

PEPLIN LIMITED
ABN 55 090 819 275

MEETING DOCUMENTATION

2006 ANNUAL GENERAL MEETING

at 2pm Thursday, 12 October 2006

Hilton International Hotel

190 Elizabeth Street

Brisbane, Queensland

TABLE OF CONTENTS

CHAIRMAN'S LETTER.....	3
DEFINITIONS.....	4
NOTICE OF GENERAL MEETING	5
EXPLANATORY MEMORANDUM	8

CHAIRMAN'S LETTER

Dear Shareholder

I am pleased to invite you to Peplin's annual general meeting. This is to be held at 2pm on Thursday, 12 October 2006, at the Hilton International Hotel, 190 Elizabeth Street, Brisbane.

At the meeting, our Managing Director and CEO Michael Aldridge and I will take the opportunity to update shareholders on progress and outlook. I would encourage you to read Peplin's Annual report for 2006 for information about our objectives and strategies and our achievements and challenges during the past year. The directors' report provides an in-depth review of Peplin's products under development, the diseases they address and their market opportunities.

The Annual report also contains the company's financial statements (and notes) for the year ended 30 June 2006, the directors' report and the audit report. These will be tabled and considered at the AGM.

The AGM will commence at 2pm but you will be able to register your attendance from 1.30pm.

If you are unable to attend, I would encourage you to participate by completing and returning the enclosed proxy form in the enclosed reply-paid envelope.

I look forward to seeing you at the AGM.

Yours sincerely



Cherrell Hirst AO
Chairman

11 September 2006

DEFINITIONS

The following capitalised terms, which are used in documents forming part of the Meeting Documentation, have the meanings set out below:

'Annual General Meeting' means the proposed meeting of all Shareholders at 2pm on Thursday, 12 October, 2006 at the Hilton International Hotel, 190 Elizabeth Street, Brisbane to consider and, if thought fit, pass the resolutions set out in the Notice of Annual General Meeting;

'ASIC' means the Australian Securities and Investments Commission;

'Associate/s' has the meaning given to it by sections 10 to 17 of the Corporations Act;

'ASX' means Australian Stock Exchange Limited ABN 98 008 624 691;

'Board' means the board of directors of Peplin;

'Corporations Act' means the Corporations Act 2001 (Cth);

'Corporations Regulations' means the Corporations Regulations 2001 (Cth);

'Director' means a director of Peplin;

'Explanatory Memorandum' means the document forming part of the Meeting Documentation containing information on the resolutions set out in the Notice of Annual General Meeting;

'International Offer' means the offer of 37,315,000 Shares at \$0.71 per Share and 11,194,500 Options to certain international institutional investors led by MPM Capital as announced to ASX on 24 May 2006;

'Listing Rules' means the Listing Rules of ASX;

'Meeting Documentation' means:

- the letter from the Chairman to Shareholders dated 11 September 2006;
- the Explanatory Memorandum;
- the Notice of Annual General Meeting; and
- the proxy form for the Annual General Meeting;

'Notice of Annual General Meeting' means the notice dated 11 September 2006 which is enclosed in the Meeting Documentation;

'Option' means an option over one fully paid Share in the capital of Peplin;

'Peplin' or **'Company'** means Peplin Limited ABN 55 090 819 275;

'Share' means a fully paid ordinary share issued in the capital of Peplin;

'Shareholder' means a holder of Shares;

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the annual general meeting of members of **PEPLIN LIMITED** will be held at 2pm on Thursday, 12 October, 2006 at the Hilton International Hotel, 190 Elizabeth Street, Brisbane.

Ordinary business

CHAIRPERSON'S ADDRESS AND PRESENTATION BY MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

FINANCIAL STATEMENTS AND REPORTS

'To receive and consider the Financial Report and the Reports of the Directors and the Auditor in respect of the year ended 30 June 2006.'

RESOLUTION 1: DIRECTORS' REMUNERATION REPORT

To consider and, if thought fit, to pass the following in accordance with s250R(2) of the Corporations Act:

'That the section of the report of the Directors in the 2006 Annual report dealing with the remuneration of the Company's Directors, Company Secretary and senior executives described as 'Remuneration Report' be adopted.'

