

**ACTINOGEN MEDICAL LIMITED**

**ABN 14 086 778 476**

**ANNUAL REPORT**

**YEAR ENDED 30 JUNE 2019**

# ACTINOGEN MEDICAL LIMITED

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# ACTINOGEN MEDICAL LIMITED CORPORATE DIRECTORY

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## **Board of Directors**

Non-Executive Chairman – Dr Geoffrey Brooke  
Managing Director – Dr Bill Ketelbey  
Non-Executive Director – Dr George Morstyn  
Non-Executive Director – Mr Malcolm McComas

## **Company Secretary**

Mr Peter Webse

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

Suite 901 / Level 9  
109 Pitt Street  
Sydney NSW 2000

## **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 Securities 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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Dear Shareholder,

It is with pleasure that I present to you this year's Annual Report for the financial year ended 30 June 2019.

This year has been a momentous year for Actinogen Medical. The Phase II XanADu clinical trial of 10mg of Xanamem in patients with mild dementia due to Alzheimer's disease (AD) has been completed. The results are encouraging, with XanADu establishing the safety and pharmacodynamic effects of Xanamem. While XanADu showed that Xanamem at 10mg daily did not demonstrate adequate efficacy in improving cognition in mild Alzheimer's disease, further analysis is underway to comprehensively assess the XanADu data and identify any specific cognitive domains in which trends may be evident.

As a result of the lack of efficacy seen in XanADu, the Company's stock price fell significantly in May 2019 with record share trading volumes. I can assure shareholders that the Board and management are working diligently to develop the Company's technology to its fullest potential to restore shareholder value.

During the financial year, several new fully funded studies were initiated to enhance the Xanamem dataset. This comprehensive development program included: Phase 1 target occupancy and in vitro homogenate binding studies to measure the effects of different Xanamem doses on inhibiting the 11 $\beta$ -HSD1 enzyme in the brain; XanaHES which is assessing the safety and tolerability of higher Xanamem doses with an exploratory efficacy assessment; and a suite of additional pre-clinical safety and toxicology studies to allow for longer treatment periods, required by regulators for late stage clinical trials. This comprehensive dataset underpins the Company's ongoing plans for any future clinical development and commercialisation of Xanamem.

Raised cortisol has also been associated with several diseases, offering the possibility for Xanamem to be used in the treatment of other medical conditions. Due to this wide reach, the Company completed an extensive scientific, clinical and commercial review and is progressing the planning for new indications of cognitive impairment in mood disorders and schizophrenia. Cognitive impairment in mood disorders and schizophrenia represents a significant unmet medical need and a substantial market opportunity, with limited or no existing therapeutic options currently available.

Independent research published during the year provided further endorsement of the cortisol hypothesis and development of Xanamem. Research by Echouffo-Tcheugui et al. (2018) demonstrated an association between higher serum (blood) cortisol, impaired cognitive performance and decreased brain volume. This study, published in the highly regarded global peer-reviewed Neurology journal, builds on an increasing body of evidence linking persistently raised cortisol levels with cognitive impairment, neurodegeneration and brain atrophy. Additionally, an extensive literature review published in March 2019 by Ouanes and Popp concluded that elevated cortisol levels may exert detrimental effects on cognition and contribute to AD pathology, and that further studies are needed to investigate cortisol-reducing and glucocorticoid receptor modulating interventions to prevent cognitive decline.

I realise that many shareholders are disappointed that we didn't see any improvement in cognition at 10mg Xanamem daily in the recent XanADu study. However, Actinogen Medical is positioned to continue building on the Xanamem platform and we are committed to exploring all possible development strategies for the drug. With the ongoing trials and the planning for the expansion of Xanamem to new indications underway, we expect the next 12 months to be busy and fruitful.

I'd like to take this opportunity to thank all our shareholders for their continued support of the Company's endeavours, our staff and partners for their ongoing hard work and dedication and to my fellow Board members for their commitment to Actinogen Medical.

Yours faithfully,

Dr Geoff Brooke  
Chairman  
Friday, 16 August 2019

# 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') 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") "Corporate Governance Principles and Recommendations 3<sup>rd</sup> Edition" ("the Recommendations").

The Board of Directors has adopted the Recommendations to the extent that is deemed appropriate considering the current 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 16 August 2019.

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

#### **Roles of the Board and 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 ensuring 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
- 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;

# ACTINOGEN MEDICAL LIMITED

## CORPORATE GOVERNANCE STATEMENT

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- 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, 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. However, the Company is currently in an early stage of its development and given that it 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 Company's Diversity Policy is available on its website.

The proportion of women in the Company as at 16 August 2019 is as follows:

Women on the Board: 0 of 4 (0%)

Women in senior executive positions: 1 of 2 (50%)

Women in the organisation: 5 of 10 (50%)

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# ACTINOGEN MEDICAL LIMITED

## CORPORATE GOVERNANCE STATEMENT

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### Board and 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 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 comprised the following members:

Name	Position	Appointed	Resigned
Dr Geoffrey Brooke	Non-Executive Chairman	1/03/2017	Current
Dr Bill Ketelbey	Managing Director / Chief Executive Officer	18/12/2014	Current
Dr George Morstyn	Non-Executive Director	1/12/2017	Current
Mr Malcolm McComas	Non-Executive Director	4/04/2019	Current
Dr Jason Loveridge	Non-Executive Director	1/12/2014	28/11/2018

The Company currently has one executive Director, the Managing Director, and three Non-Executive Directors. The Board is currently comprised of a majority of independent Directors, being Dr Geoffrey Brooke (the Company's Non-Executive Chairman), Dr George Morstyn and Mr Malcolm McComas.

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

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# ACTINOGEN MEDICAL LIMITED

## CORPORATE GOVERNANCE STATEMENT

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### **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 Directors review 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.

### **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 case of a serious breach, 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.

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## CORPORATE GOVERNANCE STATEMENT

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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 Annual General Meeting (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 and CFO Certifications**

The Board has received certifications from the CEO and CFO Equivalent in connection with the financial statements for Actinogen Medical for the year ended 30 June 2019. 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.

### **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 the 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 the 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 recognises the value of providing current and relevant information to its shareholders.

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# ACTINOGEN MEDICAL LIMITED

## CORPORATE GOVERNANCE STATEMENT

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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 the ASX, the Company's 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.

### **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 it does 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 after 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.

# ACTINOGEN MEDICAL LIMITED

## CORPORATE GOVERNANCE STATEMENT

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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.

### **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 calibre 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.

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# **ACTINOGEN MEDICAL LIMITED**

## **CORPORATE GOVERNANCE STATEMENT**

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The total fees paid to Non-Executive Directors during the reporting period were \$195,000.

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 ('Actinogen Medical' or 'the Company') for the year ended 30 June 2019.

### ➤ **INFORMATION ON DIRECTORS**

#### **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 the entire period, unless otherwise stated.

<b>Name</b>	<b>Position</b>	<b>Appointed</b>	<b>Resigned</b>
Dr Geoffrey Brooke	Non-Executive Chairman	1/03/2017	Current
Dr Bill Ketelbey	Managing Director / Chief Executive Officer	18/12/2014	Current
Dr George Morstyn	Non-Executive Director	1/12/2017	Current
Mr Malcolm McComas	Non-Executive Director	4/04/2019	Current
Dr Jason Loveridge	Non-Executive Director	1/12/2014	28/11/2018

#### **Dr Geoffrey Brooke (appointed 1 March 2017)**

**MBBS, MBA**

**Non-Executive Chairman**

Dr Brooke is a healthcare industry and venture capital veteran with over 30 years' international experience as the founder, lead investor and/or Chairman/Director of numerous healthcare companies with a realised value of more than \$1.5 billion. Most notably, he was the Managing Director and Founder of leading life sciences venture capital firm, GBS Ventures - one of Asia Pacific's premier investors in the healthcare space. There, Dr Brooke was responsible for GBS's healthcare venture activity in the region and raised \$450 million in venture and private equity funds, focused on biopharmaceuticals, medical devices and services.

