

**ACTINOGEN MEDICAL LIMITED**

**ABN 14 086 778 476**

**ANNUAL FINANCIAL STATEMENTS**

**YEAR ENDED 30 JUNE 2016**

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# ACTINOGEN MEDICAL LIMITED

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# ACTINOGEN MEDICAL LIMITED CORPORATE DIRECTORY

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## **Board of Directors**

Non- Executive Chairman – Mr Martin Rogers  
Managing Director – Dr Bill Ketelbey  
Non-Executive Director – Dr Jason Loveridge  
Non-Executive Director – Dr Anton Uvarov

## **Company Secretary**

Company Secretary - Peter Webse

## **Principal Place of Business / Registered Office**

Level 9, Suite 1, 68 Pitt Street  
Sydney NSW 2000

## **Postal Address**

PO Box 271  
West Perth WA 6872

## **Contact Details**

Telephone: 02 8964 7401  
[www.actinogen.com.au](http://www.actinogen.com.au)  
ABN 14 086 778 476

## **Share Register**

Link Market Services  
Level 12  
680 George Street  
Sydney NSW 2000

Actinogen Medical Limited shares are listed on  
the Australia Stock Exchange (ASX). ASX Code:  
ACW

## **Auditors**

Ernst & Young  
Ernst & Young Building  
11 Mounts Bay Road  
Perth WA 6000

## **Lawyers**

K&L Gates  
Level 25 South Tower  
525 Collins Street  
Melbourne VIC 3000

GTP Legal  
68 Aberdeen Street  
Northbridge WA 6003

## **Bankers**

National Australia Bank  
1232 Hay Street  
West Perth WA 6005

# ACTINOGEN MEDICAL LIMITED

## CHAIRMAN'S ADDRESS

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### Actinogen Medical Limited 2016 Shareholders' Annual Report Message from the Chairman

Dear Shareholder,

It is a great pleasure on behalf of the Board to present the 2016 Actinogen Medical Annual Report. This year's many achievements are the result of careful and prudent long-term strategic planning and our strong commitment to bring our distinctive novel drug Xanamem™ to market with a commercial focus on treating Alzheimer's disease.

Xanamem™ represents a new approach to treating Alzheimer's disease – a condition with a significant unmet medical need that threatens to place a huge burden on society. Xanamem works by blocking the development and regeneration of cortisol – the "stress hormone" – which appears to contribute to the cognitive impairment, amyloid plaques and neural death, that are the hallmarks of Alzheimer's disease.

Alzheimer's disease is one of the nation's largest public health crises and has a debilitating effect on patients and their loved ones. Currently, Alzheimer's is the second-leading cause of death in Australia according to the ABS, and sixth-leading cause of death in the United States. As baby boomers reach the age of greater risk of Alzheimer's, it can be expected that – barring a treatment breakthrough – millions of people will spend their retirement years living with Alzheimer's, or caring for a loved one that has the disease.

There are four different drugs on the market that treat the symptoms of Alzheimer's to some degree. However, there are currently no drugs that can significantly alter the course of the disease and one is badly needed. With the development of Xanamem™, we are hopeful of finding an effective treatment for Alzheimer's disease in its earlier stages, when patients first start to demonstrate early symptoms of the disease.

I am pleased to report that in the 2016 financial year Xanamem™ Phase I clinical trial was successfully completed with positive results. The results confirm, amongst others, that Xanamem™ crosses the blood-brain-barrier and is effectively delivered to the brain, its primary site of action in Alzheimer's disease.

These results are particularly encouraging as they confirm that following oral administration, Xanamem™, reaches the brain in concentrations that are predicted to very effectively inhibit the 11beta-HSD1 enzyme in the brain. This enzyme activates cortisol in the brain.

These results followed on from the earlier Phase I results that demonstrated the safety and tolerability of Xanamem™, even at the highest dose of 35mg twice daily. These data will be used to define the optimum daily dose for Xanamem™ to take forward into the Phase II clinical trial. The total participants in Phase I studies was n=88.

The unique mechanism of action around cortisol inhibition and the validation that the drug clinically crosses the blood-brain-barrier gives us great confidence as we advance into the next stages of development.

This year, good progress has also been made towards securing final US FDA approval under an Investigational New Drug (IND) for the Phase II study. After agreement with the US FDA, the enhanced protocol will be harmonised with both Australian and UK regulators and hospital sites, with patients expected to be enrolled in the second half of 2016.

Importantly, a US-focused study and protocol design will allow for a broader value creation, as the US is the largest market for Alzheimer's drugs. Since initiating the trial the relevance of this phase II trial and its design has increased, given the changing competitive and regulatory landscape in Alzheimer's drugs in development.

As part of the US-focused strategy, in July 2016 we presented our positive Xanamem™ results at the Alzheimer's Association International Conference (AAIC), the world's largest Alzheimer's Dementia meeting. In a separate study also presented at the same conference, the Australian Imaging, Biomarker & Lifestyle Flagship Study of Ageing (AIBL), sponsored by the CSIRO and a number of Australian universities, showed a clear correlation between elevated cortisol in the blood of a healthy aged population and the subsequent development of

## ACTINOGEN MEDICAL LIMITED CHAIRMAN'S ADDRESS

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Alzheimer's disease in these individuals. When individuals also evidenced a broad build-up of beta-amyloid plaques in the brain, their chances of developing Alzheimer's disease increased even further. The AIBL study (n=416) concluded that targeting ways to lower excess cortisol should be undertaken in battling Alzheimer's disease in the elderly.

We plan on publishing these results in peer-reviewed medical journals over the second half of 2016. This is an important part of communicating results of promising new therapies such as Xanamem™ to the wider medical and scientific community, globally.

Concurrent to initiating the Alzheimer's Phase II study, Actinogen Medical is evaluating additional clinical indications for Xanamem™ that are evident through the underlying mechanism of action (inhibition of cortisol production). These include a number of commercially promising new indications such as cognitive decline in type 2 diabetes, Parkinson's disease dementia and potentially even post-myocardial infarction.

During the year I was present at a number of meetings between the Company's senior management and pharmaceutical companies with existing or potential interest in the Alzheimer's dementia market. The genuine interest in our Xanamem™ program from multiple parties was encouraging. We have every reason to be confident that good progress with the current trial should result in a competitive and rewarding partnering process during, or on the completion of, this study.

We have a world class management team and clinical advisors headed by Dr Bill Ketelbey. Together, they lead a team of hardworking, highly experienced and dedicated staff who have a clear sense of purpose and are guided by a clear set of values - to help drive the commercialisation of research behind Xanamem™ for those suffering from the dreaded disease of Alzheimer's dementia.

On your behalf, I thank all of our team and thank you for your continued support as investors behind this exciting venture.



Martin Rogers  
Chairman

# ACTINOGEN MEDICAL LIMITED

## CORPORATE GOVERNANCE STATEMENT

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This Corporate Governance Statement ("Statement") outlines the key aspects of Actinogen Medical Limited's ('Actinogen Medical' or 'the Company' or "ACW") governance framework and main governance practices. The Company's charters, policies, and procedures are regularly reviewed and updated to comply with law and best practice. These charters and policies can be viewed on Actinogen Medical's website located at [www.actinogen.com.au](http://www.actinogen.com.au).

This Statement is structured with reference to the Australian Securities Exchange Corporate Governance Council's ("the Council's") "Principles of Good Corporate Governance and Best Practice Recommendations 3<sup>rd</sup> Edition" ("the Recommendations").

The Board of Directors has adopted the Recommendations to the extent that is deemed appropriate considering current the size and operations of the Company. Therefore, considering the size and financial position of the Company, where the Board considers that the cost of implementing a recommendation outweighs any potential benefits, those recommendations have not been adopted.

This Statement was approved by the Board of Directors and is current as at 26 August 2016.

### **Principle 1: Lay solid foundations for management and oversight**

#### **Roles of the Board & Management**

The Board is responsible for evaluating and setting the strategic direction for the Company, establishing goals for management and monitoring the achievement of these goals. The Managing Director is responsible to the Board for the day-to-day management of the Company.

The principal functions and responsibilities of the Board include, but are not limited to, the following:

- Appointment, evaluation and, if necessary, removal of the Managing Director, any other executive directors, the Company Secretary and the Chief Financial Officer (if applicable) and approval of their remuneration;
- Determining, in conjunction with management, corporate strategy, objectives, operations, plans and approving and appropriately monitoring plans, new investments, major capital and operating expenditures, capital management, acquisitions, divestitures and major funding activities;
- Establishing appropriate levels of delegation to the Managing Director to allow the business to be managed efficiently;
- Approval of remuneration methodologies and systems;
- Monitoring actual performance against planned performance expectations and reviewing operating information at a requisite level to understand at all times the financial and operating conditions of the Company;
- Monitoring the performance of senior management, including the implementation of strategy and ensuring appropriate resources are available;
- Identifying areas of significant business risk and ensure that the Company is appropriately positioned to manage those risks;
- Overseeing the management of safety, occupational health and environmental issues;
- Satisfying itself that the financial statements of the Company fairly and accurately set out the financial position and financial performance of the Company for the period under review;
- Satisfying itself that there are appropriate reporting systems and controls in place to assure the Board that proper operational, financial, compliance, risk management and internal control processes are in place and functioning appropriately;
- Ensuring that appropriate internal and external audit arrangements are in place and operating effectively;
- Authorising the issue of any shares, options, equity instruments or other securities within the constraints of the Corporations Act and the ASX Listing Rules; and

# ACTINOGEN MEDICAL LIMITED

## CORPORATE GOVERNANCE STATEMENT

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- Ensuring that the Company acts legally and responsibly on all matters and assuring itself that the Company has adopted, and that its practice is consistent with, a number of guidelines including:
  - Code of Conduct;
  - Continuous Disclosure Policy;
  - Diversity Policy;
  - Performance Evaluation Policy;
  - Procedures for Selection and Appointment of Directors;
  - Remuneration Policy;
  - Risk Management and Internal Compliance and Control Policy.
  - Securities Trading Policy; and
  - Shareholder Communications Policy.

Subject to the specific authorities reserved to the Board under the Board Charter, the Board has delegated to the Managing Director responsibility for the management and operation of Actinogen Medical. The Managing Director is responsible for the day-to-day operations, financial performance and administration of Actinogen Medical within the powers authorised to him from time-to-time by the Board. The Managing Director may make further delegation within the delegations specified by the Board and is accountable to the Board for the exercise of those delegated powers. Further details of Board responsibilities, objectives and structure are set out in the Board Charter on the Actinogen Medical Website.

### **Board Committees**

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the formation of separate committees at this time, including audit, risk, remuneration or nomination committees, preferring at this stage of the Company's development, to manage the Company through the full Board of Directors. The Board assumes the responsibilities normally delegated to the Audit, Risk, Remuneration and Nomination Committees. If the Company's activities increase, in size, scope and nature, the appointment of separate committees will be reviewed by the Board and implemented if appropriate.

### **Board Appointments**

The Company undertakes comprehensive reference checks prior to appointing a director, or putting that person forward as a candidate to ensure that person is competent, experienced, and would not be impaired in any way from undertaking the duties of director. The Company provides relevant information to shareholders for their consideration about the attributes of candidates together with whether the Board supports the appointment or re-election.

The terms of the appointment of a non-executive director, executive directors and senior executives are agreed upon and set out in writing at the time of appointment.

### **The Company Secretary**

The Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board, including agendas, Board papers and minutes, advising the Board and its Committees (as applicable) on governance matters, monitoring that the Board and Committee policies and procedures are followed, communication with regulatory bodies and the ASX and statutory and other filings.

### **Diversity**

The Company has adopted a formal Diversity Policy and is committed to workplace diversity, with a particular focus on supporting the representation of women at the senior level of the Company and on the Company Board.

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## CORPORATE GOVERNANCE STATEMENT

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The Company is currently in an early stage of its development and given that it currently has a limited number of employees, the application of measurable objectives in relation to gender diversity, at various levels of the Company's business, is not considered to be appropriate nor practical.

The Board will review this position on an annual basis and will implement measurable objectives as and when they deem the Company to require them.

The proportion of women in the Company as at 31 August 2016 is as follows:

- Women on the board: 0 of 4 (0%)
- Women in senior executive positions: 0 of 2 (0%)
- Women in the organisation: 4 of 10 (40%)

The Company's Diversity Policy is available on its website.

### **Board & Management Performance Review**

On an annual basis, the Board conducts a review of its structure, composition and performance

The annual review includes consideration of the following measures:

- comparing the performance of the Board against the requirements of its Charter;
- assessing the performance of the Board over the previous 12 months having regard to the corporate strategies, operating plans and the annual budget;
- reviewing the Board's interaction with management;
- reviewing the type and timing of information provided to the Board by management;
- reviewing management's performance in assisting the Board to meet its objectives; and
- identifying any necessary or desirable improvements to the Board Charter.

The method and scope of the performance evaluation will be set by the Board and may include a Board self-assessment checklist to be completed by each Director. The Board may also use an independent adviser to assist in the review.

The Chairman has primary responsibility for conducting performance appraisals of Non-Executive Directors, in conjunction with them, having particular regard to:

- contribution to Board discussion and function;
- degree of independence including relevance of any conflicts of interest;
- availability for and attendance at Board meetings and other relevant events;
- contribution to Company strategy;
- membership of and contribution to any Board committees; and
- suitability to Board structure and composition.

The Board conducts an annual performance assessment of the Managing Director against agreed key performance indicators. Board and management performance reviews were conducted during the financial year in accordance with the above processes.

### **Independent Advice**

Directors have a right of access to all Company information and executives. Directors are entitled, in fulfilling their duties and responsibilities, to obtain independent professional advice on any matter connected with the discharge of their responsibilities, with prior notice to the Chairman, at Actinogen Medical's expense.

### **Principle 2: Structure the board to add value**

#### **Board Composition**

During the financial year and to the date of this report the Board was comprised of the following members:

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## CORPORATE GOVERNANCE STATEMENT

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Mr Martin Rogers	Chairman (appointed 1 December 2014);
Dr Bill Ketelbey	Managing Director (appointed 18 December 2014);
Dr Jason Loveridge	Non-Executive Director (appointed 1 December 2014)
Dr Anton Uvarov	Non-Executive Director (appointed 16 December 2013)

The Board consisted of two Executive Directors until 5 July 2016, when the executive Chairman, Mr Martin Rogers, reverted to Non-Executive Chairman role. The Company currently has one executive Director, the Managing Director, and three Non-Executive Directors.

Actinogen Medical has adopted a definition of 'independence' for Directors that is consistent with the Recommendations.

The Company's Chairman, Mr Martin Rogers, is not an independent director by virtue of the fact that he is a substantial shareholder and that he was Executive Chairman until 5 July 2016. The Board values the insight and advice provided by Mr Rogers and considers that the materiality of his relationship is such that it does not interfere with his capacity to bring an independent judgement on issues before the Board and to act in the best interests of Actinogen Medical and its security holders generally.

The Board does not currently consist of a majority of independent directors. Dr Jason Loveridge and Dr Anton Uvarov are the only current directors considered to be independent. Given the size of the Board and the nature and scale of the Company's current operations the Board believes the presence of two independent directors on the Board is sufficient.

### **Board Selection Process**

The Board considers that a diverse range of skills, backgrounds, knowledge and experience is required in order to effectively govern Actinogen Medical. The Board believes that orderly succession and renewal contributes to strong corporate governance and is achieved by careful planning and continual review.

The Board is responsible for the nomination and selection of directors. The Board reviews the size and composition of the Board regularly and at least once a year as part of the Board evaluation process. The Board has a skills matrix covering the competencies and experience of each member. When the need for a new director is identified, the required experience and competencies of the new director are defined in the context of this matrix and any gaps that may exist.

Generally a list of potential candidates is identified based on these skills required and other issues such as geographic location and diversity criteria. Candidates are assessed against the required skills and on their qualifications, backgrounds and personal qualities. In addition, candidates are sought who have a proven track record in creating security holder value and the required time to commit to the position.

### **Induction of New Directors and Ongoing Development**

New Directors are issued with a formal Letter of Appointment that sets out the key terms and conditions of their appointment, including Director's duties, rights and responsibilities, the time commitment envisaged, and the Board's expectations regarding involvement with any Committee work.

An induction program is in place and new Directors are encouraged to engage in professional development activities to develop and maintain the skills and knowledge needed to perform their role as Directors effectively.

# ACTINOGEN MEDICAL LIMITED

## CORPORATE GOVERNANCE STATEMENT

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### **Principle 3: Act ethically and responsibly**

The Company has implemented a Code of Conduct, which provides guidelines aimed at maintaining high ethical standards, corporate behaviour and accountability within the Company.

All employees and Directors are expected to:

- respect the law and act in accordance with it;
- maintain high levels of professional conduct;
- respect confidentiality and not misuse Company information, assets or facilities;
- avoid real or perceived conflicts of interest;
- act in the best interests of shareholders;
- by their actions contribute to the Company's reputation as a good corporate citizen which seeks the respect of the community and environment in which it operates;
- perform their duties in ways that minimise environmental impacts and maximise workplace safety;
- exercise fairness, courtesy, respect, consideration and sensitivity in all dealings within their workplace and with customers, suppliers and the public generally; and
- act with honesty, integrity, decency and responsibility at all times.

An employee that breaches the Code of Conduct may face disciplinary action including, in the cases of serious breaches, dismissal. If an employee suspects that a breach of the Code of Conduct has occurred or will occur, he or she must report that breach to the Company Secretary. No employee will be disadvantaged or prejudiced if he or she reports in good faith a suspected breach. All reports will be acted upon and kept confidential.

### **Principle 4: Safeguard integrity in corporate reporting**

The Board as a whole fulfills the functions normally delegated to the Audit Committee as detailed in the Audit Committee Charter.

The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises. Candidates for the position of external auditor must demonstrate complete independence from the Company through the engagement period. The Board may otherwise select an external auditor based on criteria relevant to the Company's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the Board.

The Board receives regular reports from management and from external auditors. It also meets with the external auditors as and when required.

The external auditors attend Actinogen Medical's AGM and are available to answer questions from security holders relevant to the audit.

Prior approval of the Board must be gained for non-audit work to be performed by the external auditor. There are qualitative limits on this non-audit work to ensure that the independence of the auditor is maintained.

