

PEPLIN LIMITED
ABN 55 090 819 275

MEETING DOCUMENTATION

NOTICE OF GENERAL MEETING

at 10 am Saturday, 24 June 2006

Hilton International Hotel

190 Elizabeth Street

Brisbane, Queensland

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CHAIRMAN'S LETTER

Dear Shareholder

I am pleased to invite you to a general meeting of Peplin Limited (**Peplin**). This is to be held at 10 am on Saturday, 24 June 2006, at the Hilton International Hotel, 190 Elizabeth Street, Brisbane (**General Meeting**).

At the meeting, our Managing Director and CEO Michael Aldridge and I will take the opportunity to update shareholders on Peplin's progress and outlook and specifically the proposed financing initiatives to be considered by Shareholders.

Capital raising

Peplin is proposing to undertake two concurrent fundraisings. First, a 2 for 13 non-renounceable pro-rata entitlement issue (the **Entitlement Offer**). In this offer Peplin expects to raise approximately \$13.9 million through the issue of approximately 19.6 million New Shares at \$0.71 per Share together with approximately 5.9 million four year options. The Entitlement Offer is fully underwritten by ABN AMRO Morgans Corporate Limited and Wilson HTM Corporate Finance Limited.

The Entitlement Offer is being conducted in conjunction with an offer of approximately 37.3 million Shares at \$0.71 per Share and approximately 11.2 million four year Options to certain international institutional investors led by MPM Capital to raise approximately \$26.5 million (the **International Offer**).

The proceeds of the Entitlement Offer and the International Offer are expected to be approximately \$40.4 million before costs. These funds together with funds which Peplin presently has on hand will be used primarily to fund:

- on going development of PEP005 Topical for AK and PEP005 Topical for NMSC, Peplin's proprietary, novel and topical therapeutic products for the treatment of actinic keratosis (**AK**) and non-melanoma skin cancer (**NMSC**);
- on going pre-clinical and future clinical development of PEP005 IV for leukemia and PEP005 IC for bladder cancer; and
- general and administrative expenses.

In our 2005 Annual Report we explained the strategic importance of the North American market from a financing and operational standpoint. The above offers are a key step in delivering on that strategy. The International Offer is being led by MPM Capital, the world's largest dedicated venture capital investor in life sciences. MPM Capital's credibility in and access to US capital markets, its industry connections and the experience and capabilities of its partners and senior executives is a key component of the strategic importance of this financing for Peplin.

PEP005 Topical for AK and NMSC

Peplin has been pleased to report very positive progress on its clinical development of PEP005 Topical.

The very positive results of these trials and the indication that they provide of the potentially highly attractive and valuable product which PEP005 Topical could be has resulted in significant international investor interest. For further information on the recent results of clinical studies for PEP005 Topical please visit our website at www.peplin.com.

About the Entitlement Offer and the International Offer

The purpose of the Entitlement Offer and the International Offer is to fund ongoing clinical development, particularly of PEP005 Topical for actinic keratosis and non-melanoma skin cancer. Following the closing of the offers Peplin expects to have sufficient funds on hand to complete all phase II testing of its two lead products PEP005 Topical for AK and PEP005 Topical for NMSC and to complete phase I/II clinical testing of PEP005 IV for leukemia.

The Entitlement Offer is a 2 for 13 pro-rata offer to all Peplin Shareholders. Each Shareholder may subscribe for 2 new Shares at \$0.71 per Share for each 13 Shares held and for every 10 new Shares issued will receive 3 four year Options to subscribe for Shares in Peplin at \$0.84 per Share. The right to subscribe for Shares and Options in the Entitlement Offer is available only to Peplin Shareholders and is non-renounceable.

The International Offer is structured as a placement to international institutional investors. It is subject to Peplin Shareholder approval at this General Meeting. MPM Capital is the lead investor in this group.

The Entitlement Offer is a pro-rata entitlement issue to all Peplin Shareholders. It is fully underwritten. Our goal is to ensure that Shareholders are given the opportunity to participate alongside MPM Capital and the other institutional investors in this capital raising. While the Entitlement Offer is pro-rata there is a facility to top-up your subscription (subject to Directors' cut-back) to the extent that the Entitlement Offer is not fully subscribed by other Peplin Shareholders.

Additionally, it is proposed to update the Peplin Employee Share Option Plan and ratify recent capital raisings in order to ensure the effective completion of the second tranche of the International Offer.