Dr Brooke was also responsible for numerous investments and exits via NASDAQ and ASX public listings and trade sales, as well as being lead investor in numerous investments syndicated in multiple rounds with premier US venture firms. Dr Brooke was also President and Founder of US-based seed healthcare venture capital firm, Medvest Inc., with investors including the venture capital arm of leading global multinational medical devices, pharmaceutical and consumer packaged goods manufacturer, Johnson & Johnson. Medvest was focused on founding companies based upon health care-related technology, including pharmaceuticals, biotechnology, therapeutic devices, medical services and information systems.

Dr Brooke now acts as a private investor in, and independent director for, a number of small to medium-sized Australian and US private and public companies. He holds a Bachelor of Medicine and a Bachelor of Surgery from Melbourne University and a Masters of Business Administration from IMEDE (Switzerland), now IMD.

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

- Non-Executive Director of Acrux Limited (ASX:ACR) – Current.
- Non-Executive Director of Cynata Therapeutics Limited (ASX:CYP) – 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 more than 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 (Australia), and is a Graduate of the Australia Institute of Company Directors.

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# ACTINOGEN MEDICAL LIMITED

## DIRECTORS' REPORT

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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 is a Non-Executive Director of the Westmead Institute of Medical Research (WIMR) and chairs the IP and Commercialisation Committee of WIMR.

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

### **Dr George Morstyn (appointed 1 December 2017)**

**MBBS FRACP PhD FTSE**

**Non-Executive Director**

Dr Morstyn has more than 25 years' experience in the biotechnology industry including as Senior Vice President of Development and Chief Medical Officer at Amgen Inc. Dr Morstyn had overall responsibility globally for drug development in all therapeutic areas including neuroscience at Amgen Inc. and was a member of the Operating Committee. Many new products were approved and launched during Dr Morstyn's tenure. Prior to joining Amgen Inc. Dr Morstyn was the principal investigator on the earliest clinical studies of the haemopoietic colony stimulating factors ('CSFs'). The CSFs were subsequently approved and launched and were a major medical breakthrough that have been used to reduce side effects of chemotherapy and enable transplantation in more than 20 million patients worldwide. The CSFs have become multi-billion dollar drugs. Since returning to Australia, Dr Morstyn has been a Non-Executive Director of various for-profit and not-for-profit companies, including many biotechnology companies.

Dr Morstyn is a medical graduate of Monash University (Australia), and obtained a PhD at the Walter and Eliza Hall Institute of Medical Research (Australia) and a FRACP in Medical Oncology following a Fellowship at the National Cancer Institute in the USA. He is currently on the Board of the Cooperative Research Centre for Cancer Therapeutics, Symbio (Tokyo) and Biomedical Research Victoria. He is a Member of the Australian Institute of Company Directors and a Fellow of the Australian Academy of Technological Sciences and Engineering.

Dr Morstyn has held no other ASX-listed directorships during the past three years.

### **Mr Malcolm McComas (appointed 4 April 2019)**

**BEC, LLB (Monash), SFFin, FAIDC**

**Non-Executive Director**

Mr McComas brings over 25 years of experience in the financial services industry with extensive experience in corporate finance, mergers and acquisitions, debt and equity funding transactions across multiple industry sectors. He previously held senior leadership roles with Grant Samuel, County NatWest (now Citigroup) and Morgan Grenfell (now Deutsche Bank) in Australia and the UK. Prior to this Mr McComas was a lawyer at Herbert Geer specialising in tax.

Mr McComas is an experienced company director and currently services a number of listed entities, and also has not-for-profit involvement as a director of the Australasian Leukemia and Lymphoma Group. He is a Fellow of the Australian Institute of Company Directors and holds degrees in Law and Economics from Monash University in Melbourne.

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

- Chairman of Pharmaxis Limited (ASX:PXS) – Current;
- Chairman of Fitzroy River Corporation Limited (ASX:FZR) – Current;
- Non-Executive Director of Royalco Resources Limited (ASX:RCO) – Current; and
- Non-Executive Director of Saunders International (ASX:SND) - Resigned May 2019.

# ACTINOGEN MEDICAL LIMITED

## DIRECTORS' REPORT

The following Director resignations occurred during the year ended 30 June 2019:

**Dr Jason Loveridge (appointed 1 December 2014; resigned 28 November 2018)**  
**BSc PhD FRSM**  
**Non-Executive Director**

Dr Loveridge has worked in the biotech and medtech industries for over 28 years and brought extensive experience in the commercialisation of medical research to the Board of Actinogen Medical. As a venture investor with JAFCO Nomura, Dr Loveridge invested in over 28 companies in Europe, the US and Israel and was 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) – Resigned June 2017.

### 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 and options of the Company were as follows:

Name	Fully paid ordinary shares	LTI Rights (a)	Total unlisted options	Total LTI Rights and options
Dr Geoffrey Brooke	1,325,000	-	9,900,000	9,900,000
Dr Bill Ketelbey	953,803	12,000,000	11,700,000	23,700,000
Dr George Morstyn	200,000	-	3,000,000	3,000,000
Mr Malcolm McComas	500,000	-	3,000,000	3,000,000
<b>Total</b>	<b>2,978,803</b>	12,000,000	27,600,000	<b>39,600,000</b>

(a) Of Dr Ketelbey's LTI Rights, 3,000,000 relate to Class I that have not yet vested due to the performance milestone not being achieved. For further information on the key terms of the LTI Rights, refer to Section 3(C)(b) of the Remuneration Report.

## 2. DIRECTORS' MEETINGS

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

Director	Number of meetings available to attend	Number of meetings attended
Dr Geoffrey Brooke	10	10
Dr Bill Ketelbey	10	10
Dr Jason Loveridge	6	5
Dr George Morstyn	10	10
Mr Malcolm McComas	3	2

Due to size and scale of the Company, there are no Remuneration, Risk, Nomination or Audit Committees 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 annual report.

# ACTINOGEN MEDICAL LIMITED

## DIRECTORS' REPORT

### 3. COMPANY SECRETARY

**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.

### 4. CORPORATE GOVERNANCE

The Board recognises the recommendations of the ASX 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 Annual Report.

### 5. SHARES UNDER OPTION

As at the date of this report, there were 41,942,631 unissued ordinary shares under option:

Quantity	Type	Issue Date	Exercise Price	Expiry Date	Vesting Conditions	Comment
2,100,000	Unlisted Employee Options (A) (Tranche 1)	6/02/2017	\$ 0.100	5/02/2021	Fully vested	
5,000,000	Unlisted Director Options (G)	24/03/2017	\$ 0.100	24/03/2025	Yes	(a)
417,188	Unlisted Employee Options (B) (Tranche 2)	12/07/2017	\$ 0.100	5/02/2021	No	
1,500,000	Unlisted Director Options (D)	1/12/2017	\$ 0.100	1/12/2022	Yes	(b)
417,110	Unlisted Employee Options (C) (Tranche 3)	3/04/2018	\$ 0.100	5/02/2021	No	
625,000	Unlisted Employee Options (C) (Tranche 3)	3/04/2018	\$ 0.100	5/02/2021	Fully vested	
18,100,000	Unlisted Director Options (F)	13/12/2018	\$ 0.085	27/11/2023	Yes	(c)
5,783,333	Unlisted Employee Options (E) (Tranche 4)	13/12/2018	\$ 0.085	12/12/2023	Yes	
5,000,000	Unlisted Consultant Options	1/02/2019	\$ 0.093	1/02/2024	Yes	(d)
3,000,000	Unlisted Director Options (H)	12/04/2019	\$ 0.100	4/04/2024	Yes	(e)

**41,942,631 Total shares under option**

- (a) These options were issued to Dr Geoffrey Brooke as part of his appointment as Non-Executive Chairman of the Company on 1 March 2017.
- (b) These options were issued to Dr George Morstyn as part of his appointment as Non-Executive Director of the Company on 1 December 2017.
- (c) Of the 18,100,000 options issued, 4,900,000 options were issued to Dr Geoffrey Brooke, 11,700,000 options were issued to Dr Bill Ketelbey and 1,500,000 options were issued to Dr George Morstyn.
- (d) These options were issued to a Consultant: Bio-Link Australia.
- (e) These options were issued to Mr Malcolm McComas as part of his appointment as Non-Executive Director of the Company on 4 April 2019.