There is also a requirement that the audit partner responsible for the audit not perform in that role for more than five years.

### **CEO Certifications**

The Board has received certifications from the CEO in connection with the financial statements for the Actinogen Medical for the Reporting Period. The Company does not currently have a CFO. The certifications state that the declaration provided in accordance with Section 295A of the Corporations Act as to the integrity of the financial statements is founded on a sound system of risk management and internal control which is operating effectively.

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## CORPORATE GOVERNANCE STATEMENT

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### **Principle 5: Make timely and balanced disclosure**

The Company has a Continuous Disclosure Policy which outlines the disclosure obligations of the Company as required under the ASX Listing Rules and Corporations Act. The policy is designed to ensure that procedures are in place so that the market is properly informed of matters which may have a material impact on the price at which Company securities are traded.

The Board considers whether there are any matters requiring disclosure in respect of each and every item of business that it considers in its meetings. Individual Directors are required to make such a consideration when they become aware of any information in the course of their duties as a Director of the Company.

The Company is committed to ensuring all investors have equal and timely access to material information concerning the Company.

The Board has designated the Company Secretary as the person responsible for communicating with the ASX. The Chairman, Managing Director and the Company Secretary are responsible for ensuring that:

- a) Company announcements are made in a timely manner, that announcements are factual and do not omit any material information required to be disclosed under the ASX Listing Rules and Corporations Act; and
- b) Company announcements are expressed in a clear and objective manner that allows investors to assess the impact of the information when making investment decisions.

### **Principle 6: Respect the rights of security holders**

The Company recognizes the value of providing current and relevant information to its shareholders.

The Company respects the rights of its shareholders and to facilitate the effective exercise of those rights the Company is committed to:

- communicating effectively with shareholders through releases to the market via ASX, the company website, information emailed or mailed to shareholders and the general meetings of the Company;
- giving shareholders ready access to clear and understandable information about the Company; and
- making it easy for shareholders to participate in general meetings of the Company.

The Company also makes available a telephone number and email address for shareholders to make enquiries of the Company. These contact details are available on the "contact us" page of the Company's website.

Shareholders may elect to, and are encouraged to, receive communications from Actinogen Medical and Actinogen Medical's securities registry electronically.

The Company maintains information in relation to its Constitution, governance documents, Directors and senior executives, Board and committee charters, annual reports and ASX announcements on the Company's website.

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## CORPORATE GOVERNANCE STATEMENT

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### **Principle 7: Recognise and manage risk**

The Board is committed to the identification, assessment and management of risk throughout Actinogen Medical's business activities.

The Board is responsible for the oversight of the Company's risk management and internal compliance and control framework. Responsibility for control and risk management is delegated to the appropriate level of management within the Company with the Managing Director having ultimate responsibility to the Board for the risk management and internal compliance and control framework. Actinogen Medical has established policies for the oversight and management of material business risks.

Actinogen Medical's Risk Management and Internal Compliance and Control Policy recognises that risk management is an essential element of good corporate governance and fundamental in achieving its strategic and operational objectives. Risk management improves decision making, defines opportunities and mitigates material events that may impact security holder value.

Actinogen Medical believes that explicit and effective risk management is a source of insight and competitive advantage. To this end, Actinogen Medical is committed to the ongoing development of a strategic and consistent enterprise wide risk management program, underpinned by a risk conscious culture.

Actinogen Medical accepts that risk is a part of doing business. Therefore, the Company's Risk Management and Internal Compliance and Control Policy is not designed to promote risk avoidance. Rather Actinogen Medical's approach is to create a risk conscious culture that encourages the systematic identification, management and control of risks whilst ensuring we do not enter into unnecessary risks or enter into risks unknowingly.

Actinogen Medical assesses its risks on a residual basis; that is it evaluates the level of risk remaining and considering all the mitigation practices and controls. Depending on the materiality of the risks, Actinogen Medical applies varying levels of management plans.

The Board has required management to design and implement a risk management and internal compliance and control system to manage Actinogen Medical's material business risks. It receives regular reports on specific business areas where there may exist significant business risk or exposure. The Company faces risks inherent to its business, including economic risks, which may materially impact the Company's ability to create or preserve value for security holders over the short, medium or long term. The Company has in place policies and procedures, including a risk management framework (as described in the Company's Risk Management and Internal Compliance and Control Policy), which is developed and updated to help manage these risks. The Board does not consider that the Company currently has any material exposure to environmental or social sustainability risks

The Company's process of risk management and internal compliance and control includes:

- identifying and measuring risks that might impact upon the achievement of the Company's goals and objectives, and monitoring the environment for emerging factors and trends that affect those risks.
- formulating risk management strategies to manage identified risks, and designing and implementing appropriate risk management policies and internal controls.
- monitoring the performance of, and improving the effectiveness of, risk management systems and internal compliance and controls, including regular assessment of the effectiveness of risk management and internal compliance and control.

The Board reviews the Company's risk management framework at least annually to ensure that it continues to effectively manage risk. Management reports to the Board as to the effectiveness of Actinogen Medical's management of its material business risks at each meeting.

# ACTINOGEN MEDICAL LIMITED

## CORPORATE GOVERNANCE STATEMENT

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### **Principle 8: Remunerate fairly and responsibly**

Actinogen Medical's Remuneration Policy was designed to recognise the competitive environment within which Actinogen Medical operates and also emphasise the requirement to attract and retain high caliber talent in order to achieve sustained improvement in Actinogen Medical's performance. The overriding objective of the Remuneration Policy is to ensure that an individual's remuneration package accurately reflects their experience, level of responsibility, individual performance and the performance of Actinogen Medical.

The key principles are to:

- link executive reward with strategic goals and sustainable performance of Actinogen Medical;
- apply challenging corporate and individual key performance indicators that focus on both short-term and long-term outcomes;
- motivate and recognise superior performers with fair, consistent and competitive rewards;
- remunerate fairly and competitively in order to attract and retain top talent;
- recognise capabilities and promote opportunities for career and professional development;
- and
- through employee ownership of Actinogen Medical shares, foster a partnership between employees and other security holders.

The Board determines the Company's remuneration policies and practices and assesses the necessary and desirable competencies of Board members. The Board is responsible for evaluating Board performance, reviewing Board and management succession plans and determines remuneration packages for the CEO, Non-Executive Directors and senior management based on an annual review.

Actinogen Medical's executive remuneration policies and structures and details of remuneration paid to directors and senior managers are set out in the Remuneration Report.

Non-Executive Directors receive fees (including statutory superannuation where applicable) for their services, the reimbursement of reasonable expenses and, in certain circumstances options. They do not receive any termination or retirement benefits, other than statutory superannuation.

The maximum aggregate remuneration approved by shareholders for Non-Executive Directors is \$500,000 per annum. The Directors set the individual Non-Executive Directors fees within the limit approved by shareholders.

The total fees paid to Non-Executive Directors during the reporting period were \$108,339.

Executive directors and other senior executives are remunerated using combinations of fixed and performance based remuneration. Fees and salaries are set at levels reflecting market rates and performance based remuneration is linked directly to specific performance targets that are aligned to both short and long term objectives.

In accordance with the Company's Securities Trading Policy, participants in an equity based incentive scheme are prohibited from entering into any transaction that would have the effect of hedging or otherwise transferring the risk of any fluctuation in the value of any unvested entitlement in the Company's securities to any other person.

Further details in relation to the company's remuneration policies are contained in the Remuneration Report, within the Directors' report.

# ACTINOGEN MEDICAL LIMITED

## DIRECTORS' REPORT

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Your Directors present their report pertaining to Actinogen Medical Limited ("the Company" or "Actinogen") and its subsidiary Corticine Limited (collectively, "the Group") for the year ended 30 June 2016.

### ➤ INFORMATION ON DIRECTORS

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#### 1. BOARD OF DIRECTORS

The names and details of the Company's Directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Name	Position	Appointed	Resigned
Dr Bill Ketelbey	Managing Director / Chief Executive Officer	18/12/2014	Current
Mr Martin Rogers	Executive Chairman Non-Executive Chairman	1/12/2014 7/7/2016	7/07/2016 Current
Dr Jason Loveridge	Non-Executive Director	1/12/2014	Current
Dr Anton Uvarov	Non-Executive Director	16/12/2013	Current

#### **Dr Bill Ketelbey (appointed 18 December 2014)**

**MBBCh, FFPM, MBA, GAICD**

**Managing Director and Chief Executive Officer**

Dr Ketelbey is a highly experienced and successful healthcare and pharmaceutical sector professional, with 30 years' experience in the industry, including senior medical and management roles with global pharmaceutical giant, Pfizer. Dr Ketelbey has a Medical degree from the University of the Witwatersrand, South Africa, is a Fellow of the Faculty of Pharmaceutical Medicine with the Royal College of Physicians, UK, has an MBA from Macquarie University and is a Graduate of the Australia Institute of Company Directors

Prior to joining Actinogen Medical, Dr Ketelbey was the APAC Regional Vice President of Medical Affairs for Pfizer's Primary Care Business Unit and Country Medical Director for Pfizer Australia and New Zealand. At Pfizer, Dr Ketelbey was responsible for leading the development of numerous medicines across a broad range of therapeutic areas, including Aricept, the market leading therapy for Alzheimer's Disease.

Dr Ketelbey has held no other directorships during the past three years.

#### **Mr Martin Rogers (appointed 1 December 2014)**

**B.Eng (Chem), B. Sc.**

**Non-Executive Chairman**

A well-recognized Australian biotechnology entrepreneur and executive, Mr Rogers has a depth of experience in incubating companies and publicly listed organisations, with degrees in Chemical Engineering and Science.

Experienced in all aspects of financial, strategic and operational management, he has helped raise over \$100m cash equity. Both an investor and senior executive in a privately funded advisory business, he was instrumental in significantly increasing the value of investments in the science and biotechnology sectors.

# ACTINOGEN MEDICAL LIMITED

## DIRECTORS' REPORT

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During the past three years Mr Rogers has served as a director of the following ASX-listed companies:

- Non-Executive Director – Oncosil Limited (ASX: OSL) – Appointed 3 April 2013 – Current
- Non-Executive Chairman – Rhinomed Limited (ASX: RNO) – Appointed 3 September 2012 – Resigned 2 December 2015; and
- Non-Executive Director – Cellmid Limited (ASX: CDY) – Appointed 19 September 2012 – Resigned 30 June 2015.

### **Dr Jason Loveridge (appointed 1 December 2014)**

**BSc PhD FRSM**

**Non-Executive Director**

Dr Loveridge has been working in the biotech and medtech industries for over 25 years and brings extensive experience in the commercialisation of medical research to the Board of Actinogen. As a venture investor with JAFCO Nomura Dr Loveridge invested in over 28 companies in Europe, the US and Israel and has been directly involved in the management of a number of innovative companies in the medical arena.

During the past three years Dr Loveridge has served as a director of the following ASX-listed companies:

- Non-Executive Director of Resonance Health Limited (ASX: RHT) – appointed February 2013 – Current.

### **Dr Anton Uvarov (appointed 16 December 2013)**

**PhD BioChem.Med.Gen, MBA**

**Non-Executive Director**

Dr Uvarov has significant experience as an equity analyst in the healthcare industry with a focus on biotechnology sector, both domestically and internationally. Prior to moving to Australia he was with Citigroup Global Markets where he spent two years as a member of New York based biotechnology team that has been continuously ranked top 4 for Biotechnology in the All-America Institutional Investor survey.

Dr Uvarov's scientific expertise and company knowledge spreads across variety of therapeutic areas and spectrum of market capitalizations with his particular interest in early stage biotechnology companies. Dr Uvarov holds a PhD degree in Biochemistry and Medical Genetics from the University of Manitoba, Canada and an MBA degree from the University of Calgary, Canada.

During the past three years Dr Uvarov has also served as a Director of the following listed companies:

- Executive Director of Sun Biomedical Limited (ASX: SBN) – appointed 20 November 2013 – resigned – 23 November 2015;
- Non-Executive Director of Acuvax Limited (ASX: ACU) – appointed: 10 October 2013; resigned 14 March 2014; and
- Non-Executive Director of Imugene Limited (ASX: IMU) appointed 5 January 2016 – Current.

# ACTINOGEN MEDICAL LIMITED

## DIRECTORS' REPORT

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### Interests in the shares and options of the Company and related bodies corporate

As at the date of this report, the interests of the Directors in the shares of the Company were as follows:

Name	Fully paid ordinary shares	Loan shares (a)	Total
Dr Bill Ketelbey	353,803	12,000,000	12,353,803
Mr Martin Rogers	11,407,894	25,000,000	36,407,894
Dr Jason Loveridge	21,875,078	6,000,000	27,875,078
Anton Uvarov	4,187,244	-	4,187,244
<b>Total</b>	<b>37,824,019</b>	<b>43,000,000</b>	<b>80,824,019</b>

(a) During the prior year ended 30/6/2015, 43,000,000 Loan Shares were issued to Directors of which 26,000,000 have vested as at 30 June 2016.

### 2. DIRECTORS' MEETINGS

The following table sets out the number of meetings of the Company's Directors held while each Director was in the office and the number of meetings attended by each Director.

Director	Number of meetings available to attend	Number of meetings attended
Mr Martin Rogers	11	11
Dr Bill Ketelbey	11	11
Dr Jason Loveridge	11	10
Dr Anton Uvarov	11	11

Due to size and scale of the Company, there is no Remuneration, Nomination or Audit Committee at present. Matters typically dealt with by these Committees are, for the time being, reverted to the Board of Directors. For details of the function of the Board please refer to the Corporate Governance Statement which is included as part of this financial report.

### 3. CORPORATE GOVERNANCE

The Board recognises the recommendations of the Australian Securities Exchange Corporate Governance Council, and has disclosed its level of compliance with those guidelines within the Corporate Governance Statement which is included as part of this financial report.

### 4. COMPANY SECRETARY

The following person held the position of Company Secretary during the financial year.

**Peter Webse (appointed 10 October 2013)**

**B.Bus, FGIA, FCPA, MAICD**

Mr Webse has over 25 years' company secretarial experience and is managing director of Platinum Corporate Secretariat Pty Ltd, a company specialising in providing company secretarial, corporate governance and corporate advisory services. Mr Webse holds a Bachelor of Business with a double major in Accounting and Finance, is a Fellow of the Governance Institute of Australia, a Fellow Certified Practising Accountant and a Member of the Australian Institute of Company Directors.



# ACTINOGEN MEDICAL LIMITED

## DIRECTORS' REPORT

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### 5. SHARES UNDER OPTION

As at the date of this report, there were 55,700,000 unissued ordinary shares under option:

- 48,500,000 unlisted options with an exercise price of \$0.02 per share and an expiry date of 30 November 2018 (fully vested);
- 5,500,000 unlisted Facilitator options at \$0.02 per share exercisable on or before 30 November 2018 (fully vested); and
- 1,700,000 unlisted options with an exercise price of \$0.103 per share exercisable on or before 7 July 2020. These options were issued to employees of the Company and are subject to vesting conditions (refer to Subsequent Events note).

During the year the following options expired:

- 9,103,177 listed options at \$0.40 per share exercisable on or before 30 September 2015.

No option holder has any right, by virtue of the option, to participate in any share issue of the Company or any related body corporate. For further details of the options outstanding please refer to the Remuneration Report which is included as part of this financial report.

### ➤ OPERATIONS AND FINANCIAL REVIEW

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### 6. PRINCIPAL ACTIVITIES

The principal activity of the Group during the year was on biotechnology focused on the development of novel treatments for Alzheimer's disease and other major age-related neurodegenerative disorders

### 7. REVIEW OF OPERATIONS

#### Highlights during the Financial Year

- (i) XanADu – Phase 2 trial in mild Alzheimer's disease
- (ii) Xanamem™ Pipeline
- (iii) Regulatory and Research outsourced contracts – ERA Consulting and ICON Clinical Research
- (iv) Manufacturing
- (v) IP review and patent approvals
- (vi) Resources
- (vii) Operations
- (viii) Budget, cash-flow and R&D rebate
- (ix) Investor Relations

This past year has been particularly productive for Actinogen Medical, focussed on setting the business up to take on the full development of Xanamem™ in Alzheimer's disease and other major indications, with the expectation of major commercial Big Pharma partnerships within the next few years.

# ACTINOGEN MEDICAL LIMITED

## DIRECTORS' REPORT

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### **(i) XanADu – Phase 2 trial in mild Alzheimer's disease**

Over 2015, all the required clinical, pre-clinical and safety trials were successfully completed for Xanamem™, in preparation for initiating XanADu, the Phase 2 trial in mild Alzheimer's disease ("AD"). A second Phase 1 trial with 40 participants was successfully completed at the Linear Institute in Perth. This was a multiple ascending dose study that included a pharmacokinetic/pharmacodynamic sub-study of 24 participants, a fed/fasted sub-study of 12 participants and a central nervous system ("CNS") pharmacokinetic sub-study of 4 participants. The studies confirmed the safety and tolerability of Xanamem™ and the ADME profile of the drug, including that Xanamem™ was efficiently delivered to the brain in concentrations adequate to inhibit the 11BHS1 enzyme in the brain, its primary site of action.

Additionally we completed a rodent toxicology and toxicokinetic study in Melbourne, and undertook an extensive array of laboratory based safety and drug interaction studies in the UK and Europe. We also commissioned the manufacturing of Xanamem™ active in the UK and encapsulation, and stability and quality testing of the final product in Australia.

Data from all these trials helped confirm the optimum dose for Xanamem™ in the XanADu trial, and importantly confirmed the safety and tolerability of Xanamem™ even at the highest doses of 35mg twice daily.

With the completion of all the necessary preliminary research, and the protocol and supportive regulatory and ethical documentation, everything is well on track to recruit the first patients in the second half of the 2016 calendar year. The study is expected to read out in 2018. As XanADu is a double blind placebo controlled randomised study, no results will be known until the trial completes in 2018.