Changes to the board and executives

As your company has grown from a small start-up to a drug development organisation with international stakeholders the board has recognised the need for the composition of the board to be aligned with Peplin's activities and goals. Thus various changes have occurred in board composition since listing in 2000. Your board unanimously agrees that further evolution in composition is important and in particular that it is desirable at this stage to appoint a chairman with experience in the launch and commercialisation of new drugs within the global pharmaceutical industry. Accordingly, we have initiated a search for such a person and the changeover is expected to occur at the 2006 AGM. It is likely that the current chairman will continue to serve as a director.

At the general meeting to approve the International Offer, shareholders will be asked to approve the appointment of Jim Scopa to Peplin's Board of directors. Mr Scopa is a general partner at MPM Capital with significant capital markets experience and involvement in drug development related financing, including advising and raising capital globally for companies such as Axon Instruments, Fisher & Paykel Healthcare and ResMed. In addition, following the general meeting to approve the International Offer the Board will, at the request of MPM Capital, appoint a nominee of MPM Capital with relevant industry experience to its Board. In accordance with Peplin's constitution, directors appointed by the Board must be re-elected by shareholders at the next Annual General Meeting.

In addition to the Board changes and in order to deliver on Peplin's strategic initiatives, Peplin intends to add to the executive management team initially by retaining Dr Gary Patou in the role of interim Chief Medical Officer. Peplin has outlined as part of its corporate strategy its intention to continue to enhance its therapeutic product development capability and this role adds key skills and capabilities in later stage product development. Dr Patou is an Executive Partner at MPM Capital bringing broad experience in drug development, most recently as Executive Vice President and Chief Medical Officer of Oscient Pharmaceuticals, Inc., following its merger with GeneSoft Pharmaceuticals in 2004 and previously, as President of Genesoft, Dr. Patou was instrumental in applying for and obtaining FDA approval of the company's lead product, FACTIVE® tablets. Prior to joining Genesoft, Dr. Patou worked at SmithKline Beecham Pharmaceuticals, now a unit of GlaxoSmithKline, as Senior Vice President & Director, Project and Portfolio Management, managing all of the company's pharmaceutical development projects including FACTIVE, as well as FDA-approved products Avandia, Paxil and Augmentin. Dr Patou will serve as interim CMO until a permanent appointment is made.

Peplin intends to add further expertise to its management team particularly in regulatory, marketing research and corporate development functions.

These changes will ensure that Peplin has a Board of directors with the requisite skills and experience to take it through the next and critically important stage of its development.

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 capitalisation 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

Recent and prospective milestones

The 2005 calendar year was a period of major achievements for Peplin:

- In March 2005 we initiated three multi-centre Australian phase IIa clinical trials of our proprietary drug PEP005 Topical to treat actinic keratosis (**PEP005-001**), superficial forms of basal cell carcinoma (**PEP005-003**) and nodular forms of basal cell carcinoma (**PEP005-002**).
- In August 2005 we initiated a US single centre dose escalation study of PEP005 Topical in actinic keratosis (**PEP005-004**) using the drug as a field therapy applied on two consecutive days to an area of skin.
- In November 2005 we announced the very positive results of the PEP005-001 study in actinic keratosis where we documented a clearance rate of 71% of actinic keratosis lesions in the highest concentration group.

To date 2006 has been particularly successful:

- In February 2006 we announced the preliminary results of PEP005-004 in which we documented the maximum tolerated dose (**MTD**) of PEP005 Topical when applied on two consecutive days to an area of skin containing AK at 0.05%. This is equal to the highest concentration we had used in our Australian studies. In May 2006 we announced the clearance rate of AK lesions in this trial at 70% of lesions which were treated at the MTD.
- In May 2006 we announced the positive results of the PEP005-003 study in superficial basal cell carcinoma in which we showed that two consecutive day treatments with PEP005 Topical in the highest concentration group cleared 71% of sBCC tumours.

As your Board looks forward, our anticipated key milestones during 2006 include:

- We expect to announce results of the PEP005-002 study in nodular forms of basal cell carcinoma in the third quarter of 2006.
- We anticipate initiating a phase IIb study in actinic keratosis in June 2006 and a phase IIb study in basal cell carcinoma in the third quarter of 2006.

Your Board is very excited about the future of Peplin and is unanimous in its confidence in Peplin and its products.