NB: This resolution shall be determined as if it were an ordinary (majority) resolution, but under s250R(3) of the Corporations Act, the vote does not bind the Directors of the Company.

RESOLUTION 2: RE-ELECTION OF DR CHERRELL HIRST

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

'That Dr Cherrell Hirst, who retires by rotation in accordance with clause 16.1 of the Company's constitution, and being eligible, be re-elected as a Director of the Company.'

RESOLUTION 3: RE-ELECTION OF MR MICHAEL SPOONER

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

'That Mr Michael Spooner, who retires by rotation in accordance with clause 16.1 of the Company's constitution, and being eligible, be re-elected as a Director of the Company.'

RESOLUTION 4: ELECTION OF EUGENE BAUER M.D.

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

'That Dr Eugene Bauer be elected as a Director of the Company.'

NB: Information about the candidate appears in the accompanying Explanatory Memorandum.

RESOLUTION 5: AGGREGATE REMUNERATION OF DIRECTORS

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

'That approval is given under ASX Listing Rule 10.17 to increase the maximum aggregate Directors' fees payable by the Company to its Directors by \$100,000 to \$400,000, to be divided amongst them in a manner they may determine.'

Special business

RESOLUTION 6: APPROVAL FOR THE FUTURE PLACEMENT OF SHARES

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

'That for the purposes of Listing Rule 7.1, Shareholders approve the issue and allotment of 18,657,500 Shares to MPM Capital and other sophisticated and institutional investors at an issue price of 71 cents per Share, on the terms set out in the Explanatory Memorandum accompanying this Notice of Meeting.'

RESOLUTION 7: RATIFICATION AND APPROVAL OF PREVIOUS ALLOTMENT AND ISSUE OF OPTIONS

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

'That for the purposes of Listing Rule 7.4, Shareholders ratify and approve the issue and allotment of 5,597,250 Options to Wilson HTM Limited for nil consideration, to be held on trust for the investors in the International Offer, on the terms set out in the Explanatory Memorandum accompanying this Notice of Meeting.'

RESOLUTION 8: APPROVAL OF THE ISSUE OF OPTIONS TO MR JIM SCOPA, DIRECTOR

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

'That for the purposes of section 208 of the Corporations Act 2001 (Cth) and ASX Listing Rule 10.11, Shareholders approve the issue of 100,000 Options to Mr Jim Scopa, exercisable at 77 cents per Option on the terms set out in the Explanatory Memorandum.'

NB: If approval is given under Listing Rule 10.11 approval is not required under Listing Rule 7.1, as set out in the Explanatory Memorandum.

RESOLUTION 9: APPROVAL OF THE ISSUE OF OPTIONS TO EUGENE BAUER M.D., DIRECTOR

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

'That for the purposes of section 208 of the Corporations Act 2001 (Cth) and ASX Listing Rule 10.11, Shareholders approve the issue of 100,000 Options to Dr Eugene Bauer, exercisable at 77 cents per Option on the terms set out in the Explanatory Memorandum.'

NB: If approval is given under Listing Rule 10.11 approval is not required under Listing Rule 7.1, as set out in the Explanatory Memorandum.

RESOLUTION 10: APPROVAL OF THE ISSUE OF OPTIONS TO MR MICHAEL ALDRIDGE, DIRECTOR

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

'That for the purposes of section 208 of the Corporations Act 2001 (Cth) and ASX Listing Rule 10.11, Shareholders approve the issue of 1,000,000 Options to Mr Michael Aldridge, exercisable at 70 cents per Option on the terms set out in the Explanatory Memorandum.'

NB: If approval is given under Listing Rule 10.11 approval is not required under Listing Rule 7.1, as set out in the Explanatory Memorandum.

RESOLUTION 11: APPOINTMENT OF ERNST & YOUNG AS AUDITORS

To consider, and if thought fit, pass the following special resolution:

'That, in accordance with section 327(3) of the Corporations Act, Ernst & Young having consented by notice in writing dated 11 September 2006, be appointed as the new auditor of the Company effective from the date of the passing of this resolution.'

Interpretation

Capitalised terms in this Notice of Annual General Meeting have the meanings set out in the Definitions section of the Meeting Documentation of which this Notice of Annual General Meeting forms part.