The XanADu study is particularly notable through design elements that place it at the forefront of Alzheimer's research. For example: ADCOMS is the latest, and most sensitive measurement tool for assessing cognitive ability in very early Alzheimer's disease. It has been developed by a global collaboration of Alzheimer's researcher specialists, medical regulators and pharmaceutical industry experts, under the direction of the FDA and NIH in the US and EMEA in Europe. The results of this collaboration have recently been published (Wang J, et al. J Neurol Neurosurg Psychiatry 2016;0:1–7.) Most significantly for XanADu, ADCOMS has been incorporated into the panel of assessment tools for the study. In fact, ADCOMS is included as a co-primary endpoint, along with ADAS-Cog, making XanADu only the second clinical trial in the world to use ADCOMS for endpoint assessment. We can comfortably claim that XanADu is at the cutting edge of Alzheimer's clinical research!

A further significant design feature is the CSF sub-study that will be run on a cohort of the XanADu patients to ascertain whether we are able to replicate the amyloid plaque clearance seen in the animal studies. If we can demonstrate that amyloid and tau proteins are mobilised from the human brain by Xanamem™, we will have shown the potential for Xanamem™ to be both a disease modifier as well as a symptomatic AD therapy. Successful disease modification of AD is seen as the optimum goal for any AD therapy, and to date no treatment has demonstrated such an outcome.

We look forward to announcing recruitment of the first patients in the next few months and updating investors of the progress of XanADu over the next couple of years.

### **(ii) Xanamem™ Pipeline**

While the link between excess cortisol and metabolic and endocrine diseases has been known about for many years, the association with diseases of the central nervous system has only been relatively recently recognised. Excess cortisol has been shown to cause neurodegenerative damage to the hippocampus, the area of the brain central to recent memory formation and retention. Decreasing this excess cortisol to a more normal level has been shown to prevent and even reverse this neurodegenerative damage. This principle led to the development of Xanamem™ as a potential therapy for Alzheimer's disease.

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# ACTINOGEN MEDICAL LIMITED

## DIRECTORS' REPORT

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Equally, however, there is the potential for Xanamem™ to benefit a number of other neurodegenerative diseases associated with elevated cortisol. Strategically we have elected to target two key diseases – the cognitive decline associated with Diabetes and Parkinson's disease dementia. While Alzheimer's disease is the primary development priority, these two other indications are being developed in parallel and will provide a very significant pipeline of indications in the development of Xanamem™

Both diseases present substantial unmet clinical need, and both represent sizable addressable markets - Xanamem™'s potential peak annual sales in these three markets alone are estimated to be >\$6bn. We expect The Alzheimer's XanADu study to start recruiting patients in 2H2016, the Diabetes study in 1H2017 and Parkinson's disease, later in 2017.

### **(iii) Regulatory and Research outsourced contracts – ERA Consulting and ICON Clinical Research**

Early on it was recognised that the key support functions for any drug development program, research operations and regulatory affairs, would need to be outsourced. To that end we contracted ICON Clinical Research (ICON) as our CRO (Clinical Research Organisation) and ERA Consulting (ERA) as our Regulatory Affairs partners.

ERA initially undertook an extensive Gap Analysis to identify any clear gaps in our research data package pending submission to the various regulatory bodies for approval to initiate our various clinical studies. ERA have since authored and compiled the extensive documentation necessary for the various regulatory submissions.

ICON, with its global research resources, is managing the planning, deployment and operations of XanADu, our Phase 2 trial in mild Alzheimer's disease. Following Actinogen's successful drafting of the research protocol, with the extensive input for the Xanamem™ Clinical Advisory Board, it was passed on to ICON for final drafting and operational enactment. ICON is currently identifying and recruiting appropriate research sites in Australia, the UK and USA to run the trial, and ensuring all the necessary ethical, regulatory and logistical details are in place, prior to the first patients being recruited to the trial later this year.

### **(iv) Manufacturing**

The manufacture of Xanamem™ active was contracted to High Force in the UK, ensuring we have adequate supplies for a number of clinical studies, including XanADu. A portion of this Xanamem™ active has since been formulated and encapsulated for the XanADu study, along with a matching placebo, by a contract manufacturer in Australia.

### **(v) IP review and patent approvals**

We continue to solidify our IP protection of Xanamem™, with the granting of our most definitive patent, Webster-7, in a number of key jurisdictions including the EU, USA, Australia, Japan and China. This patent provides comprehensive composition of matter patent protection out to 2031. Trademark protection for Xanamem™ has been applied for, and granted in most key geographies.

### **(vi) Resources**

A resource review defined the internal resources necessary to support our research and business development initiatives, resulting in the recruitment of 3 additional heads over the year – A Strategy and Business Development Director, a Clinical Research Manager and a Clinical Trials Associate. Strategically, however, Actinogen will continue to outsource all specialist research and regulatory functions as the predominant business model to ensure our lean agility and to retain the ability to selectively access resources on an as-needs basis.

# ACTINOGEN MEDICAL LIMITED

## DIRECTORS' REPORT

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### (vii) Operations

On 1 July 2015, Actinogen Medical moved to new offices on Pitt St in the Sydney CBD, allowing for adequate expansion and growth of the business over the next three years. We are now fully operational and resourced.

We moved our investor registry services to Link Market Services, to enhance the efficacy and effectiveness of the service we are able to provide to our shareholders. We trust that a noticeable improvement in shareholder interaction has been experienced.

### (viii) Budget, cash-flow and R&D rebate

Our cash-flow and budget projections for the financial year confirmed that we expect to have adequate capital to fund the Phase 2 Alzheimer's disease program through into 2018. These budget projections include the expected Commonwealth Government R&D tax rebates for the 2016 and 2017 financial years. On 8 June 2016 we announced the harmonisation of the XanADu protocol. This may require an upward revision of the trial budget and announcements in this regard will be made at the appropriate time.

ACW has been approved for the R&D tax rebate for three years, with the first rebate of \$1.32m received in early 2016. We expect to receive the 2015/2016 rebate in September/October 2016, with the second and third rebates expected to be substantially larger than the first one.

### (ix) Investor Relations

With ACW so relatively new to Alzheimer's Research and Biotech Investors, significant resources have been deployed on Investor Relations initiatives, to ensure we achieve appropriate recognition as a mainstream neuroscience biotech company. To this end multiple investor presentations have been given, a major symposium "Understanding Alzheimer's" was hosted, our communications and social media infrastructure was upgraded and resourced, and 4 editions of our Investor Newsletter issued. Additionally research was initiated by Baker Young in August 2015 with the publication of a comprehensive report: *Actinogen Medical – Best Risk vs Reward Play in Alzheimer's Dementia* detailing the investment opportunity presented by ACW. The Company's target share price was quoted at \$0.35, on a current share price of around \$0.075. An update report is due early in the new financial year.

Going forward we will be enhancing these Investor Relations initiatives with our publications and presentations program and participating aggressively in global biotech partnering symposia and meetings

## 8. FINANCIAL PERFORMANCE

The financial performance of the Company during the year ended 30 June 2016 is as follows:

	<b>Full-year ended</b>	Full-year ended
	<b>30/06/2016</b>	30/06/2015
	\$	\$
Revenue \$(a)	<b>3,952,943</b>	153,429
Net loss after tax (\$)	<b>(3,633,758)</b>	(5,431,009)
Loss per share (cents)	<b>(0.60)</b>	(1.32)
Dividend (\$)	-	-

(a) Revenue includes \$104,171 in interest revenue; \$98,638 in dividends received from listed investments held; and \$3,748,452 in research and development tax rebates recognised during the year ended 30 June 2016.

# ACTINOGEN MEDICAL LIMITED

## DIRECTORS' REPORT

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### 9. FINANCIAL POSITION

The financial position of the Company as at 30 June 2016 is as follows:

	As at 30/06/2016	As at 30/06/2015
	\$	\$
Cash and cash equivalents (a)	<b>751,978</b>	9,805,610
Available-for-sale listed investments (a)	<b>4,025,987</b>	-
Net assets / Total equity	<b>12,125,350</b>	15,356,608
Contributed equity	<b>26,308,391</b>	26,254,891
Accumulated losses (b)	<b>(19,887,692)</b>	(16,253,934)

- (a) At the end of the prior year ended 30 June 2015, the Group's cash and cash equivalents totalled \$9,805,610. Since then the Group has invested \$6,000,225 in available-for-sale listed investments comprising securities from major banks which are considered low risk investments that are readily convertible to cash. Approximately \$2,000,000 of these investments have been sold, so that as of 30 June 2016, the balance of the Group's investments were valued at \$4,025,987. The Group received \$98,638 in dividends during the year from holding these investments and as at 30 June 2016 the Group recognised an unrealised gain of \$22,272. Refer to Financial Statements, Note 10: Available-for-sale Listed Investments for further information.

Combining the \$4,025,987 in available-for-sale listed investments with the \$751,978 in cash and cash equivalents held at year end, equates to \$4,777,965. The decrease from prior year-end balance of \$9,805,610 is in line with the anticipated working capital budgeted spend as set out in various announcements issued on the stock exchange during the financial year and previous financial year. Funds have been applied primarily to support the Phase 2 study of Xanamem™, and to support general working capital.

Post year-end the Company is due to receive up to approximately \$2.6 million in other income which relates to the research and development rebate receivable recognised at year end.

- (b) Accumulated losses increased due to a significant level of spending on research and development related expenditure plus a prorated share-based payment expense was recognised based on loan shares granted to Key Management Personnel in the prior year. Although an overall increase in accumulated losses from prior year, the movement was partly reduced by \$2,605,395 which relates to the research and development tax rebate receivable recognised at year end.

### 10. DIVIDENDS

No amounts have been paid or declared by way of dividend since the date of incorporation. The Directors recommend that no final dividend be paid.

### 11. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

- On 23 February 2016, Corticrine Limited was deregistered and dissolved. Corticrine was entirely dormant for the entire financial year up to its deregistration date.

Other than what is noted above, there were no significant changes in the state of affairs of the Company during the year.

# ACTINOGEN MEDICAL LIMITED

## DIRECTORS' REPORT

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### 12. EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

- On 7 July 2016, 1.7 million options with an exercise price of \$0.103 each, exercisable on or before 7 July 2020 were issued to employees of the Company. These options will vest on achieving FDA IND approval for the XanADu trial, and for achieving the first patient enrolled into the study in the US and Australia, and for achieving MHRA regulatory approval for the study in the UK, by the end of 2016; and
- On 7 July 2016, Mr Martin Rogers reverted from Executive Chairman to Non-Executive Chairman.

Other than what has been mentioned above, no matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of the Company in subsequent financial years.

### 13. OUTLOOK & BUSINESS STRATEGY

The year ahead for ACW is focussed on achieving solid progress with XanADu patient recruitment, initiating additional Xanamem™ studies in the pipeline indications, and communicating our impressive research findings widely in the research, biotech and commercial partner communities. This will all happen against a backdrop of significantly increasing interest in Alzheimer's disease as an investment opportunity.

A recent JP Morgan investment report concluded that *"We see Alzheimer's as representing one of the most attractive potential new categories in Major Pharma & Biotech (>\$10bn in peak sales potential)"* and *"With a number of key catalysts anticipated in 2016, we expect investor focus on Alzheimer's to increase throughout the year"*. This optimism is driven by the significant advances in  $\beta$ -Amyloid research, but equally in biomarker and imaging research which allows us to diagnose and treat much earlier in the disease process. Of particular significance to ACW has been the volume of recent research supporting excess cortisol and its association with the development and progression of Alzheimer's disease.

A major frustration with Alzheimer's research is not understanding the primary drivers of the disease. It's clear that about 15% of Alzheimer's has a genetic basis – the problem is the underlying cause of the other 85% is currently unknown. Over the years dozens of theories have been investigated and disproven and it's becoming clearer that no one single cause will be uncovered – it's likely that Alzheimer's is caused by a number of underlying factors, and that treatment will equally have to utilise a combination of therapies.

One of the most compelling recent discoveries is that elevated cortisol appears to be linked to the development and progress of Alzheimer's disease. This cortisol hypothesis underpins the discovery and development of Xanamem™ by the University of Edinburgh, and in the past year a number of strongly supportive epidemiological studies have been published that provide further evidence confirming this cortisol hypothesis.

Three of the four major publications, published in highly prestigious journals (Geerlings et al 2015, Neurology; Popp et al 2015, Neurobiology of Aging; Lehallier et al 2015, JAMA Neurology), provide impressively solid support. However, it's the most recent paper that is still under review by Neurology, which provides the most compelling supportive evidence. This publication, from the AIBL Research Group in Australia – a Research Group funded by various Australian government agencies and universities, including the CSIRO, concludes with *"These results suggest that therapies targeted toward lowering plasma cortisol and  $\beta$ -Amyloid levels may help mitigate cognitive decline in the preclinical phase of AD"*. Actinogen Medical could not have asked for a more solid, compelling endorsement of the work currently underway in developing Xanamem™ for Alzheimer's disease!

# ACTINOGEN MEDICAL LIMITED

## DIRECTORS' REPORT

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The XanaADu Phase 2 trial in mild Alzheimer's disease is our flagship clinical development trial, as it's the primary driver of the value of ACW. Having initiated XanADu earlier in 2016, the clear focus over the next 2 years is on patient recruitment, data integrity and budget management – the speed, quality and cost of the study. Regulatory and ethical approval, and patient recruitment in all geographies, is expected within the second half of 2016, following the protocol harmonisation across the US, UK and Australia. Importantly, a US focused study and protocol design will allow for broader value creation, as the US is the largest market for Alzheimer's drugs.

The phase II clinical trial initiation increases the attractiveness of Xanamem™ as this novel approach to treating Alzheimer's is backed by pre-clinical and clinical data strongly supporting the mechanism around the suppression of the "stress" hormone, cortisol. We remain on track for a 2018 data readout of this landmark study. We will continue to regularly update the market on the ongoing clinical progress with Xanamem™.

In tandem with the ongoing XanADu trial, we are also developing a pipeline of other indications for Xanamem™ that will value-add to the product and spread the risk of focussing only on Alzheimer's disease.

The two lead indications under development are DCI (diabetes related cognitive impairment) and PDD (Parkinson's disease dementia). The DCI Phase 2 study design has been agreed with the research team and various non-dilutive funding sources are being investigated. We hope to have this study initiated before the end of the year. The PDD study plans are under evaluation, with the expectation that a definitive Phase 2 study proposal will be formulated before the year end, with study initiation expected in 2017. These two indications are expected to add a 50% incremental value Xanamem™, if they prove out.

The second major strategic priority is optimising the commercial opportunities presented through the Xanamem™ development program. This will evolve through the development of our Business Development program. Key elements of this initiative will involve extensive communication of our research to biotech and Big Pharma, and engaging with them in potential partnering discussions at the various global biotech partnering meetings such as JP Morgan, Bio-US, Bio-Europe BioEquity and AusBiotech.

A central principle behind any research program is communicating the results to the research, academic and medical community, so the findings and recommendations can be factored into future medical research or patient management. Importantly, for an investor, research results also provide an ongoing objective measure of the potential value of the investment. It's particularly pleasing therefore, that in the past year we have undertaken a raft of research that will generate at least one journal publication and a number of presentations at major international congresses.

Over the second half of 2016 we expect to publish our Phase 1 research on Xanamem™ and to present at least four papers at major international congresses, including at the Alzheimer Association International Conference (AAIC) in Toronto in July, the International Conference of Endocrinology (ICE) in Beijing in September, the International Symposium on Medicinal Chemistry (ISMC) in Lisbon in November and Clinical Trials in Alzheimer Disease (CTAD) in San Diego in December. The medical research and investor news-flow generated by these data presentations will be substantial, and will go a long way to cementing Actinogen Medical as a major player in the Alzheimer's research and development space. We expect this to generate a significant increase in potential partnering enquiries from Big Pharma and the biotech investors.

As would be expected, the news-flow will be significant over the 2016 financial year. This will be driven by the regulatory approval and recruitment of patients to XanADu across all 3 geographies, and by the extensive publications and presentation program we have in place to present the research data being generated by ACW and on the cortisol hypothesis. Additionally we have the pipeline development program for Xanamem™ that is expected to come on line over the next 12 months.

# **ACTINOGEN MEDICAL LIMITED**

## **DIRECTORS' REPORT**

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Importantly, cash-flow projections and budgets continue to appear to be adequate for the current research program through into 2018. On 8 June 2016 we announced the harmonisation of the XanADu protocol. This may require an upward revision of the trial budget and announcements in this regard will be made at the appropriate time.

Monthly operational expense are not expected to increase over last financial year. Only one additional permanent headcount will be required – a Head of Business Development. The new offices are fully resourced and operational.

The next 12 months hold huge promise for ACW, and we look forward to regularly updating shareholders and the market on the progress we are making, in the lead up to announcing the XanADu study results in 2018.

### **14. LIKELY DEVELOPMENTS AND EXPECTED RESULTS**

Should any likely developments of the Company eventuate, this information will be made available to the market in accordance with its continuous disclosure obligations under the ASX Listing Rules.



# ACTINOGEN MEDICAL LIMITED

## DIRECTORS' REPORT

### ➤ REMUNERATION REPORT (AUDITED)

The information contained in the remuneration report has been audited as required by Section 308(3C) of the *Corporations Act 2001*. The Remuneration Report is set out under the following main headings:

1. Introduction
2. Remuneration Governance
3. Executive remuneration arrangements
  - A. Remuneration principles and strategy
  - B. Approach to setting remuneration
  - C. Detail of incentive plans
4. Executive remuneration outcomes (including link to performance)
5. Executive contracts
6. Non-executive director fee arrangements
7. Additional disclosures relating to options and shares
8. Loans to key management personnel (KMP) and their related parties
9. Other transactions and balances with KMP and their related parties

#### 1. Introduction

The remuneration report details the remuneration arrangements for key management personnel (KMP) who are defined as those having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly, including any director (whether executive or otherwise). Key management personnel of Actinogen comprise the Board of Directors and the Vice President of Clinical Research.

The performance of the Company depends upon the quality of its key management personnel. To prosper the Company must attract, motivate and retain appropriately skilled Directors and Executives.

The Company's broad remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people of the highest quality. The remuneration arrangements detailed in this report are for the Directors of the Board and the Vice President of Clinical Research during the financial year and are as follows:

Name	Position	Appointed	Resigned
Dr Bill Ketelbey	Managing Director / Chief Executive Officer	18/12/2014	Current
Mr Martin Rogers	Executive Chairman Non-Executive Chairman	1/12/2014 7/7/2016	7/07/2016 Current
Dr Jason Loveridge	Non-Executive Director	1/12/2014	Current
Dr Anton Uvarov	Non-Executive Director	16/12/2013	Current
Mr Vincent Ruffles	Vice President of Clinical Research	27/10/2014	Current

# ACTINOGEN MEDICAL LIMITED

## DIRECTORS' REPORT

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There were no other changes to KMP after the reporting date and before the date that the financial report was authorised for issue.