This financing is a vitally important component of Peplin's strategic growth and development. We look forward to welcoming Jim Scopa as a new and very valuable member to Peplin's Board of directors to assist with the growth and development of Peplin. We firmly believe that we have demonstrated some impressive achievements but more importantly that we are at the beginning of a very exciting and important time for Peplin and its Shareholders.

The General Meeting will commence at 10 am but you will be able to register your attendance from 9.30 am.

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 General Meeting.

Yours sincerely



Cherrell Hirst AO
Chairman
 24 May 2006

DEFINITIONS

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

'General Meeting' means the proposed meeting of all Shareholders at 10 am on 24 June, 2006 at the Hilton International Hotel, 190 Elizabeth Street, Brisbane.

'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 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 outlined in the Explanatory Memorandum.

'Listing Rules' means the Listing Rules of ASX.

'Meeting Documentation' means:

- the letter from the Chairman to Shareholders dated 24 May 2006;
- the Explanatory Memorandum;
- the Notice of General Meeting; and
- the proxy form for the General Meeting.

'Notice of General Meeting' means the notice dated 24 May 2006 which is enclosed in the Meeting Documentation.

'Option' means an option over one fully paid ordinary share in the capital of Peplin.

'Optionholder' means a holder of Options.

'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 GENERAL MEETING

Notice is hereby given that a general meeting of members of **PEPLIN LIMITED** will be held at 10 am AEST on 24 June, 2006 at the Hilton International Hotel, 190 Elizabeth Street, Brisbane.

Agenda

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

RESOLUTION 1: APPROVAL TO THE FUTURE PLACEMENT OF SHARES AND OPTIONS

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

'That, for the purposes of ASX 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 and 5,597,250 Options for nil consideration, on the terms and conditions set out in the Explanatory Statement accompanying this Notice of Meeting.'

RESOLUTION 2: APPROVAL TO THE FUTURE PLACEMENT OF SHARES AND OPTIONS TO A DIRECTOR

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

'That, for the purposes of ASX listing Rule 10.11, Shareholders approve the issue and allotment of 185,000 Shares to Gary W Pace, at an issue price of 71 cents each and 55,500 Options for nil consideration, on the terms and conditions set out in the Explanatory Statement accompanying this Notice of Meeting.'

RESOLUTION 3: ELECTION OF JIM SCOPA

Subject to the approval of Resolution 1, to consider and, if thought fit, to pass the following ordinary resolution:

'That Jim Scopa be elected as a Director of the Company.'

RESOLUTION 4: RATIFICATION AND APPROVAL OF PREVIOUS ALLOTMENT AND ISSUE OF SHARES

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

'That for the purposes of Listing Rule 7.1, 7.4 and for all other purposes, Shareholders ratify and approve the issue and allotment of 14,300,000 Shares to institutional and sophisticated investors (as set out in the Explanatory Memorandum) at \$0.70 per share on 20 December 2005.'

RESOLUTION 5: APPROVAL OF ISSUE OF OPTIONS UNDER THE EMPLOYEE SHARE OPTION PLAN AND AMENDMENT TO THE TERMS OF THE PLAN

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

'That the Employee Share Option Plan be amended as described in the Explanatory Memorandum and that issue of Options under the Employee Share Option Plan (as amended) be approved as an exemption from Listing Rule 7.1 pursuant to exception 9, Listing Rule 7.2.'

Interpretation

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

DATED 24 May 2006

By order of the Board



David Smith
Company Secretary

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 22 June 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 19, 307 Queen Street, Brisbane, Qld, 4000 or faxed to 07 3229 9860 at least 48 hours before the meeting (i.e. lodgement must occur no later than 10 am Brisbane time on 22 June 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 19, 307 Queen Street, Brisbane, Qld, 4000 or faxed to 07 3229 9860 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 party intending to participate in the International Offer or any Associate of those parties;
 - (b) resolution 2, by Gary Pace or any of his Associates;
 - (c) resolution 3, by Jim Scopa or any of his Associates;
 - (d) resolution 4, by any party who participated in the issue or any Associate of those parties; and
 - (e) resolution 5, by any director of the Company or any Associate of those parties.

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 – Proposed issue of shares and options to international investors

Overview

Peplin is proposing to undertake two concurrent fundraisings as follows:

1. The proposed issue of Shares and Options to certain international institutional investors led by MPM Capital to raise approximately \$26.5 million (**the International Offer**) subject to shareholder approval at this general meeting; and
2. A fully underwritten non-renounceable pro-rata entitlement issue to raise \$13.9 million (the **Entitlement Offer**).