# ACTINOGEN MEDICAL LIMITED

## DIRECTORS' REPORT

During the year and up to the date of this report the following options were exercised, expired, lapsed or forfeited:

Quantity	Type	Exercised, expired, lapsed or forfeited date	Exercised, expired, lapsed or forfeited	Exercise Price	Comment
4,000,000	Exercise of unlisted options	4/07/2018	Exercised	\$ 0.02	
2,750,000	Exercise of unlisted options	18/09/2018	Exercised	\$ 0.02	
1,112,500	Lapse of Employee Options (A) & (C)	31/10/2018	Lapsed	\$ 0.10	(i)
20,550,000	Exercise of unlisted options	14/11/2018	Exercised	\$ 0.02	
7,200,000	Exercise of unlisted options	30/11/2018	Exercised	\$ 0.02	
146,588,471	Expiry of listed options	31/03/2019	Expired	\$ 0.06	
1,287,762	Exercise of unlisted options	4/04/2019	Exercised	\$ 0.06	
916,667	Forfeiture of Employee Options (E)	12/04/2019	Forfeited	\$ 0.09	(ii)
<b>184,405,400 Total shares under options that were exercised, expired, lapsed or forfeited</b>					

(i) By 31 October 2018, the vesting condition of achieving dosing of more than 30 patients at 20mg or higher on Xanamen was not met and subsequently 1,112,500 unlisted employee options (comprising 800,000 and 312,500 Employee Options (A) and (C), respectively) lapsed.

(ii) On 15 April 2019, a total of 916,667 unvested employee options, expiring on 12/12/2023 and exercisable at \$0.085 each, were forfeited due to Mr V. Ruffles ceasing employment with the Company on 12 April 2019.

No option holder has any right, by virtue of the option, to participate in any share issue of the Company.

# ACTINOGEN MEDICAL LIMITED

## DIRECTORS' REPORT

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### ➤ OPERATIONS AND FINANCIAL REVIEW

#### 6. PRINCIPAL ACTIVITIES

The principal activity of the Company during the year focussed on the development of Xanamem, a novel treatment for Alzheimer's disease and the cognitive deficiency associated with other neurological and metabolic diseases.

#### 7. REVIEW OF OPERATIONS

##### Highlights for the Financial Year (and subsequent to year end)

- (i) XanADu Phase II Clinical Trial – completion of trial and preliminary data analysis
- (ii) XanaHES Phase I Higher Dose Safety Study – 20mg cohort fully enrolled
- (iii) Phase I Target Occupancy and Homogenate Binding studies – 10mg / 20mg cohorts completed
- (iv) Pre-clinical Toxicology Studies – long term animal studies underway
- (v) Expansion opportunities into new indications – new target indications identified
- (vi) Manufacturing of Xanamem – CDMO partner selected
- (vii) Raising Awareness – attendance at various conferences and partnering meetings
- (viii) Cortisol Hypothesis – new research published
- (ix) Board Changes – Appointment of Mr Malcolm McComas and retirement of Dr Jason Loveridge
- (x) Financial Position – Placement and Share Purchase Plan finalised in mid-2018 putting the Company in a strong financial position.

##### (i) XanADu Phase II Clinical Trial

The initial results from the XanADu Phase II clinical trial evaluating the safety and efficacy of Xanamem in patients with mild dementia due to Alzheimer's disease were announced in May 2019.

XanADu established that a 10mg daily dose of Xanamem is safe and inhibits cortisol, as demonstrated by the expected increase in related hormones, including ACTH (adrenocorticotrophic hormone). However, Xanamem at 10mg daily did not demonstrate adequate efficacy in improving cognition in mild Alzheimer's disease. The primary and secondary endpoint measures did not demonstrate statistical differences between Xanamem 10mg and placebo.

While it is clear that Xanamem is a pharmacologically active drug at 10mg daily, further analysis of the XanADu dataset coupled with the output and analyses of other ongoing studies being conducted with Xanamem (referenced below), will help inform the future strategic clinical development program for the drug.

##### (ii) XanaHES Phase I Higher Dose Safety Study

In February 2019, Actinogen Medical announced the initial dosing of the first participant in XanaHES, a Phase I safety study of Xanamem in healthy elderly adults. The study is designed to expand the safety dataset for Xanamem and explores the potential for higher doses of the drug to be used in future trials in Alzheimer's disease and other indications. The study also includes a cognition endpoint evaluation.

# ACTINOGEN MEDICAL LIMITED

## DIRECTORS' REPORT

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In May 2019, the Company announced the continuation of the XanaHES 20mg Phase I trial, with some protocol enhancements, based on a pre-planned interim review of safety data. The XanaHES study has randomised all 42 participants into the first cohort to receive either 20mg Xanamem or placebo daily, for 12 weeks. Following completion of this study later in 2019, a Dose Escalation Committee will review all data from the 20mg cohort, and a second cohort of 42 participants may then be randomised to receive higher doses of Xanamem or placebo, daily.

### **(iii) Phase 1 Target Occupancy and Homogenate Binding Studies**

The Xanamem target occupancy and homogenate binding studies aim to accurately demonstrate the effect different doses of Xanamem have on inhibiting and blocking the activity of the 11 $\beta$ -HSD1 enzyme in the brain. This will help optimise the dosing to be used in future Xanamem clinical studies.

The Phase I human study utilises a radio-labelled tracer compound, that will demonstrate the percentage of the 11 $\beta$ -HSD1 enzyme binding sites in the brain occupied by Xanamem, using a PET scanner.

Following the successful manufacturing, radio-labelling and toxicology testing of the tracer compound that began in April 2018, the clinical target occupancy Phase I PET study commenced in April 2019 at the Austin Hospital in Melbourne, Australia. The study has progressed to plan, with both the 10mg and 20mg subject cohorts completing the trial during the financial year. The study has generated encouraging initial results, supporting Xanamem as a potent orally bioavailable and brain-penetrant 11 $\beta$ -HSD1 inhibitor, that effectively binds to the 11 $\beta$ -HSD1 enzyme.

The homogenate binding studies are a suite of in-vitro studies using rat and human brain tissue being conducted in Birmingham, UK, which are designed to further confirm and enhance the data and findings of the target occupancy study. These studies commenced during the year and include autoradiography involving competition, saturation and enzyme activity studies at varying concentrations of Xanamem.

### **(iv) Pre-clinical Toxicology Studies**

Long-term toxicology studies in two non-primate species are required by regulators prior to the commencement of clinical studies where Xanamem might be given to patients for periods beyond 12 weeks. These toxicology studies commenced during the year and are progressing as planned; and will continue over the remainder of calendar year 2019 and into calendar year 2020. Encouragingly, the feedback to date indicates no unexpected toxicological or safety concerns with longer term exposure to Xanamem. The Company should be able to commence longer-term clinical studies prior to the completion of the full toxicology suite, if required.

### **(v) Expansion Opportunities into New Indications**

Xanamem is specifically designed to inhibit excess cortisol production in the brain, which is associated with the development of cognitive impairment in a range of neurological diseases. In April 2019, the Company announced the selection of cognitive impairment in mood disorders and schizophrenia as the next indications for development and commercialisation of Xanamem, to be developed in parallel to the ongoing primary indication of Alzheimer's disease. The Company is progressing the drafting of a clinical development plan for these new indications in consultation with an expert Advisory Board. Cognitive impairment in mood disorders and schizophrenia represents a significant unmet medical need and a substantial market opportunity, with limited or no existing therapeutic options available.