The table below sets out the performance of the Company and the consequences of performance on shareholders' wealth over the past five years:

	2016	2015	2014	2013	2012
Quoted price of ordinary shares at period end (cents)	7.20	7.20	1.10	1.00	3.00
Quoted price of options at period end (cents)	-	-	-	-	-
Loss per share (cents)	0.60	1.32	0.29	0.18	2.12
Dividends paid	-	-	-	-	-

## 2. Remuneration Governance

Remuneration of Directors is currently set by the Board of Directors. The Board has not established a separate Remuneration Committee at this point in the Company's development nor has the Board engaged the services of a remuneration consultant to provide recommendations when setting the remuneration received by Directors.

It is considered that the size of the Board along with the level of activity of the Company renders this impractical and the full Board considers in detail all of the matters for which the Directors are responsible.

All matters of remuneration will be done in accordance with Corporations Act requirements, especially in respect of related party transactions. Refer to the Corporate Governance Statement for further information.

Actinogen Medical Limited received 99.5% of votes in favour of its Remuneration Report for the 2015 financial year. The Company did not receive any specific feedback at the Annual General Meeting or throughout the year on its remuneration practices.

## 3. Executive Remuneration Arrangements

### (A) Remuneration principles and strategy

The Company aims to reward Executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company and aligned with market practice.

Executive remuneration must be:

- aligned with the Company's vision, values and overall business objectives; and
- must be designed to motivate management to pursue the Company's long term growth and success.

The nature and amount of remuneration of Executives are assessed on a periodic basis by the Board (in the absence of a Remuneration Committee) for their approval, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high performing Executives.

The main objectives sought when reviewing executive remuneration is that the Company has:

- coherent remuneration policies and practices to attract and retain executives;

# ACTINOGEN MEDICAL LIMITED

## DIRECTORS' REPORT

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- Executives who will create value for shareholders;
- competitive remuneration offered benchmarked against the external market; and
- fair and responsible rewards to Executives having regard to the performance of the Company, the performance of the Executives and the general pay environment.

### **(B) Approach to setting remuneration**

The Company aims to reward executives with a level and mix of remuneration appropriate to their position and responsibilities, while being market competitive. The Company's remuneration structure for Executives can include a mix of fixed remuneration, short term incentive (STI) and long term incentive (LTI) as outlined below.

#### *Fixed remuneration component:*

Fixed Remuneration is represented by total employment cost and comprises base salary, statutory superannuation contributions (where applicable) and other benefits. It is paid by the Company to compensate fully for all requirements of the Executives employment with reference to the market and the individual's role and experience. It is subject to annual review considering market data and the performance of the Company and individual. The Company benchmarks the fixed component against appropriate market comparisons with the comparator group criteria being market capitalisation.

#### *STI component:*

The STI component is in the form of a cash bonus to KMP. Payment of the cash bonus is entirely discretionary and rewards the KMP for their contribution to achievement of business goals. The business goals are determined annually by the Board and are linked to the strategic and operational plans of the Company, including budgets agreed for each financial year.

A specific STI component is also provided for within the Managing Director's remuneration package. Currently this includes a performance condition whereby at the annual review of the Managing Directors' salary, one of the factors to be considered by the Board when granting an increase will be the Company's market capitalisation against appropriate ASX benchmarks with an aim for 50<sup>th</sup> percentile pay on ASX market capitalisation. The Managing Director and the rest of the Board will agree benchmarks for each year of the term.

#### *LTI component:*

The LTI component is in the form of Employee Loan Shares and Employee Options. The Board feels that the shares and options currently on issue provide a sufficient long term incentive to align the goals of the KMP with those of the shareholders to maximise shareholder wealth. The Board will continue to monitor this policy to ensure that it is appropriate for the Company in future years.

### **(C) Details of incentive plans**

#### **Short term incentive**

During the year, a \$24,700 bonus fee incentive was put in place by the Board of Directors, payable to Mr Ruffles on the achievement of a number of various short term performance conditions being met. The key performance indicators (KPI's) included delivery of the final preclinical report, the XanADu protocol, a gap analysis and the manufacture of new Xanamem™. These performance conditions were chosen because they are significant milestones that had to be accomplished prior to activation of the XanADu study.

During the quarter ended March 2016, Mr Ruffles met a certain portion of these milestones and was paid a \$9,880 Bonus Fee which represents 40% of his 2016 bonus fee incentive.

# ACTINOGEN MEDICAL LIMITED

## DIRECTORS' REPORT

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During the year, a \$75,000 bonus fee incentive was put in place by the Executive Chairman and the rest of the Board members, payable to Dr Ketelbey dependent on achieving a KPI of the first 10 patients into the XanADu study, with the possibility of an additional stretch bonus to be determined at a future date. The KPI of starting patient recruitment into XanADu is one of the most significant milestones for the company. The KPI of the first 10 was chosen as this reflects a higher hurdle, with achievement of a steady patient recruitment pattern to the study. This milestone has not yet been met.

### **Long term incentive**

#### *(a) Employee Options*

Subsequent to year end, on 7 July 2016, remuneration in the form of Employee Options were issued to employees of the Company pursuant to the Employee Option Plan. Directors are not eligible to receive options under this plan. Mr Ruffles is an employee of the Company and he received 1,000,000 employee options at an exercise price of \$0.103 each, exercisable on or before 7 July 2020. Refer to Section 12 – Events Subsequent to the end of the Financial Year for further information.

#### *(b) Employee Loan Shares*

During the prior year ended 30 June 2015, remuneration in the form of Employee Loan Shares were issued to the majority of KMP upon certain performance conditions being met.

The performance conditions consist of a number of Key Performance Indicators (KPI's) covering both financial and non-financial measures of performance. Typically included are measures such as contribution to research & development success, share price appreciation and tenure.

The Loan Shares represent an option arrangement. Due to the vesting conditions attached to the loan shares, these shares will be expensed over the vesting period. The key terms of the Employee Share Plan and of each limited recourse loan provided under the Plan are as follows:

- (i) the loan may only be applied towards the subscription price for the Loan Shares;
- (ii) the loan will be interest free, provided that if the loan is not repaid by the repayment date set by the Board, the loan will incur interest at 9% per annum after that date (which will accrue on a daily basis and compound annually on the then outstanding loan balance);
- (iii) by signing and returning a limited recourse loan application, the participants of the Plan (each a Participant) acknowledges and agrees that the Loan Shares will not be transferred, encumbered, otherwise disposed of, or have a security interest granted over it, by or on behalf of the Participant until the loan is repaid in full to the Company;
- (iv) the Company has security over the Loan Shares as security for repayment of the loan;
- (v) the loan becomes repayable on the earliest of:
  - a) five years from the date on which the loan is advanced to the Participant;
  - b) one month after the Participant resigns or ceases to be employed by the Company other than (i) where the Participant is removed from office by shareholders of the Company, or (ii) where the Company does not renew the Participant's executive employment agreement or (iii) where the Company dismisses the Participant other than for cause; and
  - c) (by the legal personal representative of the Participant) six months after the Participant ceases to be an employee of the Company due to their death.

#### *Repayment Date*

- (vi) notwithstanding paragraph (v) above, the Participant may repay all or part of the loan at any time before the Repayment Date; and

# ACTINOGEN MEDICAL LIMITED

## DIRECTORS' REPORT

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- (vii) the loan will be limited recourse such that on the Repayment Date the repayment obligation under the limited recourse loan will be limited to the lesser of (i) the outstanding balance of the limited recourse loan and (ii) the market value of the Loan Shares on that date. In addition, where the Participant has elected for the Loan Shares to be provided to the Company in full satisfaction of the loan, the Company must accept the Loan Shares as full settlement of the repayment obligation under the limited recourse loan.

### *Rights attaching to Loan Shares*

- (viii) The Loan Shares will rank equally with all other fully paid ordinary shares on issue in the capital of the Company. Holders of Loan Shares issued under the Plan will be entitled to exercise all voting rights attaching to the Shares in accordance with the Company's constitution. In addition, holders of Loan Shares issued under the Plan will be entitled to participate in dividends declared and paid by the Company in accordance with the Company's constitution.

### *Vesting conditions*

Under the Employee Share Plan, the Directors may issue the Loan Shares subject to vesting conditions (including performance milestones and time based retention hurdles), such that the holder of the Loan Shares is only entitled to the benefit of the Loan Shares once the vesting conditions are met. If the vesting conditions are not met, the holder will lose their entitlement to the Loan Shares and the Company may buy-back or arrange for the sale of those Loan Shares. This enables the Board to attract, incentivise and retain key personnel and to align the interests of those personnel and Shareholders through equity participation. The vesting conditions are summarised in the table below.

### *Sale of Loan Shares*

- (ix) The Loan Shares may only be sold by a Participant where the Participant has been granted a limited recourse loan and the loan has been repaid in full (otherwise any dealing by the Participant in the Loan Shares is prohibited without the prior written consent of the Company).

# ACTINOGEN MEDICAL LIMITED

## DIRECTORS' REPORT

Recipient	Class of Loan Share	Quantity	Issue Price	Vesting Date	Vested	Share-based Payment Expense from issue to 30/6/2016	Balance of Share-based Payment Expense remaining @ 30/6/2016
Jason Loveridge	Class A	3,000,000	\$ 0.02	Upon successful completion of the phase 1b multiple ascending dose study.	(a)	\$ 112,848	\$ -
Jason Loveridge	Class B	3,000,000	\$ 0.02	Upon funding of the phase 2a proof of concept study.	(e)	\$ 112,848	\$ -
Martin Rogers	Class C	7,500,000	\$ 0.02	Upon Shares trading on the ASX above \$0.04 for ten consecutive trading days.	(c)	\$ 282,120	\$ -
Martin Rogers	Class D	7,500,000	\$ 0.02	Upon Shares trading on the ASX above \$0.06 for ten consecutive trading days.	(d)	\$ 282,128	\$ -
Martin Rogers	Class E	5,000,000	\$ 0.02	Upon recruitment of the phase 1b multiple ascending dose study.	(b)	\$ 188,085	\$ -
Martin Rogers	Class F	5,000,000	\$ 0.02	Upon recruitment of the phase 2a proof of concept study.	-	\$ 117,244	\$ 70,841
Vincent Ruffles	Class G	2,000,000	\$ 0.02	3 years from commencement of employment.	-	\$ 41,996	\$ 33,238
Bill Ketelbey	Class H	6,000,000	\$ 0.04	3 years from commencement of employment.	-	\$ 113,377	\$ 105,509
Bill Ketelbey	Class I	3,000,000	\$ 0.04	Upon Share trading on the ASX at 150% of the share price on the date of commencement of employment for 10 consecutive trading days.	-	\$ 109,440	\$ -
Bill Ketelbey	Class J	3,000,000	\$ 0.04	Upon recruitment of Phase II Xanamen Study	-	\$ 66,662	\$ 42,781
<u>45,000,000</u>						<u>\$ 1,426,748</u>	<u>\$ 252,369</u>

During the year ended 30/6/2016, the following Employee Share Plan shares vested:

- a) On 12 August 2015, the vesting condition on the 3,000,000 Class A Employee Share Plan shares issued to Dr Jason Loveridge were met.
- b) On 11 August 2015, the vesting condition on the 5,000,000 Class E Employee Share Plan shares issued to Mr Martin Rogers were met.

During the prior year ended 30/6/2015, the following Employee Share Plan shares vested:

- c) On 16 December 2014, the vesting condition on the 7,500,000 Class C Employee Share Plan shares issued to Mr Martin Rogers were met.
- d) On 24 February 2015, the vesting condition on the 7,500,000 Class D Employee Share Plan shares issued to Mr Martin Rogers were met.
- e) On 21 May 2015, the vesting condition on the 3,000,000 Class B Employee Share Plan shares issued to Dr Jason Loveridge were met.

No new Loan shares were issued to KMP or any other employees during the year ended 30 June 2016.

The Employee Loan Shares issued during the prior year ended 30 June 2015 were independently valued using a Black Scholes methodology. The total share-based payment expense of these shares is being prorated over the vesting period of shares being issued.

# ACTINOGEN MEDICAL LIMITED

## DIRECTORS' REPORT

### 4. Executive Remuneration Outcomes

During the financial years ended 30 June 2016 and 30 June 2015 the KMP's received either or all of the following benefits:

- Short-term benefits: cash salary, cash fees and cash bonuses;
- Post-employment benefits: retirement benefits; and
- Share-based payments.

Refer to **Table 1** and **Table 2** below. All remuneration paid to Directors and Executives is valued at the cost to the Company and expensed.

**Table 1 - Remuneration of Key Management Personnel for the year ended 30 June 2016:**

As at 30/6/2016	Short term benefits		Post-employment	Share-based payments		Total	Value of share-based payments as a % of total remuneration
	Cash salary and fees	Cash bonus	Super-annuation	Options (a)	Shares		
	\$	\$	\$	\$	\$	\$	%
<u>Directors</u>							
Bill Ketelbey	277,372	-	19,308	115,349	-	412,029	28%
Martin Rogers	98,754	-	9,382	96,919	-	205,055	47%
Jason Lov eridge	54,169	-	-	89,326	-	143,495	62%
Anton Uv arov	49,470	-	4,700	-	-	54,170	-
<u>Executiv es</u>							
Vincent Ruffles	161,241	9,880	16,256	25,134	-	212,511	12%
<b>Total</b>	<b>641,006</b>	<b>9,880</b>	<b>49,646</b>	<b>326,728</b>	<b>-</b>	<b>1,027,260</b>	

(a) The share-based payments expense of \$326,728 relates to employee Loan shares that, despite being issued fully paid ordinary shares, are in substance options for accounting purposes.

# ACTINOGEN MEDICAL LIMITED

## DIRECTORS' REPORT

Table 2 - Remuneration of Key Management Personnel for the year ended 30 June 2015:

As at 30/6/2015	Short term benefits		Post-employment	Share-based payments		Total	Value of share-based payments as a % of total remuneration
	Cash salary and fees	Cash bonus	Super-annuation	Options (a)	Shares (b)		
	\$	\$	\$	\$	\$	\$	%
<u>Directors</u>							
Bill Ketelbey	154,891	50,000	11,638	174,130	-	390,659	45%
Martin Rogers	66,670	50,000	11,084	772,658	200,000	1,100,412	88%
Jason Lov eridge	23,334	25,000	-	136,370	100,000	284,704	83%
Anton Uv arov	38,334	25,000	-	-	40,000	103,334	39%
Brendan de Kauwe	30,000	-	-	-	50,000	80,000	63%
Daniel Parasiliti	15,000	-	-	-	-	15,000	-
<u>Executiv es</u>							
Vincent Ruffles	102,255	10,000	10,664	16,862	-	139,781	12%
Total	430,484	160,000	33,386	1,100,020	390,000	2,113,890	

(a) The share-based payments expense of \$1,100,020 relates to employee loan shares that, despite being issued fully paid ordinary shares, are in substance options for accounting purposes.

(b) The share-based payments expense of \$390,000 relates to Director Placements Shares issued.

### 5. Executive Contracts

During the financial year, the Company employed the below mentioned Executives and remunerated them as follows:

- Managing Director: Dr Bill Ketelbey received wages totaling \$277,372 plus superannuation of \$19,308;
- Executive Chairman: Mr Martin Rogers (reverted to Non-Executive Chairman post year end on 7 July 2016) received fees totaling \$98,754 (plus GST) and superannuation totaling \$9,382; and
- Vice President: Mr Vincent Ruffles received wages totaling \$171,121 (including a \$9,880 bonus fee) plus superannuation of \$16,256.

Their contractual arrangements are outlined below.

- Dr Bill Ketelbey – Managing Director
  - Employment date: employment commenced on 18 December 2014.
  - During the year Dr Ketelebey's salary increased from \$269,308 per annum (including superannuation prescribed by the relevant law) to \$335,000 per annum (including superannuation prescribed by the relevant law) with effect from 1 February 2016. Included within the remuneration package is a bonus of \$75,000, dependent on achieving a KPI of the first 10 patients into the XanADu study, with the possibility of an additional stretch bonus to be determined at a future date.



# ACTINOGEN MEDICAL LIMITED

## DIRECTORS' REPORT

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- Term: the appointment of the employee will continue for a period of three years from the date of commencement of employment unless terminated earlier.
  - Termination: the Company or the individual may terminate the contract by giving three month's written notice. In the event of breach or criminal activity termination is effective immediately without payment other than the fee accrued to the date of termination.
- Mr Martin Rogers – Executive Chairman (reverted to Non-Executive Chairman on 7 July 2016)
    - Employment date: employment commenced on 1 December 2014.
    - Director's Fee: during the year Mr Rogers' remuneration was increased from \$80,000 per annum (plus GST) plus the superannuation guarantee amount prescribed by the relevant law to \$125,000 per annum (plus GST) plus the superannuation guarantee amount prescribed by the relevant law, with effect from 1 February 2016. Subject to annual review.
    - Term: Mr Rogers was elected as a Director at the Company's 2014 Annual General Meeting, with effect from 1 December 2014 following the acquisition of Corticrine Limited; and thereafter is subject to retirement by rotation under the Company's Constitution.
    - Termination: The other members of the Board may request that the officer resign with effect immediately in the event that the Board deems the individual's performance is unsatisfactory, or the Company's shareholders may resolve to seek the officer's removal by member's resolution. The individual may terminate the contract immediately.
    - On 7 July 2016, Mr Martin reverted from Executive Chairman to Non-Executive Chairman. His remuneration arrangement remained the same.
- Mr Vincent Ruffles – Vice President of Clinical Research
    - Employment date: employment commenced on 27 October 2014.
    - During the year Mr Ruffle's remuneration increased from \$165,000 per annum (including superannuation prescribed by the relevant law) to \$180,000 per annum (including superannuation prescribed), with effect from 27 October 2015. Included within the remuneration package is a bonus fee of \$24,700 which was put in place by the Board of Directors, payable to Mr Ruffles on the achievement of a number of various short term performance conditions being met.
    - Term: the appointment of the employee will continue indefinitely from the date of commencement of employment unless terminated earlier.
    - Termination: the Company or the individual may terminate the contract by giving three month's written notice. In the event of breach or criminal activity termination is effective immediately without payment other than the fee accrued to the date of termination.