In the 2005 Annual Report Peplin explained the strategic importance of the North American market from a financing and operational standpoint. The above offers are a key step in delivering on that strategy. The International Offer is being led by MPM Capital, the world's largest dedicated venture capital investor in life sciences. MPM Capital's credibility in and access to US capital markets, its industry connections and the experience and capabilities of its partners and senior executives is a key component of the strategic importance of this financing for Peplin.

The purpose of the International Offer and the Entitlement Offer is to fund ongoing clinical development, particularly of PEP005 Topical for actinic keratosis and non-melanoma skin cancer. Following the closing of the offers Peplin expects to have sufficient funds on hand to complete all phase II testing of its two lead products PEP005 Topical for AK and PEP005 Topical for NMSC and to complete phase I/II clinical testing of PEP005 IV for leukemia.

The International Offer

The International Offer is a placement to international institutional investors and it is structured in two equal tranches of approximately \$13.2 million each.

The purchase price per Share is \$0.71 and for every 10 Shares issued each investors will receive 3 four year Options to subscribe for Shares in Peplin at \$0.84 per Share.

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 shareholders, 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 the International Offer is subject to:

- Shareholders approving the issue of the shares under the first tranche at this General Meeting; and
- Jim Scopa being elected as a director of Peplin.

The first tranche of Shares and Options will be allotted and issued immediately following Peplin announcing to ASX that Shareholder approval was obtained.

The second tranche of Shares and Options 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 IIb clinical trial in actinic keratosis, the lead indication for PEP005 by 30 June 2007;
- **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; and

The conditions to the second tranche are for the benefit of each institutional investor and will be satisfied in respect of an institutional 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 first tranche. The Shares issued under the second tranche will fall within the 15% restriction permitted by Listing Rule 7.1

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 capitalisation 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

Option Terms

Set out below are the terms of the Options to be issued as part of the offers:

(a) Option entitlement

Three Options for every ten new Shares issued.

If the number of Shares issued is not a multiple of ten, the number of Options to be issued will be calculated on the basis of the number of new Shares that is rounded down to a multiple of ten.

(b) Exercise rights

Each Option will entitle the holder to subscribe for one Share.

(c) Exercise Price

The exercise price for each Option is \$0.84 (**Option Exercise Price**).

(d) Exercise of Options

Optionholders may elect to exercise all or part of their Options holdings at any time prior to 5.00pm (Brisbane time) on 30 June 2010 (**Expiry Date**) by lodging an Exercise Notice with the Share Registry.

The Options may be exercised in parcels of not less than 500 Options (unless the entire holding of Options is less than 500, in which case the optionholder may exercise their entire holding), by lodging an Exercise Notice with the Share Registry.

(e) Issue of Shares

Upon exercise of an Option, the Company will, within the time period required by the Listing Rules, issue to the Optionholder the relevant number of Shares equal to the number of Options for which an Exercise Notice has been lodged with the Company.

All Shares issued upon exercise of the Options in accordance with these terms will rank equally in all respects with issued Shares.

(f) Trading

Peplin will apply for Official Quotation of the Options on the ASX. If Official Quotation is granted, Optionholders will be able to trade their Options independently from any Shares held by them. There is no requirement for an Optionholder to hold Shares.

(g) New Issues

Optionholders will not be entitled to participate in new issues of Shares to Shareholders (including bonus issues and other pro rata issues). However, the Company will ensure that, for the purpose of determining

entitlements to any such issue, Optionholders will be notified of the proposed issue at least seven Business Days before the record date of any proposed issue. This will give Optionholders the opportunity to exercise the Options prior to the date for determining entitlements to participate in any such issue.

(h) Re-organisation of Capital

If there is a re-organisation of the issued capital of the Company (including consolidation, subdivision, reduction, return or cancellation), the terms of the Options and the rights of the Optionholder will be amended to the extent necessary to comply with the Listing Rules applying to a re-organisation of capital at the time of the re-organisation.

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 requires shareholder approval to issue the Shares and Options 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 and up to 5,597,250 Options in the first tranche of the International Offer. This does not include the Shares and Options to be issued to Dr Gary Pace under Resolution 2. If Resolution 1 is approved, the Shares will be issued on closing of the first tranche of the International Offer and in no event later than three months after the date of the General Meeting.