DATED 11 September 2006

By order of the Board



David Smith
Company Secretary

General

The Corporations Act 2001 requires the financial report, directors' report and independent audit report to be received and considered at the meeting.

Neither the Corporations Act nor Peplin's constitution requires Shareholders to vote on such reports. However Shareholders will be given ample opportunity to raise questions about the reports at the meeting.

Voting instructions

Voting at the meeting

1. If you are able to attend the meeting, on a show of hands each Shareholder present may cast one vote. 'Shareholder present' includes a person present as a proxy, attorney or body corporate representative. However, if a Shareholder holds two or more appointments and these appointments direct the proxy to vote in different ways, then the proxy cannot vote on a show of hands.
2. On a poll, Shareholders have one vote for every fully paid Share held.
3. Peplin has determined that for the purpose of voting at the meeting or adjourned meeting, Shares will be taken to be held by those persons recorded in the Peplin register of Shareholders as at 7 pm Brisbane time on 10 October 2006.

Appointment of proxy (Section 249L(d))

4. If you are a Shareholder, and you are unable to attend and vote at the meeting, and wish to appoint a proxy, please complete and return the enclosed proxy form. A proxy need not be a Shareholder of Peplin.
5. The proxy form must be completed and lodged at Peplin's share registry at Computershare Investor Services Pty Ltd, Level 27, 345 Queen Street, Brisbane, Qld, 4000 or faxed to 07 3237 2152 at least 48 hours before the meeting (i.e. lodgement must occur no later than 2pm Brisbane time on 10 October 2006. To ensure that your proxy is validly received, we suggest that you immediately fax your proxy to the above fax number).
6. A Shareholder entitled to attend and cast more than two votes at the meeting is entitled to appoint no more than two proxies to attend and vote in their stead. Where more than one proxy is appointed, each proxy should be appointed to represent a specified proportion of the Shareholder's voting rights. Failure to apportion voting rights will result in each proxy being entitled to vote half of the Shareholder's votes.
7. The form must be signed personally by the Shareholder or their attorney. A corporation must sign under its common seal or under the hand of a duly authorised person or persons.
8. Where the form is signed by a duly authorised attorney, or body corporate representative, the power of attorney, or evidence of the appointment of the representative, if not previously exhibited to Peplin, must be produced at Peplin's share registry at Computershare Investor Services Pty Ltd, Level 27, 345 Queen Street, Brisbane, Qld, 4000 or faxed to 07 3237 2152 prior to the time set out in Item 5. Again, to ensure that the power of attorney or other instrument is received in time, we suggest that you fax your power of attorney or other instrument to the above fax number.
9. If the proxy is signed under power of attorney, the signatory must also declare that they have had no notice of revocation of the power of attorney.

Voting exclusion statement

10. Peplin will disregard any vote cast on:
 - (a) resolution 1, by any Director or any of their associates;
 - (b) resolution 2, by Dr Cherrell Hirst or any of her associates;
 - (c) resolution 3, by Mr Michael Spooner or any of his associates;
 - (d) resolution 4, by Eugene Bauer M.D. or any of his associates;
 - (e) resolution 5, by any Director or any of their associates;
 - (f) resolution 6, by any party intending to participate in the issue or any associate of those parties;
 - (g) resolution 7, by any party who participated in the issue or any associate of those parties;
 - (h) resolution 8, by Mr Jim Scopa or any of his associates;
 - (i) resolution 9, by Eugene Bauer M.D. or any of his associates;
 - (j) resolution 10, by Mr Michael Aldridge or any of his associates;

Unless the vote is cast by such person as proxy for another person who is entitled to vote and the vote is cast in accordance with the directions on the proxy form, or the vote is cast by the person chairing the meeting as a proxy for a person who is entitled to vote in accordance with a direction on the proxy form to vote as the proxy decides.

EXPLANATORY MEMORANDUM

Resolution 1 – Directors’ Remuneration Report

The Corporations Act requires that the section of the Directors’ report dealing with the remuneration of Directors, the Company Secretary and up to 5 senior executives (‘Remuneration Report’) be put to the vote of shareholders for adoption. The Remuneration Report may be found in the Directors’ report section of Peplin’s 2006 Annual report.