### 6. Non-Executive Director Fee Arrangements

Non-Executive Directors are remunerated by way of fees, in the form of cash, non-cash benefits, superannuation contributions or salary sacrifice into equity and do not normally participate in schemes designed for the remuneration of executives.

As noted above, fees for Non-Executive Directors are generally not directly linked to the performance of the Company, however, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Company.

# ACTINOGEN MEDICAL LIMITED

## DIRECTORS' REPORT

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The maximum aggregate remuneration approved by shareholders for Non-Executive Directors, at an annual general meeting held on 12 November 2015, is \$500,000 per annum. The Directors set the individual Non-Executive Directors fees within the limit approved by shareholders. Total fees paid to Non-Executive Directors during the year were \$108,338.

During the financial year the Company remunerated the below mentioned Non-Executives as follows:

- Non-Executive Director: Dr Jason Loveridge received fees totaling \$54,169 (GST not applicable) plus a prorated share-based payment totaling \$89,326 that related to the vesting of loan shares during the year ; and
- Non-Executive Director: Dr Anton Uvarov received a salary totaling \$49,470 plus superannuation of \$4,700.

Their contractual arrangements are outlined below:

- Dr Jason Loveridge – Non-Executive Director
  - Contract date: commenced on 1 December 2014.
  - Director's Fee: during the year Dr Loveridge's remuneration increased from \$50,000 per annum (excluding GST) to \$60,000 per annum (excluding GST) with effect from 1 February 2016. Subject to annual review.
  - Term: Dr Loveridge was elected as a Director at the Company's 2014 Annual General Meeting, with effect from 1 December 2014 following the acquisition of Corticrine Limited; and thereafter is subject to retirement by rotation under the Company's Constitution.
  - Termination: The other members of the Board may request that the officer resign with effect immediately in the event that the Board deems the individual's performance is unsatisfactory, or the Company's shareholders may resolve to seek the officer's removal by member's resolution. The individual may terminate the contract immediately.
- Dr Anton Uvarov – Non-Executive Director
  - Contract date: commenced on 16 December 2013.
  - During the year Dr Uvarov's remuneration increased from \$50,000 per annum (including superannuation prescribed by the relevant law) to \$60,000 per annum (including superannuation prescribed), with effect from 1 February 2016. Subject to annual review.
  - Term: Dr Uvarov's appointment was valid until the date of the Company's 2014 Annual General Meeting whereby he was re-elected and thereafter is subject to retirement by rotation under the Company's Constitution.
  - Termination: The other members of the Board may request that the officer resign with effect immediately in the event that the Board deems the individual's performance is unsatisfactory, or the Company's shareholders may resolve to seek the officer's removal by member's resolution. The individual may terminate the contract immediately.

# ACTINOGEN MEDICAL LIMITED

## DIRECTORS' REPORT

### 7. Additional disclosures relating to options and shares

#### ➤ Options

The table below discloses the number of Employee Loan Shares (in substance options) granted, vested or lapsed during the year.

#### a) Option holding of KMP

At the date of this report, the unissued ordinary shares of Actinogen Medical under option carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share of the Company.

Option holding of KMP as at 30 June 2016:

	Class	Balance at beginning of year 1/7/2015	Granted as remuneration	Options exercised	Balance at end of year 30/6/2016	Vested at 30/6/2016	Not vested at 30/6/2016
<b>Directors</b>							
Jason Lov eridge	A	3,000,000	-	-	3,000,000	3,000,000	-
Jason Lov eridge	B	3,000,000	-	-	3,000,000	3,000,000	-
		6,000,000	-	-	6,000,000	6,000,000	-
Martin Rogers	C	7,500,000	-	-	7,500,000	7,500,000	-
Martin Rogers	D	7,500,000	-	-	7,500,000	7,500,000	-
Martin Rogers	E	5,000,000	-	-	5,000,000	5,000,000	-
Martin Rogers	F	5,000,000	-	-	5,000,000	-	5,000,000
		25,000,000	-	-	25,000,000	20,000,000	5,000,000
Bill Ketelbey	H	6,000,000	-	-	6,000,000	-	6,000,000
Bill Ketelbey	I	3,000,000	-	-	3,000,000	-	3,000,000
Bill Ketelbey	J	3,000,000	-	-	3,000,000	-	3,000,000
		12,000,000	-	-	12,000,000	-	12,000,000
<b>Other KMP</b>							
Vincent Ruffles	G	2,000,000	-	-	2,000,000	-	2,000,000
		2,000,000	-	-	2,000,000	-	2,000,000
<b>Total</b>		<b>45,000,000</b>	<b>-</b>	<b>-</b>	<b>45,000,000</b>	<b>26,000,000</b>	<b>19,000,000</b>

#### b) Value of options awarded, vested and lapsed during the year

The value of the options awarded, vested and lapsed during the year are outlined in the Table below. Included in this Table are the performance conditions attached to these loan shares (in substance options), and they consist of a number of KPI's that cover both financial and non-financial measures of performance. Typically included are measures such as contribution to research & development success, share price appreciation and tenure.

# ACTINOGEN MEDICAL LIMITED

## DIRECTORS' REPORT

	Class	# Options	Value of options granted during the year (\$)	Value of options vested during the year (\$)	Value of options lapsed during the year (\$)	Share-based payment recognised during the year (\$)	Remuneration consisting of option for the year (%)	Vesting Condition
<b>Directors</b>								
Jason Lov eridge	A	3,000,000	\$ -	\$ 112,848	-	\$ 35,789	25%	Upon successful completion of the phase 1b multiple ascending dose (MAD) study.
Jason Lov eridge	B	3,000,000	\$ -	\$ -	-	\$ 53,537	37%	Upon funding of the phase 2a proof of concept study.
Martin Rogers	C	7,500,000	\$ -	\$ -	-	\$ -	0%	Upon Shares trading on the ASX above \$0.04 for ten consecutive trading days.
Martin Rogers	D	7,500,000	\$ -	\$ -	-	\$ -	0%	Upon Shares trading on the ASX above \$0.06 for ten consecutive trading days.
Martin Rogers	E	5,000,000	\$ -	\$ 188,085	-	\$ 25,883	13%	Upon recruitment of the phase 1b multiple ascending dose study.
Martin Rogers	F	5,000,000	\$ -	\$ -	-	\$ 71,036	35%	Upon recruitment of the phase 2a proof of concept study.
Bill Ketelbey	H	6,000,000	\$ -	\$ -	-	\$ 72,451	18%	3 years from commencement of employment.
Bill Ketelbey	I	3,000,000	\$ -	\$ -	-	\$ -	0%	Upon Share trading on the ASX at 150% of the share price on the date of commencement of employment for 10 consecutive trading days.
Bill Ketelbey	J	3,000,000	\$ -	\$ -	-	\$ 42,898	10%	Upon recruitment of Phase II Xanamem Study
<b>Senior Executives</b>								
Vincent Ruffles	G	2,000,000	\$ -	-	-	\$ 25,134	12%	3 years from commencement of employment.
		<b>45,000,000</b>	<b>-</b>	<b>300,933</b>	<b>-</b>	<b>326,728</b>		

No new Loan shares were issued to KMP or any other employees during the year ended 30 June 2016. The Employee Loan Shares issued during the prior year ended 30 June 2015 were independently valued and the total share-based payment expense of these shares are being prorated over the vesting period of shares being issued.

# ACTINOGEN MEDICAL LIMITED

## DIRECTORS' REPORT

### c) Number of options awarded, vested and lapsed during the year

	Class	# Options	Financial year	Grant date	Exercise price (\$)	Fair value per option at grant date (\$)	Expiry date	Number vested during the year	Number lapsed during the year
<b>Directors</b>									
Jason Lov eridge	A	3,000,000	2016	19/11/2014	\$ 0.02	\$ 0.0376	19/11/2019	3,000,000	-
Jason Lov eridge	B	3,000,000	2016	19/11/2014	\$ 0.02	\$ 0.0376	19/11/2019	-	-
Martin Rogers	C	7,500,000	2016	19/11/2014	\$ 0.02	\$ 0.0376	19/11/2019	-	-
Martin Rogers	D	7,500,000	2016	19/11/2014	\$ 0.02	\$ 0.0376	19/11/2019	-	-
Martin Rogers	E	5,000,000	2016	19/11/2014	\$ 0.02	\$ 0.0376	19/11/2019	5,000,000	-
Martin Rogers	F	5,000,000	2016	19/11/2014	\$ 0.02	\$ 0.0376	19/11/2019	-	-
Bill Ketelbey	H	6,000,000	2016	15/12/2014	\$ 0.04	\$ 0.0365	15/12/2019	-	-
Bill Ketelbey	I	3,000,000	2016	15/12/2014	\$ 0.04	\$ 0.0365	15/12/2019	-	-
Bill Ketelbey	J	3,000,000	2016	15/12/2014	\$ 0.04	\$ 0.0365	15/12/2019	-	-
<b>Senior Executives</b>									
Vincent Ruffles	G	2,000,000	2016	19/11/2014	\$ 0.02	\$ 0.0376	19/11/2019	-	-
<b>Total</b>		<b>45,000,000</b>						<b>8,000,000</b>	<b>-</b>

# ACTINOGEN MEDICAL LIMITED

## DIRECTORS' REPORT

### ➤ Shares

There were no shares issued as compensation to KMP during the financial year ended 30 June 2016. At 30 June 2016 the relevant interest of each KMP in ordinary fully paid shares of the Company were:

	Balance at beginning of year 1/7/2015	Granted as remuneration	On exercise of options	Net change other (a)	Balance at end of year 30/6/2016
<b>Directors</b>					
Bill Ketelbey	342,894	-	-	10,909	<b>353,803</b>
Martin Rogers	11,407,894	-	-	-	<b>11,407,894</b>
Jason Lov eridge (b)	21,875,078	-	-	-	<b>21,875,078</b>
Anton Uv arov	4,187,244	-	-	-	<b>4,187,244</b>
	<b>37,813,110</b>	-	-	<b>10,909</b>	<b>37,824,019</b>
<b>Other KMP</b>					
Vincent Ruffles	-	-	-	-	-
	-	-	-	-	-
<b>Total</b>	<b>37,813,110</b>	-	-	<b>10,909</b>	<b>37,824,019</b>

(a) Movement relates to shares purchased on-market during the year.

(b) 14,717,184 were subject to voluntary escrow until 30 November 2015.

### 8. Loans Made to Key Management Personnel

No loans were made to any Director or KMP or any of their related entities during the reporting period.

### 9. Other Transactions with Key Management Personnel

There were no other transactions with any Director of KMP or any of their related entities during the reporting period.

### End of Audited Remuneration Report

### 15. INDEMNIFICATION OF AUDITORS

To the extent permitted by Law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

### 16. INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the financial year, Actinogen Medical Limited paid a premium to insure the directors and officers of the Company. The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the entity in the Company, and any other payments arising from liabilities incurred by the officers in connection with such proceedings.

## ACTINOGEN MEDICAL LIMITED DIRECTORS' REPORT

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This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage from themselves or someone else or to cause detriment to the company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

### 17. PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court, under section 237 of the *Corporations Act 2001*, to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is party for the purpose of taking responsibility on behalf of the Company for all or part of these proceedings. The Company was not a party to any such proceedings during the year.

### 18. ENVIRONMENTAL REGULATIONS

The Group's operations are not subject to significant environmental regulation under the Australian Commonwealth or State law.

### 19. NON-AUDIT SERVICES

No fees were paid for non-audit services to the external auditors and their associated entities during the years ended 30 June 2016 and 30 June 2015.

### 20. AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* for the year ended 30 June 2016 forms a part of the Directors' Report and can be found on page 38.

Signed in accordance with a resolution of the Board of Directors.



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Dr Bill Ketelbey  
Managing Director  
Sydney, New South Wales  
Date: Wednesday, 31 August 2016

## Auditor's Independence Declaration to the Directors of Actinogen Medical Limited

As lead auditor for the audit of Actinogen Medical Limited for the financial year ended 30 June 2016, I declare to the best of my knowledge and belief, there have been:

- a. no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b. no contraventions of any applicable code of professional conduct in relation to the audit.



Ernst & Young



T G Dachs  
Partner  
31 August 2016



**ACTINOGEN MEDICAL LIMITED**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE**  
**INCOME**  
**For the year ended 30 June 2016**

	Note	Full year ended 30/06/2016 \$	Full year ended 30/06/2015 \$
Revenue from continuing operations		204,491	49,927
Other income		3,748,452	103,502
<i>Total revenue &amp; other income</i>	6	3,952,943	153,429
Business development		(697,793)	(507,609)
Corporate administration expenses		(577,174)	(600,583)
Research & development expenses	6	(5,613,245)	(2,758,346)
Finance costs		(6,435)	(4,953)
Share-based payment expenses		(326,728)	(1,490,020)
Amortisation expense		(354,469)	(208,520)
Depreciation expense	6	(10,857)	(12,906)
Impairment expenses		-	(1,501)
<i>Total expenses</i>		(7,586,701)	(5,584,438)
<b>Loss Before Income Tax</b>		<b>(3,633,758)</b>	(5,431,009)
Income tax benefit/(expense)		-	-
<b>Loss for the Year</b>		<b>(3,633,758)</b>	(5,431,009)
<u>Other comprehensive income</u>			
<i>Items that may be reclassified subsequently to profit and loss:</i>			
Net fair value gain/(losses) for available-for-sale listed investments		22,272	-
<b>Total comprehensive loss for the Year</b>		<b>(3,611,486)</b>	(5,431,009)
<b>Earnings/(loss) per share for attributable to the ordinary equity holders of the company</b>			
Basic loss per share (cents)	17	<b>(0.60)</b>	(1.32)
Dilutive loss per share (cents)	17	<b>(0.60)</b>	(1.32)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

**ACTINOGEN MEDICAL LIMITED**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**For the year ended 30 June 2016**

	Note	Full year ended 30/06/2016 \$	Full-year ended 30/06/2015 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	8	751,978	9,805,610
Trade and other receivables	9	2,966,276	215,460
Available-for-sale listed investments	10	4,025,987	-
<b>TOTAL CURRENT ASSETS</b>		<b>7,744,241</b>	10,021,070
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	8,358	6,755
Intangible assets	12	5,196,954	5,551,423
<b>TOTAL NON-CURRENT ASSETS</b>		<b>5,205,312</b>	5,558,178
<b>TOTAL ASSETS</b>		<b>12,949,553</b>	15,579,248
<b>CURRENT LIABILITIES</b>			
Trade and other payables	14	783,968	222,640
Provision for employee entitlements		40,235	-
<b>TOTAL LIABILITIES</b>		<b>824,203</b>	222,640
<b>NET ASSETS</b>		<b>12,125,350</b>	15,356,608
<b>EQUITY</b>			
Contributed equity	15	26,308,391	26,254,891
Reserve shares	15	(1,140,000)	(1,140,000)
Reserves	16	6,844,651	6,495,651
Accumulated losses		(19,887,692)	(16,253,934)
<b>TOTAL EQUITY</b>		<b>12,125,350</b>	15,356,608

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

**ACTINOGEN MEDICAL LIMITED**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**For the year ended 30 June 2016**

	Full year ended 30/06/2016	Full year ended 30/06/2015
Note	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Dividends received	98,638	-
Interest received	104,170	50,057
Interest paid	(6,435)	-
Payments to suppliers and employees	(1,047,481)	(1,065,090)
Payments for research and development	(5,331,088)	(2,808,258)
Research and development rebate received	1,143,057	103,502
<b>Net cash inflow/(outflow) from operating activities</b>	<b>(5,039,139)</b>	<b>(3,719,789)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(12,460)	(8,120)
Net proceeds from sale of property, plant and equipment	-	36,566
Purchases of available-for-sale listed investments	(6,000,225)	-
Proceeds on sale of available-for-sale listed investments	1,998,192	-
<b>Net cash inflow/(outflow) from investing activities</b>	<b>(4,014,493)</b>	<b>28,446</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares	-	13,222,500
Transaction costs associated with issue of shares	-	(853,223)
<b>Net cash inflow from financing activities</b>	<b>-</b>	<b>12,369,277</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(9,053,632)</b>	<b>8,677,934</b>
Cash and cash equivalents at beginning of the year	9,805,610	1,127,676
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	<b>751,978</b>	<b>9,805,610</b>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

**ACTINOGEN MEDICAL LIMITED**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**For the year ended 30 June 2016**

<b>Full year ended 30/6/2016</b>	<b>Contributed Equity</b>	<b>Accumulated Losses</b>	<b>Available-for- sale Reserve</b>	<b>Option Reserve</b>	<b>Reserve Shares</b>	<b>Total</b>
	\$	\$	\$	\$	\$	\$
<b>Balance as at 1/7/2015</b>	<b>26,254,891</b>	<b>(16,253,934)</b>	-	<b>6,495,651</b>	<b>(1,140,000)</b>	<b>15,356,608</b>
Loss for the year	-	(3,633,758)	-	-	-	(3,633,758)
Other comprehensive income	-	-	22,272	-	-	22,272
Total comprehensive income for the year	-	(3,633,758)	22,272	-	-	(3,611,486)
Transactions with equity holders in their capacity as equity holders						
Shares issued during the year	53,500	-	-	-	-	53,500
Share-based payments	-	-	-	326,728	-	326,728
Capital raising costs	-	-	-	-	-	-
<b>Balance as at 30/6/2016</b>	<b>26,308,391</b>	<b>(19,887,692)</b>	<b>22,272</b>	<b>6,822,379</b>	<b>(1,140,000)</b>	<b>12,125,350</b>

<b>Full-year ended 30/6/2015</b>	<b>Contributed Equity</b>	<b>Accumulated Losses</b>	<b>Available-for- sale Reserve</b>	<b>Option Reserve</b>	<b>Reserve Shares</b>	<b>Total</b>
	\$	\$	\$	\$	\$	\$
Balance as at 1/7/2014	7,245,614	(10,822,925)	-	4,789,123	-	1,211,812
Loss for the year	-	(5,431,009)	-	-	-	(5,431,009)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	-	(5,431,009)	-	-	-	(5,431,009)
Transactions with equity holders in their capacity as equity holders						
Shares issued during the year	19,862,500	-	-	-	(1,140,000)	18,722,500
Capital raising costs	(853,223)	-	-	-	-	(853,223)
Share-based payments	-	-	-	1,706,528	-	1,706,528
Balance as at 30/6/2015	26,254,891	(16,253,934)	-	6,495,651	(1,140,000)	15,356,608

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

# ACTINOGEN MEDICAL LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 30 JUNE 2016

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#### 1. CORPORATE INFORMATION

The financial statements of Actinogen Medical Limited ("the Company" or "Actinogen") and its subsidiary Corticrine Limited (collectively, "the Group") for the year ended 30 June 2016 were authorised in accordance with a resolution of Directors on 31 August 2016.