The International Offer will be made to institutional and professional investors in the US led by MPM Capital. Any Shares issued pursuant to the International Offer will rank equally in all respects with the existing ordinary Shares on issue.

Recommendation

The Board unanimously recommends that shareholders vote in favour of resolution 1.

Resolution 2 – Proposed issue of shares and options to a Director

Peplin intends to issue 185,000 Shares and 55,500 Options to a director, Dr Gary Pace, on substantially the same terms as the International Offer as described in Resolution 1. Shareholder approval is sought for the issue of shares to a related party under ASX Listing Rule 10.11. Where approval is given under ASX Listing Rule 10.11, approval is not required under ASX Listing Rule 7.1. The issue of Shares to Dr Pace will occur on the same terms and conditions as the International Offer except for the two tranche structure. All Shares and Options will be allotted and issued to Dr Pace on the closing of the first tranche and in any event no later than 1 month after the date of this meeting. Funds raised on the issue of these Shares and Options will be used for the same purposes as the International Offer.

Resolution 3 – Election of Director

As the Company has grown from a small start up to a drug development organisation with international stakeholders the board has recognised the need for the composition of the board to be aligned with the Company's activities and goals. Thus various changes have occurred in Board composition since listing in 2000. Subject to Shareholder approval of resolution 1, Mr Jim Scopa will be nominated to be elected by Shareholders to the Board. Mr Scopa will be an important addition to Peplin's board of directors and seeks to ensure access to the requisite skills and experience to take it through the next stage of its development.

A summary of Mr Scopa's experience and qualifications is below.

Mr Jim Scopa

Mr Scopa is a general partner with MPM Capital and joined MPM Capital's San Francisco office in May 2005. He was previously a Partner and Co-Director of Healthcare Investment Banking at Thomas Weisel Partners. Mr. Scopa also served on the Investment Committee for Thomas Weisel Partners Health Care venture fund. Prior to joining TWP in 2002, he was a Managing Director and Global Co-Head of Healthcare Investment Banking at Deutsche Banc Alex. Brown. Mr. Scopa has over 18 years of experience in healthcare investment banking, specializing in financings and M&A for healthcare companies. He has been the senior banker on

numerous public offerings for life sciences companies including MPM Capital portfolio companies CoTherix, Inc. (NASDAQ:CTRX), Metabasis Therapeutics, Inc. (NASDAQ:MBRX), and Rigel Pharmaceuticals, Inc. (NASDAQ:RIGL). He received an A.B. from Harvard College (Phi Beta Kappa), an M.B.A. from Harvard Business School and a J.D. from Harvard Law School.

Resolution 4 – Ratification and approval of previous allotment and issue of Shares

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 shares detailed in Resolution 4, 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 4, the Company seeks the ratification by the Shareholders of the issue and allotment of the Shares issued and allotted to the subscribers detailed in Resolution 4, 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 Shares detailed in Resolution 4 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 Shares:

Terms of Shares issued: Shares rank equally in all respects with the existing ordinary Shares on issue

Date of issue: 20 December 2005

14,300,000	\$0.70	Orbis Investment Management Ltd (10,000,000), Acorn Capital Limited (2,000,000), Mullins Group Pty Ltd (850,000) Kinetic Investment Partners Limited (360,000), Wilson HTM First Choice Fund (360,000), ABN Amro Morgans clients (300,000), Wilson HTM clients (170,000), Chancellor Hattersley Lloyd (100,000), Dooley Superannuation Fund (70,000) Duncan Gamble (70,000), Peter Slaughter (10,000), Graeme Wald (10,000)	Shares issued on the basis of confirmed indications of interest among institutional and sophisticated investor client base. The allotment and issue were made to provide funding of \$10m for development of PEP005 Topical.
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Resolution 5 – Approval of issue of Options under the Employee Share Option Plan ('ESOP') and amendment to the terms of the plan

The Company proposes to update the ESOP rules in accordance with contemporary practice by inserting the following clause in the terms of the plan:

9. CHANGE OF CONTROL

9.1 Change of Control Event

(a) *Change of Control Event* occurs where (**“Change of Control Event”**):

- (i) *Control of the Company changes;*
- (ii) *the Company becomes a Subsidiary of another corporation;*
- (iii) *there is a sale of the business of the Company other than to a group company;*
- (iv) *where a company which is a Subsidiary ceases to be a Subsidiary of the Company; or*
- (v) *any other reorganisation of the Group which results in a Participant ceasing to be an Eligible Employee.*

9.2 *Effect of a Change of Control Event*

Where a Change of Control Event has, or in the opinion of the Board will, occur the Board may determine the manner in which the Options will be dealt with, including allowing the Employees affected by the Change of Control to immediately exercise either all or a proportion of their Options, notwithstanding applicable vesting, performance or other conditions may not otherwise have been satisfied.

