total aggregate remuneration per annum that may be paid to non-executive Directors is to be fixed by ordinary resolution of a general meeting of shareholders of the Company. This has not previously been done and the Company seeks approval to fix the total aggregate remuneration for non-executive directors at \$350,000 per annum.

The fees currently paid to two non-executive directors are:

Chairman of the Board	\$135,000
Non-executive director	\$60,000

The proposed cap of \$350,000 will allow the Company to pay the current non-executive directors their fees and to appoint an additional non-executive director prior to the next annual general meeting if the board considers it appropriate to do so.

#### **Recommendation**

Given the interest of the non-executive directors in this matter, the Board as a whole makes no recommendation on this item.

### New Performance Share Plan

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The Board recognises the value of building a performance based culture which links rewards to employees with the creation of shareholder value. The Company is also focused on the retention of key executives and employees.

Prior to the Company's recent listing on ASX, the Directors undertook a review of the Company's remuneration policies and incentive schemes. As a result of this review, the Board approved the introduction of a new Performance Share Plan (the *Plan*) for executives and employees. The principal terms of this plan were outlined in the Company's prospectus dated 16 August 2004. The Directors

believe that the introduction of the Plan will align the performance of executives and key staff with shareholders' objectives and assist the Company to attract, retain and motivate its executive and employees.

The Company has an existing Employee Share Option Plan (*ESOP*), which was adopted in June 2001. It is the intention of the Board to use the new Performance Share Plan rather than the ESOP, unless special circumstances exist which lead the Directors to consider a grant of options under the ESOP to be more appropriate.

### **Shareholder Approval**

Shareholders are being requested to approve the Proteome Systems Performance Share Plan as an exception to the restriction in the ASX Listing Rules that no more than 15% of issued capital can be issued by the Company in any one year without shareholder approval. While the directors do not intend to issue performance rights under the Plan which would lead to the issue of shares under that Plan exceeding this 15% limit in any one year, the Board feels that it is prudent to carve out shares issued pursuant to the Plan so that the Company retains maximum flexibility to manage its capital.

The principal features of the new Plan are as follows:

**Structure:** Under the Plan, participants are offered an award of rights to acquire ordinary shares in the Company (referred to here as '*performance rights*'). Under the Plan, both short term and long term incentive awards of performance rights can be made. The offer of performance rights under the Plan takes the form of a conditional entitlement to be issued or transferred the Company's shares for nil consideration at the end of the applicable vesting period (in the case of short term incentive awards) or at the end of the applicable performance period subject to the satisfaction of performance conditions

(in the case of long term incentive awards). Unless the Board otherwise determines, where a participant is entitled to be issued shares under the Plan, the Company will issue those shares or cause them to be acquired and transferred to the participant.

**Eligibility:** All employees and executive directors of the Company or its associated bodies corporate will be eligible to participate in the Plan. Non-executive directors are not eligible to participate in the Plan.

**Awards:** The Plan will be administered by the Board. Each year the Board may decide to award performance rights to eligible employees. The Board, after consultation with the Remuneration Committee, will determine the number of performance rights to be offered to a participant, which may include short term incentive awards and long term incentive awards.

**Short Term Incentive Awards:** Participants' performance is assessed against key performance indicators at the end of each financial year and a participant may be entitled to a bonus amount calculated on the basis of performance achieved. Payment of bonuses in respect of any financial year is at the discretion of the Board and bonuses may be paid in cash or performance rights or a combination of both. Where a bonus is paid by an award of performance rights, these performance rights will vest over a time period set by the Board during which the participant will generally be required to remain an employee of the Company or its associated bodies corporate.

**Long Term Incentive Awards:** The Board may grant an eligible participant an award of performance rights which vest over a defined period of time (referred to as the '*performance period*') and are subject to the satisfaction of performance conditions. The value of long term incentive awards of performance rights granted to a participant are calculated by reference to the participant's total fixed remuneration. The

value of the award of performance rights in any one year must not exceed two times the participant's total fixed remuneration, unless the Board approves an additional award in exceptional circumstances.

**Valuation:** The number of shares subject to short and long term incentive awards is calculated on the basis of the average of the daily volume weighted average price (VWAP) of the Company's shares over the 10 days prior to the award of the performance rights or the commencement of the performance period as elected by the Board.