Actinogen Medical Limited is a for profit company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Stock Exchange. The nature of operations and principal activities of the Group are described in the Directors' Report. Information on other related party relationships is provided in Note 21.

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements of the Group are for the financial year ended 30 June 2016.

##### (a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, and the *Corporations Act 2001*. The financial statements have been prepared on a going concern basis.

##### (b) Compliance with IFRS

The financial statements of the Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

##### (c) Historical cost convention

These financial statements have been prepared under the historical cost convention, except for available-for-sale financial investments which have been measured at fair value.

##### (d) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

##### (e) Foreign currency translation

The Group's financial statements are presented in Australian dollars, which is also the Group's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

##### *Transactions and balances*

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation

# ACTINOGEN MEDICAL LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 30 JUNE 2016

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differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

#### (f) Plant & equipment

Each asset of plant and equipment is stated at cost, net of accumulated depreciation and impairment losses, if any. Assets are depreciated from the date the asset is ready for use.

Items of plant and equipment are depreciated using the diminishing value method over their estimated useful lives to the Group. The depreciation rates used for each class of asset for the current period are as follows:

- |                                |               |
|--------------------------------|---------------|
| • Plant and Equipment          | 7.5% to 37.5% |
| • Office and Equipment         | 40%           |
| • Computer Equipment           | 25% to 66.67% |
| • General Pool Assets >\$1,000 | 37%           |

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is assessed on the basis of expected net cash flows that will be received from the assets continual use or subsequent disposal. The expected cash flows have been discounted to their present value in determining the recoverable amount.

An asset is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income when the asset is de-recognised.

The assets' residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each balance date.

#### (g) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying values of its assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the assets carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less cost to sell, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

#### (h) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

# ACTINOGEN MEDICAL LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 30 JUNE 2016

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The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates and adjusted on a prospective basis. The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of comprehensive income when the asset is derecognised.

#### **Research and development costs**

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Company can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development
- The ability to use the intangible asset generated

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

#### **Patents**

The Company made upfront payments to purchase patents. The patents have been granted for a period of 20 years by the relevant government agency with the option of renewal at the end of this period. As a result, those patents are amortised on a straight-line basis over the period of the patent.

#### **(i) Income tax**

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the end of the reporting period.

Deferred income tax is accounted for using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

However, the deferred income tax from the initial recognition of an asset or liability, in a transaction other than a business combination is not accounted for if it arises that at the time of the transaction affects either accounting or taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the asset is realised or liability is settled. Deferred tax is credited in the statement of comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

# ACTINOGEN MEDICAL LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 30 JUNE 2016

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Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The Company's entitlement to the Research and Development tax rebate is recognised as a tax benefit upon receipt from the Australian Taxation Office.

#### **(j) Employee benefits**

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits discounted using the interest rate on corporate bonds with terms to maturity approximating the terms of the liability.

#### **(k) Share-based payments**

The Group provides benefits to employees (including directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions'). The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an internal valuation using a Black-Scholes option pricing model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award.

#### **(l) Cash and cash equivalents**

For the purpose of the Statement of Cash Flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, high liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts.



# ACTINOGEN MEDICAL LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 30 JUNE 2016

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#### **(m) Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest revenue is recorded using the effective interest rate method (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument, or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the statement of comprehensive income.

Research & development tax rebates are recognised when there is reasonable assurance that the rebate will be received. The rebate is recognised as income over the period necessary to match on a systematic basis the costs that it is intended to compensate.

#### **(n) Trade receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the statement of comprehensive income within impairment losses – financial assets. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against impairment losses – financial assets in the statement of comprehensive income.

#### **(o) Goods and services tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST. Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

#### **(p) Contributed equity**

Ordinary issued share capital is recognised at the fair value of the consideration received by the Group. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction in share proceeds received.

#### **(q) Trade and other payables**

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

# ACTINOGEN MEDICAL LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 30 JUNE 2016

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#### (r) Provisions

Provisions for legal claims and make good obligations are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

#### (s) Earnings per share

##### *(i) Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to owners of the Group, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

##### *(ii) Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

#### (t) Investments and other financial assets

##### *Classification*

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

##### *Recognition*

Financial instruments are initially measured at fair value on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

##### *Available-for-sale financial assets*

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting period.

##### *Loans and receivables*

Loans and receivables are non-derivative financial assets initially recognised at fair value with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

**ACTINOGEN MEDICAL LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**30 JUNE 2016**

*Subsequent measurement*

Available-for-sale financial assets are subsequently measured at fair value. Changes in the fair value of available for sale financial assets are recognised in the consolidated statement of comprehensive income.

Loans and receivables are carried at amortised cost using the effective interest rate method.

Details of how the fair value of financial instruments is determined and disclosed in Note 3.

*Impairment*

The Group assesses at each balance date whether there is objective evidence that a financial asset or Group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the statement of comprehensive income - is removed from equity and recognised in the statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on equity instruments classified as available-for-sale are not reversed.

If there is evidence of impairment for any of the Company's financial assets carried at amortised cost, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in the statement of comprehensive income.

**(u) Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

**(v) Government grants**

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amount over the expected useful life of the related asset.

**(w) New accounting standards and interpretations adopted**

The following standards and interpretations have been adopted by the Company:

Reference	Title	Application date of standard*	Application date for Group*
AASB 2013-9	<p><i>Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments</i></p> <p>The Standard contains three main parts and makes amendments to a number of Standards and Interpretations.</p> <p>Part A of AASB 2013-9 makes consequential amendments arising from the issuance of AASB CF 2013-1.</p> <p>Part B makes amendments to particular Australian Accounting Standards to delete references to AASB 1031 and also makes minor editorial amendments to various other standards.</p> <p>Part C makes amendments to a number of Australian Accounting</p>	1 January 2015	1 July 2015

**ACTINOGEN MEDICAL LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**30 JUNE 2016**

Reference	Title	Application date of standard*	Application date for Group*
	Standards, including incorporating Chapter 6 <i>Hedge Accounting</i> into AASB 9 <i>Financial Instruments</i> .		
AASB 2015-3	Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 <i>Materiality</i> The Standard completes the AASB's project to remove Australian guidance on materiality from Australian Accounting Standards.	1 July 2015	1 July 2015
AASB 2015-4	Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent The amendment aligns the relief available in AASB 10 <i>Consolidated Financial Statements</i> and AASB 128 <i>Investments in Associates and Joint Ventures</i> in respect of the financial reporting requirements for Australian groups with a foreign parent.	1 July 2015	1 July 2015

\*Designates the beginning of the applicable annual reporting period unless otherwise stated.

The company has not yet determined the impact of the above new and amended accounting standards.

**(x) New accounting standards and interpretations not yet adopted**

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2016 reporting periods and have not been early adopted by the Group. These new standards and interpretations are set out below.

Reference	Title	Summary	Application date of standard*	Application date for Group*
AASB 9	<i>Financial Instruments</i>	<p>AASB 9 (December 2014) is a new standard which replaces AASB 139. This new version supersedes AASB 9 issued in December 2009 (as amended) and AASB 9 (issued in December 2010) and includes a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting.</p> <p>AASB 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early adoption. The own credit changes can be early adopted in isolation without otherwise changing the accounting for financial instruments.</p> <p>Classification and measurement</p> <p>AASB 9 includes requirements for a simpler approach for classification and measurement of financial assets compared with the requirements of AASB 139. There are also some changes made in relation to financial liabilities.</p> <p>The main changes are described below.</p> <p><i>Financial assets</i></p> <p>a. Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows.</p> <p>b. Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.</p> <p>c. Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or</p>	1 January 2018	1 July 2018

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Reference	Title	Summary	Application date of standard*	Application date for Group*
		<p>significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.</p> <p><i>Financial liabilities</i></p> <p>Changes introduced by AASB 9 in respect of financial liabilities are limited to the measurement of liabilities designated at fair value through profit or loss (FVPL) using the fair value option. Where the fair value option is used for financial liabilities, the change in fair value is to be accounted for as follows:</p> <ul style="list-style-type: none"> <li>▶ The change attributable to changes in credit risk are presented in other comprehensive income (OCI)</li> <li>▶ The remaining change is presented in profit or loss</li> </ul> <p>AASB 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains or losses attributable to changes in the entity's own credit risk would be recognised in OCI. These amounts recognised in OCI are not recycled to profit or loss if the liability is ever repurchased at a discount.</p> <p><i>Impairment</i></p> <p>The final version of AASB 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis.</p> <p><i>Hedge accounting</i></p> <p>Amendments to AASB 9 (December 2009 &amp; 2010 editions and AASB 2013-9) issued in December 2013 included the new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures.</p> <p>Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7, AASB 2010-10 and AASB 2014-1 – Part E.</p> <p>AASB 2014-7 incorporates the consequential amendments arising from the issuance of AASB 9 in Dec 2014.</p> <p>AASB 2014-8 limits the application of the existing versions of AASB 9 (AASB 9 (December 2009) and AASB 9 (December 2010)) from 1 February 2015 and applies to annual reporting periods beginning on after 1 January 2015.</p>		
AASB 14 ^^^	Regulatory deferral accounts	<p>AASB 14 permits first-time adopters to continue to account for amounts related to rate regulation in accordance with their previous GAAP when they adopt Australian Accounting Standards. However, to enhance comparability with entities that already apply Australian Accounting Standards and do not recognise such amounts, AASB 14 requires that the effect of rate regulation must be presented separately from other items. An entity that is not a first-time adopter of Australian Accounting Standards will not be able to apply AASB 14.</p> <p>AASB 2014-1 Part D makes amendments to AASB 1 <i>First-time Adoption of Australian Accounting Standards</i>, which arise from the issuance of AASB 14 <i>Regulatory Deferral Accounts</i> in June 2014.</p>	1 January 2016	1 July 2016
AASB 2014-4	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments)	<p>AASB 116 <i>Property Plant and Equipment</i> and AASB 138 <i>Intangible Assets</i> both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset.</p> <p>The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset</p>	1 January 2016	1 July 2016

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Reference	Title	Summary	Application date of standard*	Application date for Group*
	to AASB 116 and AASB 138)	generally reflects factors other than the consumption of the economic benefits embodied in the asset.  The amendment also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.		
AASB 1057	Application of Australian Accounting Standards	This Standard lists the application paragraphs for each other Standard (and Interpretation), grouped where they are the same. Accordingly, paragraphs 5 and 22 respectively specify the application paragraphs for Standards and Interpretations in general. Differing application paragraphs are set out for individual Standards and Interpretations or grouped where possible.  The application paragraphs do not affect requirements in other Standards that specify that certain paragraphs apply only to certain types of entities.	1 January 2016	1 July 2016
AASB 15	Revenue from Contracts with Customers	AASB 15 <i>Revenue from Contracts with Customers</i> replaces the existing revenue recognition standards AASB 111 <i>Construction Contracts</i> , AASB 118 <i>Revenue</i> and related Interpretations (Interpretation 13 <i>Customer Loyalty Programmes</i> , Interpretation 15 <i>Agreements for the Construction of Real Estate</i> , Interpretation 18 <i>Transfers of Assets from Customers</i> , Interpretation 131 <i>Revenue—Barter Transactions Involving Advertising Services</i> and Interpretation 1042 <i>Subscriber Acquisition Costs in the Telecommunications Industry</i> ). AASB 15 incorporates the requirements of IFRS 15 <i>Revenue from Contracts with Customers</i> issued by the International Accounting Standards Board (IASB) and developed jointly with the US Financial Accounting Standards Board (FASB).  AASB 15 specifies the accounting treatment for revenue arising from contracts with customers (except for contracts within the scope of other accounting standards such as leases or financial instruments). The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:  (a) Step 1: Identify the contract(s) with a customer (b) Step 2: Identify the performance obligations in the contract (c) Step 3: Determine the transaction price (d) Step 4: Allocate the transaction price to the performance obligations in the contract (e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation  AASB 2015-8 amended the AASB 15 effective date so it is now effective for annual reporting periods commencing on or after 1 January 2018. Early application is permitted.  AASB 2014-5 incorporates the consequential amendments to a number Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 15.	1 January 2018	1 July 2018 Note A
AASB 2015-1	Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards	The subjects of the principal amendments to the Standards are set out below:  AASB 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i> : <ul style="list-style-type: none"> <li>Changes in methods of disposal – where an entity reclassifies an asset (or disposal group) directly from being held for distribution to being held for sale (or visa versa), an entity shall not follow the guidance in paragraphs 27–29 to account for this change.</li> </ul>	1 January 2016	1 July 2016

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Reference	Title	Summary	Application date of standard*	Application date for Group*
	2012–2014 Cycle	<p>AASB 7 <i>Financial Instruments: Disclosures</i>:</p> <ul style="list-style-type: none"> <li>• Servicing contracts - clarifies how an entity should apply the guidance in paragraph 42C of AASB 7 to a servicing contract to decide whether a servicing contract is 'continuing involvement' for the purposes of applying the disclosure requirements in paragraphs 42E–42H of AASB 7.</li> <li>• Applicability of the amendments to AASB 7 to condensed interim financial statements - clarify that the additional disclosure required by the amendments to AASB 7 <i>Disclosure–Offsetting Financial Assets and Financial Liabilities</i> is not specifically required for all interim periods. However, the additional disclosure is required to be given in condensed interim financial statements that are prepared in accordance with AASB 134 <i>Interim Financial Reporting</i> when its inclusion would be required by the requirements of AASB 134.</li> </ul> <p>AASB 119 <i>Employee Benefits</i>:</p> <ul style="list-style-type: none"> <li>• Discount rate: regional market issue - clarifies that the high quality corporate bonds used to estimate the discount rate for post-employment benefit obligations should be denominated in the same currency as the liability. Further it clarifies that the depth of the market for high quality corporate bonds should be assessed at the currency level.</li> </ul> <p>AASB 134 <i>Interim Financial Reporting</i>:</p> <ul style="list-style-type: none"> <li>• Disclosure of information 'elsewhere in the interim financial report' - amends AASB 134 to clarify the meaning of disclosure of information 'elsewhere in the interim financial report' and to require the inclusion of a cross-reference from the interim financial statements to the location of this information.</li> </ul>		
AASB 2015-9	Amendments to Australian Accounting Standards – Scope and Application Paragraphs [AASB 8, AASB 133 & AASB 1057]	This Standard inserts scope paragraphs into AASB 8 and AASB 133 in place of application paragraph text in AASB 1057. This is to correct inadvertent removal of these paragraphs during editorial changes made in August 2015. There is no change to the requirements or the applicability of AASB 8 and AASB 133.	1 January 2016	1 July 2016
AASB 16	Leases	<p>The key features of AASB 16 are as follows:</p> <p>Lessee accounting</p> <ul style="list-style-type: none"> <li>• Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.</li> <li>• A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities.</li> <li>• Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease.</li> </ul>	1 January 2019	1 July 2019

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Reference	Title	Summary	Application date of standard*	Application date for Group*
		<ul style="list-style-type: none"> <li>AASB 16 contains disclosure requirements for lessees.</li> </ul> <p>Lessor accounting</p> <ul style="list-style-type: none"> <li>AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.</li> <li>AASB 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk.</li> </ul> <p>AASB 16 supersedes:</p> <p>(a) AASB 117 Leases  (b) Interpretation 4 Determining whether an Arrangement contains a Lease  (c) SIC-15 Operating Leases—Incentives  (d) SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease</p> <p>The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted, provided the new revenue standard, AASB 15 Revenue from Contracts with Customers, has been applied, or is applied at the same date as AASB 16.</p>		
2016-1	Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]	This Standard amends AASB 112 <i>Income Taxes</i> (July 2004) and AASB 112 <i>Income Taxes</i> (August 2015) to clarify the requirements on recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value.	1 January 2017	1 July 2017
2016-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107	This Standard amends AASB 107 <i>Statement of Cash Flows</i> (August 2015) to require entities preparing financial statements in accordance with Tier 1 reporting requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.	1 January 2017	1 July 2017
IFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)	This standard amends to IFRS 2 <i>Share-based Payment</i> , clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for: <ul style="list-style-type: none"> <li>The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments</li> <li>Share-based payment transactions with a net settlement feature for withholding tax obligations</li> <li>A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled</li> </ul>	1 January 2018	1 July 2018

\* Designates the beginning of the applicable annual reporting period unless otherwise stated.

\*\* Only applicable to not-for-profit/public sector entities.

^^^ The application of this IFRS is highly unlikely to have an impact on Australian entities.

The impact of the adoption of all of these new and revised standards and interpretations has not yet been assessed by the Group.



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**3. FINANCIAL RISK MANAGEMENT**

The Group's activities expose it to a variety of financial risks: market risk, (including interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk in these areas is not significant enough to warrant a formalised specific risk management program.

Risk management is carried out by the Board of Directors in their day to day function as the overseers of the business.