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

Resolutions 2 and 3 – Re-election of Directors

Under clause 16.1 of the constitution of the Company one third of the current Directors (excluding the Managing Director, any Director appointed under clause 13.2 and any Director who has vacated his/her office under clause 15.1) must retire by rotation at each annual general meeting. Accordingly, Dr Cherrell Hirst and Mr Michael Spooner, being the longest serving Directors since the last election, retire at the end of the meeting and, being eligible, present themselves for re-election.

A summary of each of Dr Cherrell Hirst’s and Mr Michael Spooner’s experience and qualifications appear below.

Dr Cherrell Hirst AO MBBS BedSt FAICD DUniv - Chairman

Dr Hirst has served as a Director and Chairman of Peplin since 17 August 2000. She is a medical doctor and until November 2001 was a leading practitioner in the area of breast cancer diagnosis. She holds Directorships with Suncorp-Metway Ltd (ASX:SUN), MBF Limited, Australian Medical Insurance Limited, Queensland Biocapital Funds and ImpediMed Limited. Dr Hirst is Chair of the Board of Trustees of Brisbane Girls Grammar School and a Director of Opera Queensland. She is also a member of the Biological Committee of the Commonwealth Government Industry Research and Development Board and of the Queensland Smart State Council. Dr Hirst has previously held a number of other Board positions including as a Director of Hutchison’s Child Care Services Ltd (ASX:HCC) from January 2004 until April 2005 and was Chancellor of Queensland University of Technology from 1994 until September 2004.

Mr Michael Spooner BCom ACA MAICD – Non-executive Director

Mr Spooner has served as a Director since 10 February 2004. He is currently a Director and Executive Chairman of Mesoblast Limited (ASX:MSB) an adult stem cell company. Until late 2003, Mr Spooner was Managing Director and CEO of Ventracor Limited (ASX:VCR) an artificial heart company. During his tenure with both Mesoblast and Ventracor he has overseen the rapid growth of both companies into some of Australia’s leading life science companies. Mr Spooner has over 20 years international experience. He has been a partner and director of consulting services for two of the world’s largest professional service firms. He has substantial experience in successfully leading high growth technology companies with multinational markets.

Resolution 4 – Election of Eugene Bauer M.D.

Clause 13.2 of the constitution of the Company requires that any Director appointed either to fill a casual vacancy or as an additional Director only holds office until the conclusion of the next annual general meeting of the Company but is eligible for election at that meeting. Dr Eugene Bauer was appointed as an additional Director on 24 June 2006 and is accordingly eligible for election at this meeting.

A summary of Dr Bauer’s experience and qualifications is set out below:

Eugene Bauer M.D.

Dr Bauer is a Lucy Becker Professor, Emeritus, in the School of Medicine at Stanford University. He served as Dean of the Stanford University School of Medicine from 1995-2001 and served as Chair of the Department of Dermatology at the Stanford University School of Medicine from 1988-1995. He is Chief Executive Officer of Neosil, Inc. a privately held dermatology company. Dr Bauer is a co-founder and emeritus member of the Board of Directors of Connetics, a publicly-traded dermatology-focused therapeutics company. In addition, Dr Bauer is a member of the Board of Directors of Protalex, Inc., and of Echo Healthcare Acquisition Corp., both Nasdaq listed companies. Dr Bauer has been an NIH-funded investigator for 25 years, has served on review groups for the National Institutes of Health, and has served as a member of the Board of Scientific Counsellors of the National Cancer Institute and the Advisory Council for the National

Institute of Arthritis and Musculoskeletal and Skin Diseases. He is a member of numerous honorific societies including the Institute of Medicine of the National Academy of Sciences.

Resolution 5 – Aggregate remuneration of Directors

The current aggregate limit for all Directors' fees of \$300,000 was approved by Shareholders at the AGM held on 28 September 2004 when Peplin had four non-executive Directors. Peplin intends to have six non-executive Directors on its Board.

As disclosed in the Remuneration Report section of the Annual report, the current remuneration levels for non-executive Directors were reviewed during the financial year using an external consultant and benchmarking against similarly categorised companies in the biotechnology sector. The existing rate of remuneration for Peplin board members has been unchanged since 2002. A change from \$35,000 to \$50,000 for non-executive Directors and from \$60,000 to \$85,000 for the Chairman was recommended by the Performance & Remuneration Committee and approved by the Board. This is intended to be effective 1 November 2006.