**Performance Conditions for Long Term Incentive Awards:** The number of shares to which a participant is entitled to be issued pursuant to performance rights is determined at the end of the relevant performance period subject to satisfaction of the applicable performance conditions. The performance conditions for long term incentive awards of performance rights will be determined by the Board in its absolute discretion. The performance conditions may include total shareholder return (TSR) and growth in earnings per shares (EPS) as measured against a comparable group of ASX listed companies or other performance conditions as determined by the Board from time to time having regard to the Company's circumstances. In particular, at this early stage of the Company's development the Board may decide to impose performance conditions which relate directly to the Company's financial performance. Performance conditions may also include individual key performance indicators specific to the participant provided that those hurdles are unambiguous and capable of objective measurement.

**Overall Cap:** No award of performance rights shall be made under the Plan if it would cause the number of shares in the Company which may be issued under that award and any other award or option granted under the Plan, ESOP or any other employee share scheme to exceed 15% of the issued shares in the Company at the time the award is made under the Plan.

**Restrictions on Disposal of Performance Shares:**

The Board may impose restrictions on the disposal of shares issued pursuant to performance rights such that the participant cannot dispose of or create a security interest over the shares for a period of up to ten years from the date of the award of the performance right. Any such restrictions will be determined by the Board at the time the participant is awarded the performance rights and may be released on application to the Board in certain circumstances.

**Cessation of Employment:** Where a participant ceases employment with the Company (or its related bodies corporate) then an award of performance rights will normally lapse. However, where the participant's employment ceases because of a "qualifying reason" which includes retirement, death, illness or other hardship or circumstances considered by the Board to be extraordinary, then any short term incentive performance rights will vest in full and any long term incentive performance rights will continue in effect until the end of the applicable performance period and will vest to the extent that the performance condition was satisfied. The number of shares in respect of which long term incentive performance rights will vest will be reduced to reflect the portion of the performance period during which the participant was employed.

**Other Terms:** While participants are employees or directors of the Company they must comply with the Company's Share Trading Policy. Participants have no interest in and will not receive any dividends on shares subject to performance rights until the shares are issued to the participant. Shares issued to satisfy performance rights will rank equally with other ordinary shares of the Company. No performance rights may be offered under the Plan if to do so would contravene the Corporations Act, ASX Listing Rules or the Company's Constitution.

### **Approval of securities to be issued to Dr Keith Williams, CEO and John Martin, Deputy CEO under the Proteome Systems Performance Share Plan**

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Dr Williams is paid a total fixed remuneration of \$396,000 per annum. John Martin is paid a total fixed remuneration of \$326,860. Dr Williams and Mr Martin are entitled to receive short term incentive payments at the discretion of the Board. Dr Williams and Mr Martin will be entitled to participate in the Proteome Systems Performance Share Plan (the *Plan*), subject to shareholder approval. The Company seeks shareholder approval for performance rights to be issued as long term incentive awards to Dr Williams and Mr Martin as follows:

#### *Number of performance rights to be awarded*

Dr Williams and Mr Martin will be issued with rights to acquire shares equal in value to two times their respective annual total fixed remuneration. This means that Dr Williams will be awarded performance rights to the value of \$792,000 and Mr Martin will be awarded performance rights to the value of \$653,720. The value of these performance rights will be calculated by reference to the average of the daily volume weighted average price of the Company's shares over the 10 days prior to Friday 22nd October 2004, being the period immediately prior to the issue of this Notice of Meeting.

#### *Performance Conditions*

The performance rights are subject to performance conditions which are measured at the end of each 12 month period from the commencement of the performance period. In this case, given that the Company's share price at the date of this Notice is trading at a discount to the share offer price under the Company's recent IPO, the Directors have determined that the performance period should commence on the date the Company commenced

trading on the ASX, when the Company's share price was \$1.20. The shares the subject of the performance rights will be issued in three equal tranches subject to the satisfaction of the performance condition at the conclusion of each performance period. Each tranche will have its own performance period of 12 months, with the first performance period being 30 September 2004 to 29 September 2005, the second performance period being 30 September 2005 to 29 September 2006 and the third being 30 September 2006 to 29 September 2007. During each performance period the Company's total shareholder return (TSR) must achieve certain targets set by the Board when compared with the TSR of companies included in the S & P /ASX 300. TSR is the percentage difference between the market price of the relevant shares at the start and end of the performance period plus dividends earned over the same period. It therefore measures both capital growth in the share price plus income returned to shareholders through dividends. This is measured on a relative basis against a comparator group of companies, in this case the S & P/ASX 300.