Set out below is an overview of the financial instruments held by the Group as at 30 June 2016:

	Cash and cash equivalents	Loan and receivables	Available- for-sale
<b>As at 30/6/2016</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Financial assets:</b>			
Available-for-sale-investments	-	-	4,025,987
<b>Total non-current</b>	<b>-</b>	<b>-</b>	<b>4,025,987</b>
Cash & cash equivalents	751,978	-	-
Trade and other receivables	-	2,966,276	-
<b>Total current</b>	<b>751,978</b>	<b>2,966,276</b>	<b>-</b>
<b>Total assets</b>	<b>751,978</b>	<b>2,966,276</b>	<b>4,025,987</b>
<b>Financial liabilities:</b>			
Trade and other payables	-	783,968	-
<b>Total current</b>	<b>-</b>	<b>783,968</b>	<b>-</b>
<b>Total liabilities</b>	<b>-</b>	<b>783,968</b>	<b>-</b>
<b>Net exposure</b>	<b>751,978</b>	<b>2,182,308</b>	<b>4,025,987</b>

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Set out below is an overview of the financial instruments held by the Group as at 30 June 2015:

	Cash and cash equivalents	Loan and receivables	Available- for-sale
As at 30/6/2015	\$	\$	\$
<b>Financial assets:</b>			
Available-for-sale-investments	-	-	-
Total non-current	-	-	-
<b>Cash &amp; cash equivalents</b>			
Cash & cash equivalents	9,805,610	-	-
Trade and other receivables	-	215,460	-
Total current	9,805,610	215,460	-
Total assets	9,805,610	215,460	-
<b>Financial liabilities:</b>			
Trade and other payables	-	222,640	-
Total current	-	222,640	-
Total liabilities	-	222,640	-
Net exposure	9,805,610	(7,180)	-

**(a) Market Risk**

*(i) Foreign Exchange Risk*

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency and net investments in foreign operations.

During the prior year ended 30/6/2015, Actinogen Medical Limited acquired 100% of the issued capital in Corticrine Limited; a company located in the United Kingdom; however, on 23 February 2016 Corticrine Limited was deregistered and dissolved. The subsidiary's cash and cash equivalents were denominated in Great British Pounds.

*(ii) Price risk*

Equity price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments in the market. Equity price risk is minimised through ensuring that investment activities are undertaken in accordance with the Board established mandate limits and investment strategies.

During the year the Group's main equity price risk exposure related to the Group's available-for-sale financial assets which comprised of various ASX-listed investments. All the investment assets were securities from major banks and are considered low risk investments.

*(iii) Interest rate risk*

The Group's main interest rate risk exposure relates primarily to the Group's cash at bank and funds held on deposit that are both held with variable interest rates. The Group does not rely on the generation of interest on cash and cash equivalents to provide for working capital and as result does not consider this to be material. The Group therefore has not undertaken any further analysis of exposure other than the analysis in the table below:

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	As at 30/6/2016		As at 30/6/2015	
	Weighted average interest rate	Balance	Weighted average interest rate	Balance
	%	\$	%	\$
Cash and cash equivalents	1.6	751,978	1.6	9,805,610

**(b) Credit risk**

Credit risk is the risk of financial loss to the Group if a counter party to a financial instrument fails to meet its contractual obligations. The Group's main credit risk exposure relates to the financial assets of the Group, which comprise cash and cash equivalents and trade and other receivables. The Group's exposure to credit risk arises from potential default of the counter party, with the maximum exposure equal to the carrying amount of these instruments.

The carrying amount of financial assets included in the statement of financial position represents the Group's maximum exposure to credit risk in relation to those assets. The Group does not hold any credit derivatives to offset its credit exposure. The Group trades only with recognised, credit worthy third parties and as such collateral is not requested nor is it the Group's policy to securitise its trade and other receivables. Receivable balances are monitored on an ongoing basis with the result that the Group does not have a significant exposure to bad debts. The Group has no significant concentrations of credit risk except for cash held with National Australia Bank and various receivables with recognised third parties.

*(i) Cash*

The Directors believe that there is negligible credit risk with the Group's cash and cash equivalents, as funds are held at call with National Australia Bank, a reputable Australian Banking institution.

*(ii) Trade and other receivables*

While the Group has policies in place to ensure that transactions with third parties have an appropriate credit history, the management of current and potential credit risk exposures is limited as far as is considered commercially appropriate. Up to the date of this report, the Board has placed no requirement for collateral on existing debtors.

**(c) Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial liabilities as and when they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows. Surplus funds are generally only invested at call or in bank bills that are highly liquid and with maturities of less than six months.

*(i) Financing arrangements:*

The Group does not have any financing arrangements.

*(ii) Maturities of financial liabilities:*

The Group's only debt relates to trade payables, where payments are generally due within 30 days.

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**(d) Fair Value Measurements**

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

Accounting standards require disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following tables present the Group's assets and liabilities measured and recognised at fair value at 30 June 2016 and 30 June 2015.

<b>At 30/6/2016</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets</b>				
Trade and other receivables	2,966,276	-	-	2,966,276
Available-for-sale financial investments	4,025,987	-	-	4,025,987
<b>Total financial assets</b>	<b>6,992,263</b>	<b>-</b>	<b>-</b>	<b>6,992,263</b>

<b>Financial liabilities</b>				
Trade and other payables	783,968	-	-	783,968
<b>Total financial liabilities</b>	<b>783,968</b>	<b>-</b>	<b>-</b>	<b>783,968</b>

<b>At 30/6/2015</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets</b>				
Trade and other receivables	215,460	-	-	215,460
<b>Total financial assets</b>	<b>215,460</b>	<b>-</b>	<b>-</b>	<b>215,460</b>

<b>Financial liabilities</b>				
Trade and other payables	222,640	-	-	222,640
<b>Total financial liabilities</b>	<b>222,640</b>	<b>-</b>	<b>-</b>	<b>222,640</b>

The fair value of financial instruments traded in active markets (such as available-for-sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid prices at the end of the financial year. These instruments are included in Level 1.

**(e) Fair Values**

Set out below is a comparison of the carrying amounts and fair values of financial instruments as at 30 June 2016. The carrying value of trade receivables and trade payables are assumed to approximate their fair value due to their short-term nature.

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At 30/6/2016	Carrying amount \$	Fair value \$
<b>Financial assets:</b>		
Available-for-sale-investments	4,025,987	4,025,987
Trade and other receivables	2,966,276	2,966,276
<b>Total current</b>	<b>6,992,263</b>	<b>6,992,263</b>
<b>Total financial assets</b>	<b>6,992,263</b>	<b>6,992,263</b>
<b>Financial liabilities:</b>		
Trade and other payables	783,968	783,968
<b>Total current</b>	<b>783,968</b>	<b>783,968</b>
<b>Total financial liabilities</b>	<b>783,968</b>	<b>783,968</b>

**4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

- *Key estimates: Impairment*

The Company assesses impairment at each reporting date by evaluating conditions specific to the Company that may lead to impairment of non-financial assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

The Company follows the guidance of AASB 139 Financial Instruments: Recognition and Measurement on determining when an available-for-sale financial asset is impaired. This determination requires significant judgement. In making this judgement, the Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost and the financial health of and near term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

- *Key estimates: Share-based payments*

The Group initially measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant.

This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 22.

**5. SEGMENT INFORMATION**

The Group's sole operations are within the biotech industry within Australia. Given the nature of the Group, its size and current operations, the Group's management does not treat any part of the Group as a separate operating segment. Internal financial information used by the Group's decision makers is presented on a "whole of entity" manner without dissemination to any separately identifiable segments. Accordingly, the financial information reported elsewhere in this financial report is representative of the nature and financial effects of the business activities in which it engages and the economic environments in which it operates. All non-current assets are held in Australia and all revenue is derived in Australia.

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**6. REVENUE, OTHER INCOME AND EXPENSES**

	<b>Full year ended</b> <b>30/06/2016</b>	Full year ended 30/06/2015
	\$	\$
<b>Revenue</b>		
Dividends Received	100,320	-
Interest Revenue	104,171	49,927
	<b>204,491</b>	49,927
<u>Other income</u>		
Research and development tax rebate	3,748,452	103,502
<i>Total other income</i>	3,748,452	103,502
<b>Total revenue</b>	<b>3,952,943</b>	153,429
<b>Expenses</b>		
<i>Research and development expenses</i>		
Research consultants	539,764	1,857,890
Administrative	209,396	186,873
Laboratory expenses	3,820,489	90,846
Employee expenses	1,043,596	622,737
	<b>5,613,245</b>	2,758,346
<i>Other expenses</i>		
Employee expenses	241,644	57,119
Depreciation	10,857	12,906
	<b>252,501</b>	70,025

**7. INCOME TAX**

	<b>Full-year ended</b> <b>30/06/2016</b>	Full-year ended 30/06/2015
	\$	\$
Numerical reconciliation of income tax income to prima facie tax payable		
Operating loss before income tax	(3,633,758)	(5,431,009)
Tax benefit at the Australian tax rate of 30% (2013: 30%)	(1,090,127)	(1,629,303)
Tax effect of amounts that are not deductible / taxable in calculating taxable income:		
Fines and penalties	-	24
Share-based payments	98,018	447,000
Research and development	415,198	764,338
Future income tax benefit not brought to account	576,911	417,941
Income tax benefit / (expense)	-	-

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	<b>Full-year ended</b> <b>30/06/2016</b>	Full-year ended 30/06/2015
	\$	\$
Tax income (expense) relating to items of other comprehensive income		
Available for sale financial assets	-	-
	-	-
<b>Tax Losses</b>		
Unused tax losses for which no deferred tax asset has been recognised.		
Potential tax benefit @ 30%	2,090,587	1,554,949
	<b>2,090,587</b>	1,554,949
<b>Unrecognised temporary differences</b>		
Temporary differences for which deferred tax assets have not been recognised.		
- Provisions and accruals	26,810	15,000
- Capital raising costs	636,854	865,387
- Impairment	-	205,435
	<b>663,664</b>	1,085,822
Unrecognised deferred tax asset relating to the above temporary differences	<b>199,099</b>	325,747

The tax benefit of tax losses and other temporary differences will only arise in the future where the Group derives sufficient net taxable income and is able to satisfy the carried forward tax loss recoupment rules. The Directors believe that the likelihood of the Group achieving sufficient taxable income in the future is not probable and the tax benefit of these tax losses and other temporary differences have not been recognised.

**8. CASH AND CASH EQUIVALENTS**

	<b>As at</b> <b>30/06/2016</b>	As at 30/06/2015
	\$	\$
Cash at bank and on hand	648,961	9,775,125
Short term deposits	103,017	30,485
<b>Total cash and cash equivalents</b>	<b>751,978</b>	9,805,610

At the end of the prior year ended 30 June 2015, the Group's cash and cash equivalents totalled \$9,805,610. Since then the Group has invested \$6,000,225 in available-for-sale listed investments comprising securities from major banks which are considered low risk investments that are readily convertible to

**ACTINOGEN MEDICAL LIMITED**  
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cash. Approximately \$2,000,000 of these investments have been sold, so that as of 30 June 2016, the balance of the Group's investments were valued at \$4,025,987. The Group received \$98,638 in dividends during the year from holding these investments and as at 30 June 2016 the Group recognised an unrealised gain of \$22,272. Refer to Financial Statements, Note 10: Available-for-sale Listed Investments for further information.

Combining the \$4,025,987 in available-for-sale listed investments with the \$751,978 in cash and cash equivalents held at year end, equates to \$4,777,965. The decrease from prior year-end balance of \$9,805,610 is in line with the anticipated working capital budgeted spend as set out in various announcements issued on the stock exchange during the financial year and previous financial year. Funds have been applied primarily to support the Phase 2 study of Xanamem™, and to support general working capital.

Post year-end the Company is due to receive up to approximately \$2.6 million in other income which relates to the research and development tax rebate receivable recognised at year end. Refer to Note 9(c) below.

**Reconciliation of net cash flows from operating activities**

	<b>Full year ended 30/06/2016</b>	Full year ended 30/06/2015
	<b>\$</b>	<b>\$</b>
Loss for the year	(3,633,758)	(5,431,009)
Non cash items:		
Unrealised gain/(loss) from available-for-sale listed investments	(1,682)	-
Depreciation	10,857	12,906
Amortisation expense	354,469	208,520
Writeoff property, plant and equipment	-	95,096
Writeoff available-for-sale financial asset	-	1,500
Share-based payment expense	326,728	1,490,020
Issue of shares for services performed	53,500	-
Change in assets and liabilities		
(Increase)/decrease in receivables	(2,750,816)	(219,535)
Increase/(decrease) in trade creditors and other payables	561,328	122,713
Increase/(decrease) in employee entitlements	40,235	-
	<b>(5,039,139)</b>	<b>(3,719,789)</b>

**Non cash financing & investing activities**

No non-cash financing and investing activities occurred during the year ended 30 June 2016.

**Financing facilities available**

As at 30 June 2016, the Group had no financing facilities available. For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts.

**Interest rate risk exposure**

The Group's exposure to interest rate risk is discussed in Note 3.

**Credit risk exposure**

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.



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**9. TRADE AND OTHER RECEIVABLES**

	<b>As at 30/06/2016</b>	As at 30/06/2015
	<b>\$</b>	<b>\$</b>
Prepayments (a)	37,692	33,953
Goods and services tax receivable (b)	323,189	181,507
Research and development tax rebate receivable (c)	2,605,395	-
<b>Total trade and other receivables</b>	<b>2,966,276</b>	215,460

**(a) Prepayments**

This amount relates to prepaid insurances.

**(b) Goods and services tax receivable**

This amount relates to good and services tax (GST) paid during the quarters ended 30 June 2016 and 31 March 2016 that is refundable to the Company.

**(c) Research and development tax rebate receivable**

This amount relates to the research and development tax rebate that the Company is entitled to claim on the research and development costs incurred during the year.

None of the current receivables are impaired or past due but not impaired.

**10. AVAILABLE-FOR-SALE LISTED INVESTMENTS**

During the year the Group's available-for-sale listed investments comprised of securities from major banks, these are considered low risk investments. The fair value of listed investments in listed corporations is based on the bid price on the Australian Securities Exchange prior to close of business on balance date.

	<b>As at 30/06/2016</b>	As at 30/06/2015
	<b>\$</b>	<b>\$</b>
Listed investments at fair value	4,025,987	-
<b>Fair value</b>	<b>4,025,987</b>	-

Movements during the year:

	<b>As at 30/06/2016</b>	As at 30/06/2015
	<b>\$</b>	<b>\$</b>
At beginning of the year	-	1,500
Purchases of available-for-sale listed investments	6,000,225	-
Proceeds on sale of available-for-sale listed investments	(1,996,510)	
Unrealised gain/(loss) on listed investments	22,272	
Impairment of available for sale financial assets	-	(1,500)
<b>At end of the year</b>	<b>4,025,987</b>	-

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**11. PROPERTY, PLANT AND EQUIPMENT**

	As at 30/06/2016	As at 30/06/2015
	\$	\$
At cost	22,923	10,462
Accumulated depreciation	(14,565)	(3,707)
<b>Total property, plant and equipment</b>	<b>8,358</b>	<b>6,755</b>

*Movements during the year:*

	Plant and Equipment	Office Equipment	Computer Equipment	General Pool	Total
<b>Balance at 1/7/2015</b>	-	-	3,631	3,124	6,755
Acquisitions	-	-	8,383	4,077	12,460
Disposals	-	-	-	-	-
Depreciation	-	-	(8,195)	(2,662)	(10,857)
<b>Balance at 30/6/2016</b>	<b>-</b>	<b>-</b>	<b>3,819</b>	<b>4,539</b>	<b>8,358</b>

	Plant and Equipment	Office Equipment	Computer Equipment	General Pool	Total
Balance at 1/7/2014	102,759	215	3,663	-	106,637
Acquisitions	-	-	4,332	3,789	8,121
Disposals	(93,884)	(144)	(1,069)	-	(95,097)
Depreciation	(8,875)	(71)	(3,295)	(665)	(12,906)
Balance at 30/6/2015	-	-	3,631	3,124	6,755

**12. INTANGIBLE ASSETS**

	As at 30/06/2016	As at 30/06/2015
	\$	\$
At cost	5,756,744	5,756,744
Accumulated amortisation	(559,790)	(205,321)
<b>Total intangible assets</b>	<b>5,196,954</b>	<b>5,551,423</b>

**ACTINOGEN MEDICAL LIMITED**  
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*Movements during the year:*

	<b>Intellectual Property \$</b>
<b>Balance at 1/7/2015</b>	<u>5,551,423</u>
Acquisitions	-
Amortisation expense	(354,469)
<b>Balance at 30/6/2016</b>	<u><b>5,196,954</b></u>
Balance at 1/7/2014	-
Acquisitions	5,756,744
Amortisation expense	(205,321)
Balance at 30/6/2015	<u>5,551,423</u>

Intellectual property totalling \$5,196,954 comprises patents and licences initially acquired through Corticrine Limited. On 8 December 2014, Actinogen entered into an Assignment of Licence Agreement with Corticrine Limited for the assignment of all of Corticrine's interest in, to and under the Licence Agreement to Actinogen and the assumption by Actinogen of all of Corticrine's obligations in respect of such assignment (Assignment).

The intellectual property is supported by seven patent families, the most recent of which will expire in 2031. The patent useful life has been aligned to the patent term and as a result, those patents are amortised on a straight-line basis over the period of the patent. For further information refer to Note 13 below and to the accounting policy in Note 2.

**13. DERECOGNITION OF SUBSIDIARY: CORTICRINE LIMITED**

On 1 December 2014, Actinogen Medical Limited acquired 100% of the shares in Corticrine Limited, an unlisted company based in the United Kingdom, in exchange for 125,000,000 ordinary shares in Actinogen at 0.044 cents per share. The total acquisition consideration therefore equalled \$5,500,000. On 8 December 2014, Actinogen entered into an Assignment of Licence Agreement with Corticrine Limited for the assignment of all of Corticrine's interest in, to and under the Licence Agreement to Actinogen and the assumption by Actinogen of all of Corticrine's obligations in respect of such assignment (Assignment).

On 23 February 2016, Corticrine Limited was deregistered and dissolved. Corticrine was entirely dormant for the entire financial year up to its deregistration date.

**14. TRADE AND OTHER PAYABLES**

	<b>As at 30/06/2016 \$</b>	<b>As at 30/06/2015 \$</b>
Trade payables	689,777	192,276
Accruals and other payables	26,810	15,000
Goods and services tax payable	-	3,665
NAB credit cards	1,916	-
Provision for payroll tax	32,514	-
PAYG payable	32,951	11,699
<b>Total trade and other payables</b>	<u><b>783,968</b></u>	<u>222,640</u>

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Trade and other payables are non-interest bearing liabilities stated at cost and settled within 30 days. Information about the Group's exposure to foreign currency risk is provided in Note 3.