In view of the larger Board, the significantly increased workload on Directors as Peplin's business becomes more complex and international and the intention to secure a new chairman with the experience in the launch and commercialisation of new drugs within the global pharmaceutical industry your Board proposes to increase the current aggregate limit for all Directors' fees to \$400,000.

ASX Listing Rule 10.17 requires the approval of ordinary shareholders of an entity for any increase in the aggregate amount of non-executive Directors' fees payable by it. It is proposed to increase the aggregate maximum of fees that can potentially be paid by \$100,000 to a total of \$400,000. This amount will allow the Company flexibility (in conjunction with appropriate equity based rewards) to attract and retain appropriate Directors as required from time to time.

Recommendation: For corporate governance reasons, because this issue relates to their remuneration, your Directors make no recommendation in respect of your vote on this resolution.

Resolution 6 – Approval for the future placement of Shares

On 24 June 2006 Shareholders approved the issue of 18,657,500 Shares to MPM Capital and other sophisticated and institutional investors at an issue price of 71 cents per Share and 5,597,250 Options for nil consideration under the first tranche of the International Offer as announced on 24 May 2006.

The International Offer is a placement to international institutional investors in two tranches of approximately \$13.2 million each. MPM Capital is the lead investor in this group and will acquire a total of 28,125,000 Shares and 8,437,500 Options on completion of both tranches of the International Offer. Other investors, being international sophisticated and institutional investors, will acquire a total of 9,190,000 Shares and 2,757,000 Options on completion of both tranches of the International Offer.

The first tranche of Shares and Options were issued on 26 June 2006.

The second tranche of Shares and Options will comprise 18,657,500 Shares and 5,597,250 Options and is subject to the following conditions being satisfied:

- **patient accrual:** Peplin has initiated and will continue to accrue and maintain patients in a manner that would permit completion of its phase IIIb clinical trial in actinic keratosis, the lead indication for PEP005 by 30 June 2007; and
- **successful progression of PEP005 testing:** related clinical and pre-clinical testing of PEP005 has been successfully progressed, which includes obtaining satisfactory results in Peplin's clinical safety study on skin sensitisation.

The conditions to the second tranche are for the benefit of each investor and will be satisfied in respect of an investor once that investor provides written notice to Peplin. An investor may also waive any of these conditions by providing written notice to Peplin. A determination by an investor that the conditions to the second tranche have been satisfied or waived only applies to that investor.

We expect the second tranche to close at or around the end of October 2006.

This resolution only seeks Shareholder approval for the issue of the Shares under the second tranche. The Options applicable to investors under the second tranche of the International Offer were issued on 26 June 2006 to Wilson HTM Limited to be held on trust pending the issue of the second tranche Shares. These Options will be transferred to subscribers of Shares in the second tranche on the basis of 3 Options for each 10 Shares subscribed. In the event the second tranche is not fully subscribed, the Options will be cancelled.

MPM Capital

MPM Capital L.P. is a global investment management firm focused solely on life sciences investing. One of the largest investment management firms dedicated to the life sciences sector, MPM Capital has offices in Boston and San Francisco. MPM's portfolio ranges from start-ups to large capitalization public companies, with a primary focus on biopharmaceutical and medical device companies nearing commercialisation of products or those companies that already offer product-driven opportunities. The firm manages over \$2.1 billion in assets through the MPM BioVentures Family of venture capital funds and the MPM BioEquities public market funds.

Further information about MPM Capital can be found at its website: www.mpmcapital.com.

Approval required

In general terms, ASX Listing Rule 7.1 requires Shareholder approval for the issue of securities if, over a 12 month period, the number of securities issued is greater than 15% of the ordinary shares of the company at the start of the 12 month period. Peplin does not require Shareholder approval to issue the Shares the subject of the International Offer.

Peplin is seeking approval under ASX Listing Rule 7.1 for the issue of up to 18,657,500 Shares in the second tranche of the International Offer. Approval of Resolution 6 will provide valuable flexibility for Peplin to quickly take advantage of favourable financing market conditions over the next 12 months. Peplin has no present plans to complete a financing.