### **(vi) Manufacturing of Xanamem**

During the year, the Company completed a rigorous selection process to appoint a Contract Development and Manufacturing Organisation (CDMO) with the expertise and capabilities to optimise the synthesis of Xanamem and the scale up production required for clinical development and commercialisation. Corden Pharma LLC (Switzerland), which has full commercial-scale capabilities, was selected as the CDMO partner, in order to provide various services including the manufacturing of the active pharmaceutical ingredient and the drug product, as well as regulatory and packaging services.

# ACTINOGEN MEDICAL LIMITED

## DIRECTORS' REPORT

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### **(vii) Raising Awareness of Actinogen Medical and Xanamem**

Actinogen Medical continued to enhance its awareness activities of the Company and Xanamem among the investor and scientific communities by attending and presenting at key scientific and industry conferences during the year, and subsequent to year end, including:

- September 2018: Finance News Network Investor Conference - Sydney
- September 2018: Healthcare Investment Day - Singapore
- October 2018: AC4R (Australasian Consortium of Centres for Clinical Cognitive Research) - Sydney
- October 2018: Australian MicroCap Investment Conference - Melbourne
- October 2018: AusBiotech Invest and Partnering Conference - Melbourne
- October 2018: Clinical Trials on Alzheimer's Disease (CTAD) - Barcelona
- January 2019: 2nd Annual SACHS Neuroscience Innovation Forum – San Francisco
- January 2019: JP Morgan Week – San Francisco
- June 2019: BIO 2019 International Convention - Philadelphia
- July 2019: Alzheimer's Association International Conference (AAIC) poster presentation – Los Angeles
- July 2019: BioShares Biotech Summit 2019 - Queenstown

Actinogen Medical also participated in multiple partnering and investor meetings during these conferences, to update potential strategic pharmaceutical partners and major global investors interested in neuroscience and the Company's clinical development of Xanamem. The Company received encouraging feedback from prospective partners with the request that they be kept updated on the ongoing progress and development plans.

### **(viii) Cortisol Hypothesis – New Research Published**

New independent research was published during the year in further support of the cortisol hypothesis – the hypothesis that underpins Xanamem's development. The hypothesis holds, that by reducing cortisol production in the brain, the cognitive decline associated with a number of neurological diseases could be slowed, or even prevented.

In November 2018, the Company highlighted a recent study in Neurology, the most highly regarded global peer-reviewed neurology journal, demonstrating an association between higher serum (blood) cortisol, impaired cognitive performance, and decreased brain volume. Titled 'Circulating cortisol and cognitive and structural brain measures' (Echouffo-Tcheugui et al., 2018), this study builds on an increasing body of evidence linking persistently raised cortisol levels with cognitive impairment, neurodegeneration and Alzheimer's disease.

Additionally, an extensive literature review by Ouanes and Popp published in March 2019, titled 'High Cortisol and the Risk of Dementia and Alzheimer's disease: A Review of the Literature', concluded that "Elevated cortisol levels may exert detrimental effects on cognition and contribute to AD pathology. Further studies are needed to investigate cortisol-reducing and glucocorticoid receptor modulating interventions to prevent cognitive decline"

### **(ix) Board Changes**

In November 2018, Actinogen Medical advised that Dr Jason Loveridge had retired as a Non-Executive Director of the Company. Dr Loveridge had been a Non-Executive Director since the establishment of Actinogen Medical in 2014 and was instrumental in initially identifying the Company's technology and compounds as a potential licensing opportunity from the University of Edinburgh, whilst also providing valuable guidance in the subsequent clinical development of Xanamem.

In April 2019, Mr Malcolm McComas was appointed as a Non-Executive Director of the Company and his appointment is seen as highly complementary to the Board's existing mix of expertise and experience.

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# ACTINOGEN MEDICAL LIMITED

## DIRECTORS' REPORT

### (x) Financial Position

	Issue Date	During the financial year ended 30 June 2018 \$	During the financial year ended 30 June 2019 \$	Total Capital Raisings \$
<b>Private Placement Tranche 1 and 2</b>				
Private Placement Tranche 1	28/05/2018	9,356,150	-	9,356,150
Private Placement Tranche 2	12/07/2018	-	5,643,850	5,643,850
<b>Total</b>		9,356,150	5,643,850	15,000,000
<b>Share Purchase Plan and Shortfall</b>				
Share Purchase Plan	13/07/2018	-	952,500	952,500
Share Purchase Plan Shortfall	24/07/2018	-	560,000	560,000
<b>Total</b>		-	1,512,500	1,512,500
<b>Total Capital Raisings</b>		9,356,150	<b>7,156,350</b>	16,512,500

In July 2018, Actinogen Medical completed Tranche 2 of a Private Placement, which was part of a capital raising initially launched in May 2018 (Tranche 1) to raise a total of \$15,000,000. Tranche 2 issued 112,877,006 fully paid ordinary shares raising \$5,643,850. In addition, a Share Purchase Plan ('SPP') was launched offering existing eligible shareholders the opportunity to purchase up to \$15,000 of new fully paid ordinary shares. The SPP closed on 12 July 2018, raising a total of \$952,500 from the issue of 19,050,000 fully paid ordinary shares on 13 July 2018. The Tranche 2 and SPP shares were issued at \$0.05 per share. BVF and Australian Ethical Investment elected to participate in the SPP Shortfall which raised a further \$560,000 from the issue of 11,200,000 fully paid ordinary shares. The total of the capital raisings carried out in the current financial year ended 30 June 2019; and the prior year ended 30 June 2018, amounted to \$16,512,500.

Completion of this capital raising ensured the Company had adequate capital to fund the nine additional Xanamem studies initiated in mid-2019. Results from these studies will prove important to better understanding the XanADu results and to inform on the future strategic clinical development of Xanamem.

### 8. FINANCIAL PERFORMANCE

The financial performance of the Company during the year ended 30 June 2019 is as follows:

	Full-year ended 30/06/2019	Full-year ended 30/06/2018
Revenue and other income (\$)(a)	<b>5,067,301</b>	3,343,180
Net loss after tax (\$)	<b>(9,887,682)</b>	(6,230,609)
Loss per share (cents)	<b>(0.90)</b>	(0.88)
Dividend (\$)	-	-

- (a) Total Revenue and other income totaling \$5,067,301 comprises \$204,546 in revenue from ordinary activities and \$4,862,755 in other income (of which \$4,603,261 relates to a research and development rebate for the 2019 financial year that has been raised as a receivable at year end).

# ACTINOGEN MEDICAL LIMITED

## DIRECTORS' REPORT

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### 9. FINANCIAL POSITION

The financial position of the Company as at 30 June 2019 is as follows:

	As at 30/06/2019	As at 30/06/2018
	\$	\$
Cash and cash equivalents (a)	<b>7,636,601</b>	9,896,760
Net assets / Total equity	<b>15,664,546</b>	17,257,911
Contributed equity (b)	<b>48,044,606</b>	40,438,238
Accumulated losses	<b>(39,196,317)</b>	(29,308,635)

- (a) Refer to Section 7(x) of the Directors' Report for further information on cash received during the financial year.  
(b) For further information on movements in equity, refer to Note 13 of the financial statements.

### 10. SHARE PRICE PERFORMANCE

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

	2019	2018	2017	2016	2015
Quoted price of ordinary shares at year end (cents)	1.00	4.80	6.00	7.20	7.20
Quoted price of options at year end (cents)	-	-	-	-	-
Loss per share (cents)	0.90	0.88	0.88	0.54	0.60
Dividends paid	-	-	-	-	-

### 11. 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.

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

Other than what is stated below, there are no matters or circumstances that 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. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than as disclosed in the financial statements, there were no significant changes in the state of affairs of the Company during the financial year.