**15. CONTRIBUTED EQUITY**

	<b>As at 30/06/2016</b>	<b>As at 30/06/2015</b>
	<b>\$</b>	<b>\$</b>
Fully paid ordinary shares	28,588,391	28,534,891
Capital raising costs	(2,280,000)	(2,280,000)
<b>Total contributed equity</b>	<b>26,308,391</b>	<b>26,254,891</b>

**(a) Share Capital**

Ordinary shares: These shares entitle the holder to participate in dividends and the proposed winding up of the Group in proportion to the number and amount paid on the share held. Effective 1 July 1998 the Corporations legislation in place abolished the concepts of authorised capital and par share values. Accordingly, the Group does not have authorised capital or par value in respect of its issued shares.

**(b) Movement of fully paid ordinary shares during the period were as follows:**

	<b>Date</b>	<b>Quantity</b>	<b>Unit Price \$</b>	<b>Total \$</b>
Balance carried forward 1 July 2014		202,632,338		7,245,614
Issue of shares - Tranche 1	2/09/2014	50,000,000	0.02	1,000,000
Issue of shares - Tranche 2	1/12/2014	50,000,000	0.02	1,000,000
Capital raising costs		-	-	(227,163)
Issue of shares - Director placement	1/12/2014	19,500,000	0.02	390,000
Consideration shares - Acquisition of Corticrine Ltd	3/12/2014	125,000,000	0.044	5,500,000
Issue of loan shares	3/12/2014	33,000,000	0.02	660,000
Issue of loan shares	12/12/2014	12,000,000	0.04	480,000
Placement shares	6/05/2015	105,289,474	0.095	10,002,500
Share Purchase Plan	20/05/2015	8,736,746	0.095	830,000
Capital raising costs		-	-	(626,060)
<b>Balance at 30/6/2015</b>		<b>606,158,558</b>		<b>26,254,891</b>
Issue of shares pursuant to service agreements	6/05/2016	535,000	0.100	53,500
<b>Balance at 30/6/2016</b>		<b>606,693,558</b>		<b>26,308,391</b>

**ACTINOGEN MEDICAL LIMITED**  
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**(c) Reserve shares**

	<b>Date</b>	<b>Quantity</b>	<b>Unit Price \$</b>	<b>Total \$</b>
Reserve shares (loan shares)	3/12/2014	(33,000,000)	\$ 0.02	(660,000)
Reserve shares (loan shares)	12/12/2014	(12,000,000)	\$ 0.04	(480,000)
Balance at 30/6/2015		(45,000,000)		(1,140,000)
<b>Balance at 30/6/2016</b>		<b>(45,000,000)</b>		<b>(1,140,000)</b>

During the prior year ended 30 June 2015, the Company issued 45,000,000 Loan Shares under the Employee Share Plan approved at the Annual General Meeting of shareholders on 19 November 2014. The details of these loan shares are listed below:

- 33,000,000 shares issued at \$0.02 each on 3 December 2014 of which 26,000,000 have vested; and
- 12,000,000 shares issued at \$0.04 each on 12 December 2014.

**(d) Share Options**

As at the date of this report, there were 55,700,000 unissued ordinary shares under option:

- 48,500,000 unlisted options with an exercise price of \$0.02 per share and an expiry date of 30 November 2018 (fully vested);
- 5,500,000 unlisted Facilitator options at \$0.02 per share exercisable on or before 30 November 2018 (fully vested); and
- 1,700,000 unlisted options with an exercise price of \$0.103 per share exercisable on or before 7 July 2020. These options were issued to employees of the Group and are subject to vesting conditions (refer to Subsequent Events note).

During the year, the following options expired on 30 September 2015:

- 9,103,177 listed options on issue post-consolidation. These options were exercisable at 40 cents each (20 cents pre-consolidation) with an expiry date of 30 September 2015.

**(e) Terms and Conditions of Issued Capital**

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. At shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has a vote on a show of hands. Ordinary shares have no par value.

**(f) Capital risk management**

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so it can provide returns to shareholders and benefits to other stakeholders. The Group considers capital to consist of cash reserves on hand and available-for-sale listed investments.

Consistent with the Group's objective, it manages working capital by issuing new shares, investing in and selling assets, submitting Research and Development rebates from the Australian Tax Office or modifying its planned research and development program as required.

Given the stage of the Company's development there are no formal targets set for return on capital. The Company is not subject to externally imposed capital requirements. The net equity of the Company is equivalent to capital. Net capital is obtained through capital raisings on the Australian Securities Exchange and receipt of Research and Development rebates from the Australian tax Office.

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**16. RESERVES**

Reserves are made up of the options reserve. The option reserve records items recognised as expenses on valuation of employee and Director share options. Details of the movement in reserves is shown below.

	<b>As at 30/06/2016</b>	As at 30/06/2015
	<b>\$</b>	\$
<b>Option reserve</b>	<b>6,844,651</b>	6,495,651

Movements during the year:

	<b>As at 30/06/2016</b>	As at 30/06/2015
	<b>\$</b>	\$
<b>Option Reserve</b>		
Opening balance	6,495,651	4,789,123
Share-based payment expense	326,728	1,706,528
Closing balance	<b>6,822,379</b>	6,495,651

**Available-for-sale investments reserve**

Balance at the beginning of the year	-	-
Unrealised gain/(loss) on available-for-sale listed investments	22,272	-
Balance at end of year	<b>22,272</b>	-

There were no options issued during the year. At year end there were 54,000,000 options on issue. The \$326,728 in share-based payment expense is attributable to the loan shares issued to Key Management Personnel during the prior year.

**17. EARNINGS PER SHARE**

	<b>Full-year ended 30/06/2016</b>	Full-year ended 30/06/2015
	<b>\$</b>	\$
Basic EPS from continuing operations attributable to the ordinary share holders of the Company (cents)	<b>(0.60)</b>	(1.32)
Weighted number of ordinary shares used as the denominator	<b>606,240,449</b>	412,406,878
Net loss used in calculating EPS	<b>(3,633,758)</b>	(5,431,009)
Diluted EPS from continuing operations attributable to the ordinary share holders of the Company (cents)	<b>(0.60)</b>	(1.32)
Weighted number of ordinary shares used as the denominator	<b>606,240,449</b>	412,406,878
Net loss used in calculating diluted EPS	<b>(3,633,758)</b>	(5,431,009)

There are 54,000,000 unissued ordinary shares under option excluded from the calculation of diluted earnings per share that could potentially dilute basic earnings per share in the future because they are anti-dilutive or the current period presented.

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There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

**18. COMMITMENTS**

Other than what is mentioned below, the Group has no future commitments existing as at 30 June 2016 (2015: Nil).

*Rental Agreement*

During the prior year the Group entered into a property rental lease agreement for a term of three years which commenced from 1 July 2015 with no renewal option included in the agreement. There are no restrictions placed upon the Group by entering into this lease.

The lease includes a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions. Future minimum rentals payable under non-cancellable operating leases as at 30 June 2016 are as follows:

	<b>As at</b> <b>30/06/2016</b>	<b>As at</b> <b>30/06/2015</b>
	<b>\$</b>	<b>\$</b>
Within one year	\$ 104,845	100,813
After one year but not more than five years	\$ 109,039	201,625
More than five years	\$ -	-
	<b>\$ 213,884</b>	<b>302,438</b>

**19. CONTINGENCIES**

The Directors are not aware of any contingent liabilities or assets as at 30 June 2016 (2015: Nil).

**20. KEY MANAGEMENT PERSONNEL DISCLOSURES**

Key management personnel of Actinogen Medical Limited are listed below:

<b>Name</b>	<b>Position</b>	<b>Appointed</b>	<b>Resigned</b>
Dr Bill Ketelbey	Managing Director / Chief Executive Officer	18/12/2014	Current
Mr Martin Rogers	Executive Chairman Non-Executive Chairman	1/12/2014 7/7/2016	7/07/2016 Current
Dr Jason Loveridge	Non-Executive Director	1/12/2014	Current
Dr Anton Uvarov	Non-Executive Director	16/12/2013	Current
Mr Vincent Ruffles	Vice President of Clinical Research	27/10/2014	Current

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**(a) Key Management Personnel Compensation:**

	<b>Full-year ended</b> <b>30/06/2016</b>	Full-year ended 30/06/2015
	<b>\$</b>	<b>\$</b>
Short-term employee benefits	650,886	590,484
Post employment benefits	49,646	33,386
Share-based payment	326,728	1,490,020
	<b>1,027,260</b>	<b>2,113,890</b>

There were no long term benefits or termination benefits paid out during the years ended 30 June 2016 and 30 June 2015.

The detailed remuneration disclosures and relevant interested of each Key Management Personnel in fully paid ordinary shares and options of the Group are provided in the audited remuneration report on pages 23 to 36.

**21. RELATED PARTY TRANSACTIONS**

**(a) Transactions with Key Management Personnel**

Details of transactions with Key Management Personnel are set out in Note 20. There were no other related party transactions that occurred during the year.

**22. SHARE – BASED PAYMENTS**

The following share based payment existed at 30 June 2016:

Recipient	Class of Loan Share	Quantity	Issue Price	Value recognised during the year \$	Value to be recognised in future years \$
Jason Loveridge	Class A	3,000,000	\$ 0.02	35,789	-
Jason Loveridge	Class B	3,000,000	\$ 0.02	53,537	-
Martin Rogers	Class C	7,500,000	\$ 0.02	-	-
Martin Rogers	Class D	7,500,000	\$ 0.02	-	-
Martin Rogers	Class E	5,000,000	\$ 0.02	25,883	-
Martin Rogers	Class F	5,000,000	\$ 0.02	71,036	70,841
Vincent Ruffles	Class G	2,000,000	\$ 0.02	25,134	33,238
Bill Ketelbey	Class H	6,000,000	\$ 0.04	72,451	105,509
Bill Ketelbey	Class I	3,000,000	\$ 0.04	-	-
Bill Ketelbey	Class J	3,000,000	\$ 0.04	42,898	42,781
		<b>45,000,000</b>		<b>326,728</b>	<b>252,369</b>

**Employee Plan Loan Shares**

Under the Employee Share Plan (approved by shareholders on 19 November 2014), awards are made to executives and other key management personnel who have an impact on the Group's performance. The Plan awards are delivered in the form of options over shares which vest over a period of five years subject to meeting performance measures.



**ACTINOGEN MEDICAL LIMITED**  
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The fair value of share options granted have been valued using a Black Scholes methodology, taking into account the terms and conditions upon which the share options were granted.

The approximate interest rate over a five year term was used. The assumed dividend payable in the next five years was deemed to be nil. A volatility of the share price fluctuation was calculated by considering the historical movement of the share price over period of time as well factoring market conditions of its competitors to predict the distribution of relative share performance.

The exercise price of the share options is equal to the market price of the underlying shares on the date of grant. The contractual term of the share options is five years and there are no cash settlement alternatives for the employees. The Group does not have a past practice of cash settlement for these awards.

The fair value of options granted during the prior year ended 30 June 2015 was estimated on the date of grant using the following assumptions:

- Dividend yield (%) nil
- Expected volatility (%) 100
- Risk-free interest rate (%) 5.0
- Expected life (years) 5.0
- Weighted average share price (\$) 0.04

**23. PARENT ENTITY NOTE**

	<b>Full-year ended 30/06/2016</b>	Full-year ended 30/06/2015
	\$	\$
Current assets	7,744,241	10,021,070
Non-current assets	5,205,312	5,558,178
<b>Total assets</b>	<b>12,949,553</b>	15,579,248
Current liabilities	824,203	222,640
<b>Total liabilities</b>	<b>824,203</b>	222,640
<b>Net Assets</b>	<b>12,125,350</b>	15,356,608
Contributed equity	26,308,391	26,254,891
Reserve shares	(1,140,000)	(1,140,000)
Reserves	6,844,651	6,495,651
Accumulated losses	(19,887,692)	(16,253,934)
<b>Total equity</b>	<b>12,125,350</b>	15,356,608
Profit / (loss) for the year	(3,633,758)	(5,431,009)
Other comprehensive income for the year	22,272	-
Total comprehensive income / (loss) for the year	<b>(3,611,486)</b>	(5,431,009)

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**24. REMUNERATION OF AUDITOR**

	<b>Full-year ended</b> <b>30/06/2016</b>	Full-year ended 30/06/2015
	<b>\$</b>	<b>\$</b>
Amounts paid or payable to Ernst & Young for:		
- An audit or review of the financial statements of the entity	31,200	21,695
	<b>31,200</b>	<b>21,695</b>

**25. EVENTS OCCURRING AFTER THE REPORTING PERIOD**

- On 7 July 2016, 1.7 million options with an exercise price of \$0.103 each, exercisable on or before 7 July 2020 were issued to employees of the Group. These options will vest on achieving FDA IND approval for the XanADu trial, and for achieving the first patient enrolled into the study in the US and Australia, and for achieving MHRA regulatory approval for the study in the UK, by the end of 2016.
- On 7 July 2016, Mr Martin Rogers reverted from Executive Chairman to Non-Executive Chairman.

Other than what has been mentioned above, no matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of the Company in subsequent financial years.

**ACTINOGEN MEDICAL LIMITED  
DIRECTORS' DECLARATION  
30 JUNE 2016**

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In the Directors opinion:

1. The financial statements and notes set out on pages 39 to 72, are in accordance with the *Corporations Act 2001* including:
  - (a) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (b) giving a true and fair view of the Company's financial position as at 30 June 2016 and of its performance for the year ended on that date;
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
3. The remuneration disclosure included in the audited Remuneration Report in the Director's Report complies with Section 300A of the *Corporations Act 2001*.
4. The directors have been given the declaration by the Managing Director as required by section 295A of the *Corporations Act 2001*.
5. The Company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.

This declaration is made in accordance with a resolution of the Directors.



Dr Bill Ketelbey  
Managing Director

Sydney, New South Wales  
Date: Wednesday, 31 August 2016

## Independent auditor's report to the members of Actinogen Medical Limited

### Report on the financial report

We have audited the accompanying financial report of Actinogen Medical Limited, which comprises the statement of financial position as at 30 June 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

### Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

### Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

## Opinion

In our opinion:

- a. the financial report of Actinogen Medical Limited is in accordance with the *Corporations Act 2001*, including:
  - i giving a true and fair view of the company's financial position as at 30 June 2016 and of its performance for the year ended on that date;
  - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

## Report on the remuneration report

We have audited the Remuneration Report included within the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

## Opinion

In our opinion, the Remuneration Report of Actinogen Medical Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.



Ernst & Young



T G Dachs  
Partner  
Perth  
31 August 2016

# ACTINOGEN MEDICAL LIMITED

## SHAREHOLDER INFORMATION

### Substantial shareholders

The following substantial shareholders have lodged notices with the company as at 27 September 2016:

Holders	Shares	Percentage of Issued Capital
Edinburgh Technology Fund Limited	48,147,864	7.94
Mr Martin Rogers	36,250,000	5.98
Tisia Nominees Pty Ltd	34,717,184	5.72
JK Nominees Pty Ltd	34,717,184	5.72

Distribution of ordinary shareholders as at 27 September 2016

Range of Holding	Holders	Shares
1-1,000	36	8,845
1,001-5,000	325	1,054,237
5,001-10,000	295	2,471,402
10,001 - 100,000	818	37,185,109
100,001 – over	427	565,973,965
	<u>1,901</u>	<u>606,693,558</u>

Shareholders with less than a marketable parcel. 490

### Voting Rights

Each fully paid ordinary share carries voting rights of one vote per share.

### Twenty Largest holders of quoted ordinary shares as at 27 September 2016

	Number of Shares	Percentage of Issued Capital
Edinburgh Technology Fund Limited	48,147,864	7.94
JK Nominees Pty Ltd <The JK Fund A/C>	30,500,000	5.03
Webinvest Pty Ltd <OLSB Unit A/C>	25,500,000	4.20
Mr Martin Rogers	25,000,000	4.12
Warambi Sarl	21,875,078	3.61
Mr Jason Peterson & Mrs Lisa Peterson <J & L Peterson S/F A/C>	19,465,788	3.21
Tisia Nominees Pty Ltd <Henderson Family A/C>	18,150,000	2.99
Denlin Nominees Pty Ltd	15,282,816	2.52
Tisia Nominees Pty Ltd <Henderson Family A/C>	14,717,184	2.43
Oaktone Nominees Pty Ltd	14,717,184	2.43
Bannaby Investments Pty Limited <Bannaby Super Fund A/C>	12,555,263	2.07
Dr John William Ketelbey	12,157,894	2.00
Cabletime Pty Ltd <Ingodwe A/C>	12,034,703	1.98
Ms Margaret Elizabeth Livingston	9,854,749	1.62
Mrs Sarah Cameron	9,000,000	1.48
Ardroy Securities Pty Ltd <Cameron Investment Unit A/C>	8,300,000	1.37
1215 Capital Pty Ltd	7,878,022	1.30
Mr Benjamin Cranstoun Dark <The Ben Dark Holdings A/C>	7,668,913	1.26
Bannaby Investments Pty Ltd <Super Fund A/C>	7,500,000	1.24
Rogers Sf Management Pty Ltd <Rogers Super Fund A/C>	7,350,000	1.21
<b>TOTAL</b>	<b>327,655,458</b>	<b>54.01</b>

# ACTINOGEN MEDICAL LIMITED

## SHAREHOLDER INFORMATION

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### Unquoted Securities as at 27 September 2016

There were 54,000,000 unlisted options exercisable at \$0.02 each and expiring on 30 November 2018 held by seven holders, on issue.

Details of the holders holding more than 20% of the above:

	Number of Options	Percentage
AH Super Pty Ltd <The AH Super Fund A/C>	18,500,000	34.26
<b>TOTAL</b>	<b>18,500,000</b>	<b>34.26</b>

There were 1,700,000 unlisted employee options exercisable at \$0.103 each and expiring on 7 July 2020 held by four holders, on issue.

Details of the holders holding more than 20% of the above:

	Number of Options	Percentage
Vincent Ruffles	1,000,000	58.82
Kerrie Boyd	500,000	29.41
<b>TOTAL</b>	<b>1,500,000</b>	<b>88.23</b>

### Restricted Securities

The Company has no securities on issue that are subject to either ASX or voluntary escrow.

### On-Market Buy-Back

There is no current on-market buy back in place.