Any Shares issued pursuant to the International Offer will rank equally in all respects with the existing ordinary Shares on issue.

The Shares are to be issued as soon as practicable following the closing of the second tranche of the International Offer which is expected to occur at or around the end of October 2006. In any event, if the pre-conditions are satisfied, the issue would take place no later than 3 months from the date of this Annual General Meeting.

Recommendation

The Board, with the exception of Mr Jim Scopa recommends that Shareholders vote in favour of resolution 6. As Mr Scopa is a managing member of MPM BioVentures IV LLC he makes no recommendation in relation to this resolution.

Resolution 7 – Ratification and approval of previous allotment and issue of Options

ASX Listing Rule 7.1 provides that without approval of the Shareholders, the Company must not issue or agree to issue more equity securities if such issue, if aggregated with the securities issued by the Company during the previous 12 months, would be such amount that would exceed 15% of the issued Shares at the commencement of that 12 month period (subject to certain exemptions not relevant to the Company's present circumstances).

ASX Listing Rule 7.4 however treats the issue of those Options detailed in Resolution 7, made without the approval under Listing Rule 7.1, as having been made with approval for the purposes of Listing Rule 7.1 if that issue did not breach Listing Rule 7.1, and the Shareholders subsequently approve it. That issue did not breach Listing Rule 7.1.

Under Resolution 7, the Company seeks ratification by Shareholders of the issue and allotment of the Options issued and allotted to the subscribers detailed in Resolution 7, so as to 'refresh' the effect of Listing Rule 7.1 on any further issues of securities in the next 12 months.

The allotment and issue of Options detailed in Resolution 7 did not exceed the 15% threshold. However, Listing Rule 7.4 provides that where a company ratifies an issue of securities, the issue will be treated as having been made with approval for the purpose of Listing Rule 7.1, thereby replenishing that company's 15% capacity and enabling it to issue further securities up to that limit.

The information required to be provided to Shareholders to satisfy Listing Rule 7.4 is specified in Listing Rule 7.5.

In compliance with the information requirements of Listing Rule 7.5, members are advised of the following particulars in relation to the allotment and issue of Options:

Date of issue:	26 June 2006
Terms of Options issued:	Options rank equally in all respects with the Options quoted on the ASX (ticker ASX:PEPO)
Number of Options issued:	5,597,250

Exercise price of Options:	\$0.84
Issue price per Option:	Nil
Persons to whom Options were issued:	Wilson HTM Limited (as trustee for the investors in the International Offer)
Basis for determining allottee:	The Options applicable to investors under the second tranche of the International Offer as described in Resolution 6 were issued on 26 June 2006 to Wilson HTM Limited to be held on trust pending the issue of the second tranche Shares. These Options will be transferred to subscribers of Shares in the second tranche on the basis of 3 Options for each 10 Shares subscribed. In the event the second tranche is not fully subscribed, the relevant Options will be cancelled.
Use of funds:	The options were issued for nil consideration and no proceeds were received. Upon exercise of the Options any funds received will be applied to general working capital.

Resolutions 8,9 and 10 – Issue of Options to Mr Jim Scopa, Eugene Bauer M.D. and Mr Michael Aldridge

Grants to non-executive Directors

The Company proposes to issue 100,000 Options each to Mr Jim Scopa and Dr Eugene Bauer.

The Board believes it is important to have an initial component of its non-executive Directors' remuneration by way of Options over its Shares for two reasons:

- Peplin is an emerging company of limited resources needing to attract the highest quality talent in a competitive and international market; and
- Options are effective instruments to align the interests of Directors and Shareholders.

The Board believes these Options should be offered in the first year of a Director's tenure and the number of Options is consistent with prior grants to Directors.

Grant to Managing Director and Chief Executive Officer

The Company proposes to issue 1,000,000 Options to Mr Michael Aldridge in his capacity as Chief Executive Officer.

Mr Aldridge has been instrumental in advancing the Company's strategy to build an international operation with the financial support of international and sophisticated institutional investors. As a consequence of these significant advances Peplin now operates in more competitive international employment markets where remuneration structures and particularly performance related equity linked structures are more common and form a larger part of remuneration. In view of this and to encourage employee retention, incentivise superior performance and remunerate fairly the Board has approved, subject to Shareholder approval, this once-off grant of five year Options which vest in three equal annual tranches, subject to continued employment.