### 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

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### 15. OUTLOOK & BUSINESS STRATEGY

#### (i) Clinical Development Program

XanADu, the Phase II study of Xanamem 10mg daily in mild Alzheimer's disease, was completed during the year, with initial data announced in May 2019. A comprehensive analysis of the XanADu data was initiated soon after with results expected in Q3 of calendar year 2019, around the same time as the initial read-out from the nine additional Xanamem studies initiated in mid-2018.

These additional studies include the target occupancy, XanaHES, and pre-clinical toxicology studies. In late Q3 of calendar year 2019, the Company will undertake a comprehensive strategic review of the available data from all these studies and, as initially indicated, the totality of these data and results will inform the Company's future clinical development program for Xanamem.

XanaHES continues to progress smoothly, with final results on the 20mg cohort expected in Q4 of calendar year 2019, including the safety profile of 20mg Xanamem and the results from the Cogstate cognition test battery. A Dose Escalation Committee (DEC) will review all data from the 20mg cohort, and the DEC will decide whether the study should continue with a second cohort of 42 participants receiving 30mg Xanamem or placebo. Results from XanaHES will provide important data on the potential use of higher doses of Xanamem in future studies, should this be necessary.

The Phase I Target Occupancy Study is also progressing well, with results on each dosing cohort being evaluated in real-time; and culminating with the results being reviewed alongside all other studies data in late Q3 of calendar year 2019.

The results observed to date with the target occupancy study are encouraging, with PET scans demonstrating Xanamem 10mg and 20mg once daily achieves good occupancy of the target 11 $\beta$ -HSD1 enzyme. To complement the data being collected in the target occupancy study, in parallel the Company is performing in-vitro homogenate binding studies. These studies look at rat and human brain slices in assay solutions (homogenate) and perform investigations on the target occupancy, including enzyme activity and saturation studies. When analysed collectively with the Phase I Target Occupancy study, the results from these homogenate binding studies will allow Actinogen Medical to assess the full dose-response occupancy profile of Xanamem, for the 11 $\beta$ -HSD1 enzyme.

The long-term toxicology studies continue, with further results expected to read out in calendar year 2020. Based on current feedback, the studies indicate no unexpected toxicological or safety concerns associated with longer term exposure to Xanamem. The completion of the toxicology studies will enable the Company to carry out studies on the safety and efficacy of Xanamem for a dosing period beyond 12 weeks, however the Company will be able to commence longer-term clinical studies before the completion of these toxicology studies, if required.

#### (ii) Expansion of Clinical Development Program

Actinogen Medical continues to plan for the expansion of Xanamem into cognitive impairment in mood disorders and schizophrenia. In consultation with an expert Advisory Board, the Company is finalising a clinical development plan for these indications. Actinogen Medical looks forward to progressing the Xanamem development program to target these new indications and will update the market as more data becomes available from current ongoing analyses.

#### (iii) Continuing to Raise Awareness

Actinogen Medical remains focused on driving awareness of Xanamem's clinical development to ensure that the pharmaceutical and biotechnology industries recognise the significant progress made with the development of Xanamem and its future potential in treating a variety of debilitating diseases, including Alzheimer's disease.

# ACTINOGEN MEDICAL LIMITED

## DIRECTORS' REPORT

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The Company's executives and business development team will continue to participate in selected international pharmaceutical and biotechnology industry partnering conventions and to take every opportunity to showcase Xanamem's significant potential, with the objective to continue engaging with selected potential strategic partners.

In addition, the Company will continue to raise awareness within the research community through presentation and publication of the Xanamem clinical data. Actinogen Medical is pleased to note that Dr Sarah Gregory, PhD from the University of Edinburgh, presented a scientific poster entitled "11- $\beta$  Hydroxysteroid Dehydrogenase Type 1 Inhibitors: Preclinical and Clinical Systematic Reviews" at the inaugural Alzheimer's Association International Conference (AAIC), held in Los Angeles from 14 to 18 July 2019. Dr Gregory performed her literature review and presented her poster at the conference on behalf of the Company. AAIC is the largest and most influential international meeting dedicated to advancing the science of dementia.



# 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. Details 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
8. Additional disclosures relating to shares
9. Loans to Key Management Personnel ('KMP') and their related parties
10. Other transactions and balances with KMP and their related parties

#### 1. INTRODUCTION

The Remuneration Report details the remuneration arrangements for 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). The performance of the Company depends upon the quality of its KMP. 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 people considered to be KMP during the financial year were:

Name	Position	Appointed	Resigned
Dr Geoffrey Brooke	Non-Executive Chairman	1/03/2017	Current
Dr Bill Ketelbey	Managing Director / Chief Executive Officer	18/12/2014	Current
Dr George Morstyn	Non-Executive Director	1/12/2017	Current
Mr Malcolm McComas	Non-Executive Director	4/04/2019	Current
Dr Jason Loveridge	Non-Executive Director	1/12/2014	28/11/2018

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

# ACTINOGEN MEDICAL LIMITED

## DIRECTORS' REPORT

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### 2. REMUNERATION GOVERNANCE

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. Therefore, remuneration of Directors is currently set by the Board of Directors, which is put to shareholders at the Annual General Meeting ('AGM'). At the AGM held on 28 November 2018, Actinogen Medical received 93% of votes in favour of its Remuneration Report for the 2018 financial year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

It is considered that the size of the Board, along with the level of activity of the Company, renders having a Remuneration Committee impractical and the full Board considers in detail all of the matters for which the Directors are responsible. All matters of remuneration are performed in accordance with the *Corporations Act 2001* requirements, especially in respect of related party transactions. Refer to the Corporate Governance Statement for further information.

### 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 is 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 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;
- 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 incentives (STI) and long-term incentives (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 executive's 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 executives of the Company (bonuses are also applicable to employees). 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.

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# ACTINOGEN MEDICAL LIMITED

## DIRECTORS' REPORT

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 Director's 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 remainder of the Board will agree benchmarks for each year of the term.

### LTI component:

The LTI component is in the form of Employee Options, Director Options and LTI Rights. The Board is of the opinion 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**

During the financial year ended 30 June 2019, the Board of Directors had in place various Short-term Incentives and Long-term Incentives which are outlined below.

#### **(a) Short Term Incentives ('STIs')**

STIs are set each calendar year, with any unmet milestones expiring at the end of each calendar year ending 31 December. During the financial year ended 30 June 2019, the Board of Directors put in place various STIs, and when achieved, a cash bonus was paid out to the following KMPs:

##### ➤ Dr Ketelbey – Managing Director and Chief Executive Officer

An STI was put in place for the achievement of a number of various short-term performance conditions being met during the calendar year including first patient enrolment, all study sites initiated, various number of subjects enrolled, dose-escalation, investor relations, capital raisings; and business development. Dr Ketelbey achieved a number of these milestones and was paid an \$80,000 bonus on 20 February 2019.

#### **(b) Long Term Incentives ('LTIs')**

The LTIs currently in place are in the form of Employee Options, Director Options and LTI Rights; and they are summarised below:

Quantity	Type of LTI	Reference
2,100,000	Unlisted Employee Options (A) (Tranche 1)	(i)
417,188	Unlisted Employee Options (B) (Tranche 2)	(i)
1,042,110	Unlisted Employee Options (C) (Tranche 3)	(i)
5,783,333	Unlisted Employee Options (E) (Tranche 4)	(i)
1,500,000	Unlisted Director Options (D)	(ii)
18,100,000	Unlisted Director Options (F)	(ii)
5,000,000	Unlisted Director Options (G)	(ii)
3,000,000	Unlisted Director Options (H)	(ii)
12,000,000	LTI Rights	(iii)
<b>48,942,631</b>	<b>Total number of options issued as LTIs</b>	

##### *(i) Employee Options*

Directors are not eligible to receive Employee Options under the Employee Option Plan currently in place with the Company. Furthermore, no employees of the Company were deemed to be KMP during the financial years ended 30 June 2019 and 30 June 2018.