The effect of this change to the terms is to allow accelerated vesting of the options upon the occurrence or likely occurrence of a change in control event as determined by the Board. The Company believes that this amendment is important in preserving the nature of the options as an incentive to retain and attract qualified personnel. Under the plan rules, any amendment must be approved by shareholders by way of special resolution.

Additionally, the ESOP (as amended) is required to be approved in accordance with Exception 9(b) of Listing Rule 7.2. The ESOP was last approved at the Company’s 2004 Annual General Meeting.

Listing Rule 7.2

The ESOP contemplates the issue to employees of the Company of Options to subscribe for fully paid Shares in the Company. Listing Rule 7.1 places certain restrictions on the extent to which a listed company may issue certain securities including options. In effect, shareholder approval is required before the Company may issue securities representing more than 15% of securities of a class of security of the Company within a 12 month period. However, certain issues are exempt from that Listing Rule and effectively are disregarded for the purpose of calculating the number of securities which a company may issue.

Exempt issues include an issue of securities to persons participating in an employee incentive scheme where shareholders have approved the issue of securities under the scheme as an exemption from Listing Rule 7.1 in a general meeting held not more than 3 years before the date of issue where the notice of meeting contains or is accompanied by certain prescribed information (as to which see below) (Listing Rule 7.2 (Exception 9(b))).

In order to take advantage of the exemption from Listing Rule 7.1 and allow the Company greater flexibility in the extent to which it may issue securities, Shareholders are requested to approve the issue of Options under the ESOP as an exemption from Listing Rule 7.1. This approval will be effective to continue the exemption for a further 3 years from the date of the resolution. In accordance with Listing Rule 7.2, Shareholders are provided with the following information.

Summary of Terms and Conditions of the ESOP

A summary of the terms is contained in Schedule 1.

Securities issued since last approval

Since the 2004 Annual General Meeting, being the last date of approval, 817,434 Options have been issued to employees of the Company pursuant to this scheme.

A copy of the plan rules is available upon request from the Company Secretary.

SCHEDULE 1

Summary of the Terms and Conditions of Employee Share Option Plan

- The securities to be granted under the ESOP will be Options to acquire Shares.
- The Board will issue Shares after Options have been exercised in accordance with the ESOP.
- Options can be issued by the Board to eligible employees (which includes any employee of or contractor to the Company or its related bodies corporate). With the approval of the Board, Options may be issued to the nominee of eligible employees.
- The Board must not issue Options if the total number of Shares relating to unexercised and unexpired Options existing or which would be issued if all invitations for Options were accepted exceeds 5% of the total number of issued Shares at the date the Board proposes to issue the Options.
- Option certificates will be issued and will specify their grant date, exercise date, exercise price, expiry date and any other terms and conditions.
- No consideration is payable by eligible employees on the grant of Options.
- The quotation of Options on ASX will not be sought, however, the Company will apply for quotation of any Shares issued as a result of the exercise of Options.
- Any Shares issued on the exercise of Options will rank equally in all respects with other existing Shares in the Company.
- Other than as set out above, the exercise price of Options will be set at the time Options are granted and will be the price as determined by the Board in its discretion.
- Options will immediately lapse if an eligible employee is lawfully terminated or resigns and may be affected by the death, disability or redundancy of an eligible employee.
- In the event of any reconstruction of the issued capital of the Company, the number of Options or the exercise price or both will be adjusted (as appropriate) to the extent necessary to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation.
- In the event of a change of control or expected change in control, the Board may allow accelerated vesting of outstanding options.
- Until Shares are issued pursuant to the exercise of Options, the holder of an option shall not participate in dividends or new issues of securities by the Company.
- In the event of any pro rata bonus or cash issues of securities by the Company, the number of Shares over which an option exists and the exercise price will be adjusted in the manner specified in Listing Rule 6.22 and notice will be given in writing to the eligible employee at the time the adjustment is made.
- Options may only be exercised within one month of the release to the market of the half-yearly financial statement and annual financial statement, except where the Board has provided its prior written consent.
- The ESOP may be terminated or suspended at any time by the Board.