Similar grants of Options, which are not subject to Shareholder approval, have also been made to Dr Peter Welburn, Chief Scientific Officer and Vice President, Research and Development, Mr David Smith, Company Secretary and Director, Finance and Ms Janelle Katsamas, Director, Clinical Development. These Options are on the same terms.

General Information

Section 208 of the Corporations Act has the effect that, subject to certain exceptions, a financial benefit must not be given to a 'related party' without Shareholder approval. Mr Jim Scopa, Eugene Bauer M.D. and Mr Michael Aldridge, being Directors of the Company, are deemed 'related parties' under section 228 of the Corporations Act and the issue of options is a 'financial benefit' under section 229 of the Corporations Act. Specific information must be provided to shareholders in accordance with section 219 of the Corporations Act and this is set out below.

ASX Listing Rule 10.11 requires the approval of holders of ordinary securities before securities can be issued to a 'related party'. The Listing Rules apply the same definition of related party as the Corporations Act, or a person whose relationship with the entity or related party is in ASX's opinion, such that approval ought to be obtained. Specific information must be provided to Shareholders in accordance with ASX Listing Rule 10.13 and this is set out below.

The key terms of the Options to be issued are as follows:

- (a) Mr Jim Scopa and Dr Eugene Bauer will each be issued 100,000 Options with an exercise price of 77 cents per Share, vesting immediately.
Mr Michael Aldridge will be issued 1,000,000 Options with an exercise price of 70 cents per Share, vesting in three equal annual tranches from 1 January 2007 subject to continued employment.
- (b) The Options will be issued as soon as practicable following Shareholder approval, but in any event, not later than 1 month after the date of the Annual General Meeting.
- (c) Each Option will entitle the holder to acquire one Share.
- (d) No amount will be payable on the grant of an Option.
- (e) Any Option that is not exercised prior to 5 pm on 8 August 2011 will expire on that date.
- (f) Options may not be transferred without the prior written consent of the Company.
- (g) If the Company makes an issue of Shares or other securities, including equity securities convertible into Shares (**'Further Issue'**), a holder of Options is entitled to participate in such Further Issue to the extent required or permitted under the Listing Rules.
- (h) If there is a reorganisation (including consolidation, sub-division, reduction or return) of the share capital of the Company, the rights of each holder of Options issued will be changed to the extent necessary to comply with the Listing Rules applying to a re-organisation of capital at the time of the re-organisation.
- (i) All Shares issued pursuant to the exercise of Options will, subject to the Constitution of the Company, rank in all respects (other than in respect of dividends, rights issues or bonus issues declared prior to allotment) *pari passu* with the existing Shares at the date of issue and allotment.
- (j) The Options will not be quoted on ASX. The Company intends to apply to ASX for quotation of any Shares acquired on exercise of the Options.

Valuation

AASB 2 and IFRS Standard (No. 2) deal with share based payments. Consistent with those standards, the Company discloses the following information concerning the value of the Options to be issued to each of Mr Jim Scopa, Dr Eugene Bauer and Mr Michael Aldridge. A fair value for the Options to be issued has been calculated using the Black Scholes valuation method and based on a number of assumptions, set out below, with an adjustment to the expected life of the Option to take account of limitations on transferability. The Board believes this valuation model to be appropriate to the circumstances and has not used any other valuation or other models in proposing the terms of the Options.

The Board draws Shareholders' attention to the fact the stated valuation does not constitute and should not be taken as audited financial information. The reportable value of the employee benefit expense in subsequent financial periods may vary due to a range of timing and other factors. In particular, the figures are relevant to 7 August 2006, the day immediately preceding the Board approval for the issue of Options subject to Shareholder approval.