# ACTINOGEN MEDICAL LIMITED

## DIRECTORS' REPORT

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### (ii) Director Options

Director Options have been issued to all current Directors of the Company; the specific details are outlined in the section below. However, in all instances the general terms of each option issue are as follows:

- Entitlement: Each Option gives the holder (Option holder) the right to subscribe for one fully paid ordinary share in the Company (Share) upon exercise of the Option.
- Issue Price of Options: Options are issued for no consideration.
- Valuation Methodology: Due to the vesting conditions attached to all Director Options issued, they have been independently valued using a Black-Scholes methodology, whereby the total share-based payment is being expensed over the vesting period. Refer to Note 20: Share-based Payments for further information.
- Other terms: The rights, restrictions and obligations which apply to Options, including in relation to vesting, disposal and forfeiture, are pursuant to the terms of each Director's engagement with the Company; and the option offer letters accepted and signed by the Director at the time of the offer.

#### ➤ Dr Geoffrey Brooke – Non-Executive Chairman:

During the financial year, on 28 November 2018, an additional 4,900,000 Director Options (F) were granted to Dr Brooke. In the prior year, on 24 March 2017, remuneration in the form of 5,000,000 Director Options (G) were granted to Dr Brooke as part of his appointment as Non-Executive Chairman.

The key terms of these two offers are outlined below:

	Director Options (F)	Director Options (G)
Grant Date	28/11/2018	24/03/2017
Quantity	4,900,000	5,000,000
Exercise Price	\$0.085	\$0.10
Expiry Date	27/11/2023	24/03/2025

#### Vesting Conditions:

- Director Options (F): 4,900,000 options to vest quarterly over a period of three years from the date of grant.
- Director Options (G): 2,000,000 options to vest one year after the date of grant; 1,500,000 options to vest two years after the date of grant; and 1,500,000 options to vest three years after the date of grant.

In each case, these are subject to continuous service to the Company by Dr Brooke as Non-Executive Chairman during the period from the date of grant up to and including the applicable vesting dates.

#### ➤ Dr Bill Ketelbey – Managing Director and Chief Executive Officer:

During the financial year, on 28 November 2018, an additional 11,700,000 Director Options (F) were granted to Dr Ketelbey. The key terms of the offer are outlined below:

	Director Options (F)
Grant Date	28/11/2018
Quantity	11,700,000
Exercise Price	\$0.085
Expiry Date	27/11/2023

# ACTINOGEN MEDICAL LIMITED

## DIRECTORS' REPORT

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### Vesting Conditions:

- Director Options (F): 11,700,000 options to vest quarterly over a period of three years from the date of grant.

### ➤ Dr George Morstyn – Non-Executive Director:

During the financial year, on 28 November 2018, an additional 1,500,000 Director Options (F) were granted to Dr Morstyn.

In the prior year, on 18 January 2018, at a General Meeting of Shareholders, remuneration in the form of 1,500,000 Director Options (D) were approved and granted to Dr Morstyn as part of his appointment as Non-Executive Director on 1 December 2017.

The key terms of these offers are outlined below:

	Director Options (F)	Director Options (D)
Grant Date	28/11/2018	18/01/2018
Quantity	1,500,000	1,500,000
Exercise Price	\$0.085	\$0.10
Expiry Date	27/11/2023	1/12/2022

### Vesting Conditions:

- Director Options (F): 1,500,000 options to vest quarterly over a period of three years from the date of grant.
- Director Options (D): 700,000 options to vest one year after the date of grant; 400,000 options to vest two years after the date of grant; and 400,000 options to vest three years after the date of grant.

In each case, subject to continuous service to the Company by Dr Morstyn as Non-Executive Director. While the terms of Dr Morstyn's engagement state that the vesting periods commence from date of grant of the Options, the intention when granting the options, was that the vesting period would commence from date of appointment as a Non-Executive Director, which was 1 December 2017.

### ➤ Mr Malcolm McComas – Non-Executive Director:

On 4 April 2019, remuneration in the form of 3,000,000 Director Options (H) were granted to Mr McComas as part of his appointment as Non-Executive Director on 4 April 2019.

The key terms of the offer are outlined below:

	Director Options (H)
Grant Date	4/04/2019
Quantity	3,000,000
Exercise Price	\$0.100
Expiry Date	4/04/2024

### Vesting Conditions:

- Director Options (H): 3,000,000 options to vest quarterly over a period of three years from the date of grant.
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# ACTINOGEN MEDICAL LIMITED

## DIRECTORS' REPORT

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### *(iii) LTI Rights*

During a prior year, ended 30 June 2015, 45,000,000 Loan Shares ("LTI Rights") were issued to various personnel at the time by way of provision of a limited recourse, interest free loan (subject to approval at an Annual General Meeting of shareholders on 19 November 2014). Of the 45,000,000 Loan Shares originally issued, 5,000,000 Class F LTI Rights were forfeited, and later cancelled in the prior year ended 30 June 2018 (refer to the table below). Subsequently, 40,000,000 LTI Rights remain on issue as at 30 June 2019. The loans are not recognised in the financial statements on the basis that the LTI Rights are accounted for as "in-substance options" under Australian Accounting Standards.

During the year, Messrs Rogers, Loveridge and Ruffles repaid their loans: \$400,000, \$120,000 and \$40,000, respectively, to the Company to exercise the rights attached to their LTI Rights issued to them when they were employed by the Company. As at 30 June 2019, the total value of the loans outstanding is \$480,000 which relates to Dr Ketelbey's Class H, I and J LTI Rights. Refer to Note 20: Share-based Payments for further information.

These LTI Rights were issued with performance conditions attached, consisting 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 and development success, share price appreciation and tenure. There is no expiry date on these vesting rights but there must be continuity of employment to receive the vesting benefits.

The key terms of the LTI Rights and of each limited recourse loan provided are as follows:

- (i) the loan may only be applied towards the subscription price for the LTI Rights;
- (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
- (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 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.

### Vesting conditions:

The Directors may issue the LTI Rights subject to vesting conditions (including performance milestones and time-based retention hurdles), such that the holder is only entitled to the benefit of the LTI Rights once the vesting conditions are met. If the vesting conditions are not met, the holder will lose their entitlement to the LTI Rights and the Company may buy back or arrange for the sale of those LTI Rights. This enables the Board

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# ACTINOGEN MEDICAL LIMITED

## DIRECTORS' REPORT

to attract, incentivise and retain key personnel and to align the interests of those personnel and shareholders through equity participation.

Due to the vesting conditions attached to the LTI Rights, they have been independently valued using a Black-Scholes methodology, whereby the total share-based payment is being expensed over the vesting period. Refer to Note 20: Share-based Payments for further information.

Refer to the table below setting out the vesting conditions attached to the LTI Rights.

Recipient	Class of LTI Rights	Quantity of LTI Rights	Vesting Date / Condition	Vested, unvested or lapsed	Ref.
Jason Loveridge	Class A	3,000,000	Upon successful completion of the phase 1b multiple ascending dose study.	Vested	vi
Jason Loveridge	Class B	3,000,000	Upon funding of the phase 2a proof of concept study.	Vested	v
Martin Rogers	Class C	7,500,000	Upon Shares trading on the ASX above \$0.04 for ten consecutive trading days.	Vested	iii
Martin Rogers	Class D	7,500,000	Upon Shares trading on the ASX above \$0.06 for ten consecutive trading days.	Vested	iv
Martin Rogers	Class E	5,000,000	Upon recruitment of the phase 1b multiple ascending dose study.	Vested	vii
Martin Rogers	Class F	-	Upon recruitment of the phase 2a proof of concept study.	Lapsed	x
Vincent Ruffles	Class G	2,000,000	Three years from commencement of employment.	Vested	viii
Bill Ketelbey	Class H	6,000,000	Three years from commencement of employment.	Vested	ix
Bill Ketelbey	Class I	3,000,000	Upon Share trading on the ASX at 150% of the share price on the date of commencement of employment for 10 consecutive trading days.	Unvested	ii
Bill Ketelbey	Class J	3,000,000	Upon recruitment of Phase II Xanamen Study.	Vested	i
		<u>40,000,000</u>			

- (i) During the year ended 30 June 2019 the vesting condition on 3,000,000 Class J Rights issued to Dr Ketelbey was met on 31 October 2018.
- (ii) As at 30 June 2019, Class I Rights remain unvested as the vesting condition has not yet been met despite the share-based payment expense against these Rights being fully expensed based on the expected vesting date at that time.