Because the first performance period commences on the day the Company listed (30 September 2004), the TSR will be measured from a base share price of the IPO price of \$1.20 in respect of the first performance period. The TSR for the second and third performance periods will be measured by reference to the share price at the commencement of those periods. If, at the end of a performance period, the Company's TSR, over the relevant performance period, when compared with the TSR of the S & P/ASX 300:

- is below the 50th percentile of the S & P/ ASX 300 Dr Williams and Mr Martin will receive no shares;
- is at the 50th percentile of the S & P/ ASX 300 Dr Williams and Mr Martin will receive 50% of the shares in the relevant tranche;
- is between the 50th and 75th percentile of the S & P/ ASX 300 Dr Williams and Mr Martin will receive

50% of the shares in the relevant tranche plus 1.5% for each percentile (rounded to the nearest whole percentile) by which the Company's TSR exceeds the 50th percentile of the S & P/ASX 300;

- is at least the 75th percentile of the S & P/ASX 300  
Dr Williams and Mr Martin will receive 100% of the shares in the relevant tranche.

To the extent to which shares are not issued as a result of the operation of the above performance conditions, then the performance rights which have not vested will be carried forward and will be retested at the conclusion of the second and third performance periods by reference to performance over that two or three year period as applicable.

Under ASX Listing Rule 10.14, an issue of securities under the Plan to directors is required to be approved by shareholders.

ASX Listing Rule 10.15A requires the Notice of Meeting to include the following specified information in relation to the performance rights to be awarded to Dr Williams and Mr Martin under the Plan:

- (a) the maximum number of securities which may be issued to each of Dr Williams and Mr Martin is 954,217 and 787,614 respectively. This number is calculated according to the formula outlined above.
- (b) the price or the formula for calculating the price for each security to be acquired under the Plan – participants in the Plan, including Dr Williams and Mr Martin, are not required to pay anything

for the grant of performance rights. Set out above are details of the share price which is used to calculate the number of shares which are subject to performance rights;

- (c) the names of the directors and their associates who received securities under the Plan – Dr Williams and Mr Martin would be the first recipients of securities under the Plan;
- (d) The name of all directors and their associates who are entitled to participate in the Plan – Dr Williams and Mr Martin are currently the only Directors entitled to participate in the Plan;
- (e) A Voting Exclusion statement – see the Voting exclusion statements on page 5;
- (f) The terms of any loan in relation to the acquisition – not applicable.

Details of any securities issued under the Plan will be published in each annual report of the Company relating to a period in which securities have been issued, and that approval for the issue of securities was obtained under ASX Listing Rule 10.14.

Any additional Directors who become entitled to participate in the Plan after the approval of Resolutions 7 & 8 may not participate until shareholder approval of their participation is obtained under ASX Listing Rule 10.14.

Securities may be issued to Dr Williams and Mr Martin pursuant to the Plan as outlined above until 29 November 2007.

## GLOSSARY

### **AGM Notice**

This Notice of Annual General Meeting for a meeting of the Shareholders of the Company on Monday 29 November 2004 and includes any document accompanying this notice unless the context requires otherwise.

### **Annual General Meeting or AGM**

The Annual General meeting of the Company to be held on Monday 29 November 2004.

### **ASIC**

The Australian Securities and Investments Commission

### **ASX Listing Rules**

The listing rules of ASX.

### **Australian Stock Exchange or ASX**

Australian Stock Exchange Limited (ABN 98 008 624 691)

### **Board**

The board of Directors of the Company.

### **Company**

Proteome Systems Limited (ABN 56 080 277 998)

### **Constitution**

The constitution of the Company which came into effect when the Company was listed on ASX.

### **Directors**

The directors of the Company.

### **Explanatory Memorandum**

That part of this document so entitled accompanying this Notice of Annual General Meeting of the Company, of which this Glossary also forms a part.

### **Members or Shareholders**

The members of the Company being the persons registered as the holders of Shares in the Register of Members.

### **Remuneration Committee**

The remuneration committee of the Company currently comprising Graham Bradley and Neill Colledge, both non-executive directors.

### **Resolutions**

The resolutions set out in this Notice of Annual General Meeting.

### **Shares**

The ordinary issued shares in the Company.