	Mr Jim Scopa	Eugene Bauer M.D.	Mr Michael Aldridge
Share price (7 August 2006)	\$0.675	\$0.675	\$0.675
Volatility	54.9%	54.9%	54.9%
Dividend Yield (estimate)	0%	0%	0%
Expiry Date	8 August 2011	8 August 2011	8 August 2011
Exercise (strike) price	\$0.77	\$0.77	\$0.70
Risk free rate (5 yr bond rate)	5.92%	5.92%	5.92%
Option Value	\$0.264	\$0.264	\$0.277
Number of Options issued	100,000	100,000	1,000,000
Employee benefit expense	26,400	26,400	277,000

Remuneration

The following table sets out the annual remuneration packages for each Director including the amount of any equity based compensation for the year ended 30 June 2006:

	Mr Jim Scopa	Eugene Bauer M.D.	Mr Michael Aldridge
Annual Director's fees (inclusive of superannuation where applicable)	\$35,000	\$35,000	-
Base annual salary (inclusive of superannuation where applicable)	-	-	\$255,300
At-risk bonus payment (maximum % of base annual salary excluding superannuation)	-	-	Up to 50%
Equity based compensation (12 mths to 30 June 2006)	-	-	\$146,978

Existing interests and the dilutionary effect on other members interests

The effect that the exercise of the Options will have on the interests of each of the Directors relative to other members' interests is set out in the following table. The table assumes no further issues of Shares in, or reconstruction of the capital of the Company during the time between issue and exercise of the Options.

The total number of Shares on issue in the capital of the Company at 31 August 2006 was 165,872,996.

	Mr Jim Scopa*	Eugene Bauer M.D.	Mr Michael Aldridge
As at 31 August 2006:			
Shares currently held by Director (including indirect interests)	13,123,500*	-	92,000
% of Shares currently held by Director	7.9%	0.0%	0.1%
Options held by Director prior to Annual General Meeting (including indirect interests)	3,937,050*	-	2,224,914
Options to be issued under this resolution to Director following Annual General Meeting	100,000	100,000	1,000,000
Shares that will be held following the exercise of all Options held by Director	17,160,550	100,000	3,316,914
% of Shares that would be held by Director assuming no other Options held by other parties were exercised	10.1%	0.1%	2.0%
% of Shares that would be held by Director assuming all other Options held by other parties were exercised (fully diluted basis)	9.1%	0.1%	1.8%

* The Director is a managing member of MPM BioVentures IV LLC. MPM BioVentures IV LLC has the power to exercise, or control the exercise of, a right to vote attached to, or the power to dispose of Shares and Options held by:

- MPM BioVentures IV-QP L.P.
- MPM BioVentures IV L.P.
- MPM Asset Management Investors BV4 LLC

The Director disclaims beneficial ownership of all such Shares and Options except to the extent of his respective proportionate pecuniary interest therein.

Recommendation: For corporate governance reasons, because this resolution relates to Options proposed to be issued to Directors, your Directors make no recommendation in respect of your vote on this resolution.

Resolution 11 – Appointment of Ernst & Young as auditor

As outlined in Peplin's corporate strategy, operational, partnership and financing initiatives are likely to have an international component to them and more specifically focus on North America. This has been demonstrated in a number of achievements during the 2006 financial year, notably the major capital raising in May 2006 led by MPM Capital, the incorporation of Peplin Operations USA, Inc. in California, USA and additions to the executive management team based in the USA.

As a result, Peplin has reviewed its audit requirements and the need to engage a firm with the necessary global reach and requisite skills to conduct an international audit. A key consideration in this decision was registration in other jurisdictions. Proposals were sought from various international audit firms and the Directors are of the opinion that Ernst & Young provided the most competitive solution.

Johnston Rorke will resign at the 2006 annual general meeting pursuant to section 329(5) of the Corporations Act. ASIC has given its consent to the resignation.

Ernst & Young has been nominated, and has consented, to act as auditors of the Company. A copy of the notice of nomination is attached as Annexure A to this Notice of Annual General Meeting, in accordance with section 328(3) of the Act.

ANNEXURE A**NOTICE OF NOMINATION**

11 September 2006

The Secretary
Peplin Limited
Brisbane Portal Building
1 Breakfast Creek Road
NEWSTEAD QLD 4006

NOMINATION OF AUDITOR FOR CONSIDERATION AT AGM

I, Dr Cherrell Hirst AO as a member of Peplin Limited, nominate Ernst & Young ABN 75 288 172 749 to be appointed as the new auditor of Peplin Limited following the Annual General Meeting. I note that a resolution to this effect will be considered at the Annual General Meeting of the company to be held on or about 12 October 2006.

Yours sincerely



Cherrell Hirst AO