In prior years, the following LTI Rights vested or lapsed:

- (iii) On 16 December 2014, the vesting condition on 7,500,000 Class C Rights issued to Mr Rogers was met.
- (iv) On 24 February 2015, the vesting condition on 7,500,000 Class D Rights issued to Mr Rogers was met.
- (v) On 21 May 2015, the vesting condition on 3,000,000 Class B Rights issued to Dr Loveridge was met.
- (vi) On 12 August 2015, the vesting condition on 3,000,000 Class A Rights issued to Dr Loveridge was met.
- (vii) On 11 August 2015, the vesting condition on 5,000,000 Class E Rights issued to Mr Rogers was met.
- (viii) On 27 October 2017, the vesting condition on 2,000,000 Class G Rights issued to Mr Ruffles was met.
- (ix) On 18 December 2017, the vesting condition on 6,000,000 Class H Rights issued to Dr Ketelbey was met.
- (x) On 14 December 2017, the shares attached to the 5,000,000 Class F Rights were cancelled by the Company during the year due to the vesting condition not being met. However, the share-based payment expense attached to these Rights, was reversed in the prior year ending 30 June 2017 when the 5,000,000 Class F Rights were forfeited which was when the former director, Mr Rogers, resigned from the Company, this being 30 November 2016.

# ACTINOGEN MEDICAL LIMITED

## DIRECTORS' REPORT

### 4. EXECUTIVE REMUNERATION OUTCOMES INCLUDING LINK TO PERFORMANCE

During the financial years ended 30 June 2019 and 30 June 2018 the KMP's received either or all of the following benefits:

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

All remuneration paid to Directors and the other KMP is valued at the cost to the Company and expensed.

**Table 1 - Remuneration of KMP for the year ended 30 June 2019:**

Year ended 30/6/2019	Short-term benefits		Post- employment	Other long- term benefits	Share-based payments		Total	Value of SBP as a % of total remuneration
	Cash, salary and fees	Cash bonus	Super- annuation	Accrued leave benefits	LTI Rights / Options	Shares		
Directors (a)	\$	\$	\$	\$	\$(c)	\$	\$	%
Geoffrey Brooke	91,324	-	8,676	-	60,016	-	160,016	38%
Bill Ketelbey	318,081	80,000	20,531	11,388	27,690	-	457,690	6%
Jason Loveridge (b)	20,000	-	-	-	-	-	20,000	-
George Morstyn	60,000	-	-	-	11,658	-	71,658	16%
Malcolm McComas (b)	15,000	-	-	-	3,533	-	18,533	19%
<b>Total Directors</b>	<b>504,405</b>	<b>80,000</b>	<b>29,207</b>	<b>11,388</b>	<b>102,897</b>	<b>-</b>	<b>727,897</b>	

(a) The total Non-Executive Director Fees including superannuation (excluding Dr Ketelbey) during the year totalled \$195,000.

(b) During the year the following appointments and resignations occurred:

- Dr Loveridge resigned as Non-Executive Director on 28 November 2018; and
- Mr McComas was appointed as Non-Executive Director on 4 April 2019.

(c) Refer to Note 20: Share-based Payments for further information.

**Table 2 - Remuneration of KMP for the year ended 30 June 2018:**

Year ended 30/6/2018	Short-term benefits		Post- employment	Other Long- term benefits	Share-based payments		Total	Value of SBP as a % of total remuneration
	Cash, salary and fees	Cash bonus	Super- annuation	Accrued leave benefits (c)	LTI Rights / Options	Shares		
Directors (a)	\$	\$	\$	\$	\$	\$	\$	%
Geoffrey Brooke	83,714	-	7,953	-	130,068	-	221,735	59%
Bill Ketelbey	289,195	48,450	20,049	3,796	33,256	-	394,746	8%
Jason Loveridge	60,000	-	-	-	-	-	60,000	-
George Morstyn (b)	30,000	-	-	-	7,705	-	37,705	20%
Anton Uvarov (b)	6,552	-	622	-	-	-	7,174	-
<b>Total Directors</b>	<b>469,461</b>	<b>48,450</b>	<b>28,624</b>	<b>3,796</b>	<b>171,029</b>	<b>-</b>	<b>721,360</b>	

(a) The total Non-Executive Director fees including superannuation (excluding Dr Ketelbey) during the year totalled \$188,841.

(b) During the year the following appointments and resignations occurred:

- Dr Uvarov resigned as Non-Executive Director on 14 August 2017; and
- Dr Morstyn was appointed as Non-Executive Director on 1 December 2017.

(c) Accrued leave benefits were included in 2018 KMP remuneration for the first time in 2019.



# ACTINOGEN MEDICAL LIMITED

## DIRECTORS' REPORT

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### 5. EXECUTIVE CONTRACTS

During the financial year the following executive was remunerated for his role and was subject to the following contractual arrangement:

- Dr Bill Ketelbey – Managing Director and Chief Executive Officer
  - Commencement of employment: 18 December 2014.
  - Received salary totaling \$329,469 (plus a bonus payment of \$80,000 during the year) plus superannuation of \$20,531;
  - Remuneration package is \$350,000 per annum (including statutory superannuation up to the ATO threshold) with effect from 1 January 2018.
  - Included within the remuneration package is an STI scheme which is put in place by the Board of Directors for the achievement of a number of various short-term performance conditions being met. For further information on the STI's refer to Section 3(C) of the Remuneration Report.
  - Term: The appointment of the employee will continue on an ongoing basis unless terminated earlier in accordance with termination provisions.
  - Termination: The Company or the individual may terminate the contract by giving three months' 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 and superannuation contributions 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.

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, including superannuation, paid to Non-Executive Directors during the year were \$195,000.

During the financial year the following Non-Executive Directors were remunerated for their respective roles and were subject to the following contractual arrangements:

- Dr Geoffrey Brooke – Non-Executive Chairman
  - Date of Appointment: 1 March 2017.
  - Received Director's fees totaling \$91,324 (plus GST) plus statutory superannuation totaling \$8,676 during the year ended 30 June 2019.
  - Remuneration package is set at \$100,000 per annum (plus GST and statutory superannuation). Subject to annual review.
  - Term: Dr Brooke's appointment 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 immediate effect 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 members' resolution. Alternatively, the individual may resign from the Board.

# ACTINOGEN MEDICAL LIMITED

## DIRECTORS' REPORT

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- Dr George Morstyn – Non-Executive Director

- Date of Appointment: 1 December 2017.
- Director's fees received totaled \$60,000 during the year ended 30 June 2019.
- Remuneration package is set at \$60,000 per annum (exclusive of GST and superannuation). Subject to annual review.
- Term: Dr Morstyn's appointment 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 immediate effect 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 members' resolution. Alternatively, the individual may resign from the Board.

- Mr. Malcolm McComas – Non-Executive Director

- Date of Appointment: 4 April 2019.
- Director's fees received totaled \$15,000 during the year ended 30 June 2019.
- Remuneration package is set at \$60,000 per annum (plus GST and exclusive of superannuation), with effect from 4 April 2019. Subject to annual review.
- Term: Dr McComas' appointment 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 immediate effect 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 members' resolution. Alternatively, the individual may resign from the Board.

- Dr Jason Loveridge – former Non-Executive Director

- Date of Appointment: 1 December 2014.
- Director's fees received totaled \$20,000 during the year ended 30 June 2019.
- Remuneration package is set at \$60,000 per annum (exclusive of GST and superannuation) 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 Corticine Limited; and thereafter was subject to retirement by rotation under the Company's Constitution.
- Dr. Loveridge resigned on 28 November 2018.

## 7. ADDITIONAL DISCLOSURES RELATING TO OPTIONS

### (i) 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 fully paid ordinary share of the Company.

# ACTINOGEN MEDICAL LIMITED

## DIRECTORS' REPORT

Option holdings of KMP as at 30 June 2019:

Director / Class of Options	Balance at beginning of year 1/7/2018	Granted as remuneration	Net change other	Balance at end of year 30/6/2019	Vested at 30/6/2019	Not vested at 30/6/2019
<b>Geoffrey Brooke</b>						
Director Options (G)	5,000,000	-	-	5,000,000	3,500,000	1,500,000
Director Options (F)	-	4,900,000	-	4,900,000	816,667	4,083,333
	5,000,000	4,900,000	-	9,900,000	4,316,667	5,583,333
<b>Bill Ketelbey (a)</b>						
Class H LTI Rights	6,000,000	-	-	6,000,000	6,000,000	-
Class I LTI Rights	3,000,000	-	-	3,000,000	-	3,000,000
Class J LTI Rights	3,000,000	-	-	3,000,000	3,000,000	-
Director Options (F)	-	11,700,000	-	11,700,000	1,950,000	9,750,000
	12,000,000	11,700,000	-	23,700,000	10,950,000	12,750,000
<b>George Morstyn</b>						
Director Options (D)	1,500,000	-	-	1,500,000	700,000	800,000
Director Options (F)	-	1,500,000	-	1,500,000	250,000	1,250,000
	1,500,000	1,500,000	-	3,000,000	950,000	2,050,000
<b>Malcolm McComas (b)</b>						
Director Options (H)	-	3,000,000	-	3,000,000	-	3,000,000
	-	3,000,000	-	3,000,000	-	3,000,000
<b>Jason Loveridge (c)</b>						
Class A LTI Rights	3,000,000	-	(3,000,000)	-	-	-
Class B LTI Rights	3,000,000	-	(3,000,000)	-	-	-
	6,000,000	-	(6,000,000)	-	-	-
<b>Total Directors</b>	<b>24,500,000</b>	<b>21,100,000</b>	<b>(6,000,000)</b>	<b>39,600,000</b>	<b>16,216,667</b>	<b>23,383,333</b>

- (a) As at 30 June 2019, Class I LTI Rights remain unvested as the vesting condition has not yet been met despite the share-based payment expense against these LTI Rights being fully expensed in prior years based on the expected vesting date at that time.
- (b) Mr McComas was appointed as Non-Executive Director on 4 April 2019; and he was issued 3,000,000 Director Options as part of his appointment. For accounting purposes, the share-based payment expense has been prorated and recognised during the financial year end, however, the vesting conditions attached to these options are that they vest quarterly from grant date. The options were granted on 4 April 2019, therefore, the first quarter vesting date occurred subsequent to year end, on 4 July 2019, whereby 250,000 of the 3,000,000 options vested.
- (c) Dr Loveridge resigned as Non-Executive Director on 28 November 2018.

For further information pertaining to options on issue to Directors and the vesting conditions attached to these options, refer to Section 3(C)(b) within the Remuneration Report for further information.

# ACTINOGEN MEDICAL LIMITED

## DIRECTORS' REPORT

Option holdings of KMP as at 30 June 2018:

Director / Class of Options	Balance at beginning of year 1/7/2017	Granted as remuneration	Net change other	Balance at end of year 30/6/2018	Vested at 30/6/2018	Not vested at 30/6/2018
<b>Geoffrey Brooke</b>						
Director Options	5,000,000	-	-	5,000,000	2,000,000	3,000,000
	5,000,000	-	-	5,000,000	2,000,000	3,000,000
<b>Bill Ketelbey (a)</b>						
Class H LTI Rights	6,000,000	-	-	6,000,000	6,000,000	-
Class I LTI Rights	3,000,000	-	-	3,000,000	-	3,000,000
Class J LTI Rights	3,000,000	-	-	3,000,000	-	3,000,000
	12,000,000	-	-	12,000,000	6,000,000	6,000,000
<b>Jason Loveridge</b>						
Class ALTI Rights	3,000,000	-	-	3,000,000	3,000,000	-
Class B LTI Rights	3,000,000	-	-	3,000,000	3,000,000	-
	6,000,000	-	-	6,000,000	6,000,000	-
<b>George Morstyn (b)</b>						
Director Options	-	1,500,000	-	1,500,000	-	1,500,000
	-	1,500,000	-	1,500,000	-	1,500,000
<b>Total Directors</b>	<b>23,000,000</b>	<b>1,500,000</b>	<b>-</b>	<b>24,500,000</b>	<b>14,000,000</b>	<b>10,500,000</b>

(a) As at 30 June 2018, Class I and Class J LTI Rights remain unvested as the vesting condition has not yet been met despite the share-based payment expense against these LTI Rights being fully expensed in prior years based on the expected vesting date at that time.

(b) George Morstyn commenced as Non-Executive Director on 1 December 2017. He was issued Director Options as part of his appointment. Refer to Section 3(C)(b)(ii) within the Remuneration Report for further information.

For further information pertaining to options on issue to Directors and the vesting conditions attached to these options, refer to Section 3(C)(b) within the Remuneration Report for further information.

# ACTINOGEN MEDICAL LIMITED

## DIRECTORS' REPORT

### (ii) Value of options awarded, vested and lapsed during the financial year

The value of the options awarded, vested and lapsed during the year are outlined in the Table below.

Directors / Class of option issued	Total share- based payment valuation	Value vested during the year	Total share- based payments expensed as at 1 July 2018	Value recognised during the year	Value lapsed during the year	Total share-based payments expensed as at 30 June 2019	Value to be recognised in future years	Remuneration consisting of option for the year (%)
<b>G. Brooke</b>								
Director Options (G)	\$ 98,114	\$ -	\$ 98,114	\$ -	\$ -	\$ 98,114	\$ -	0%
Director Options (G)	\$ 73,586	\$ -	\$ 46,672	\$ 26,914	\$ -	\$ 73,586	\$ -	17%
Director Options (G)	\$ 73,586	\$ -	\$ 27,278	\$ 21,505	\$ -	\$ 48,783	\$ 24,803	13%
Director Options (F)	\$ 69,580	\$ 11,597	\$ -	\$ 11,597	\$ -	\$ 11,597	\$ 57,983	7%
<b>B. Ketelbey</b>								
Class H LTI Rights	\$ 218,886	\$ -	\$ 218,886	\$ -	\$ -	\$ 218,886	\$ -	0%
Class I LTI Rights	\$ 109,443		\$ 109,443	\$ -	\$ -	\$ 109,443	\$ -	0%
Class J LTI Rights	\$ 109,443	\$ 109,443	\$ 109,443	\$ -	\$ -	\$ 109,443	\$ -	0%
Director Options (F)	\$ 166,140	\$ 27,690	\$ -	\$ 27,690	\$ -	\$ 27,690	\$ 138,450	6%
<b>G. Morstyn</b>								
Director Options (D)	\$ 9,030	\$ -	\$ 5,220	\$ 3,810	\$ -	\$ 9,030	\$ -	5%
Director Options (D)	\$ 5,160	\$ -	\$ 1,491	\$ 2,580	\$ -	\$ 4,071	\$ 1,089	4%
Director Options (D)	\$ 5,160	\$ -	\$ 993	\$ 1,718	\$ -	\$ 2,712	\$ 2,448	2%
Director Options (F)	\$ 21,300	\$ 3,550	\$ -	\$ 3,550	\$ -	\$ 3,550	\$ 17,750	5%
<b>M. McComas</b>								
Director Options (H)	\$ 42,396	\$ 3,533	\$ -	\$ 3,533	\$ -	\$ 3,533	\$ 38,863	19%
<b>J. Loveridge</b>								
Class A LTI Rights	\$ 112,848	\$ -	\$ 112,848	\$ -	\$(112,848)	\$ -	\$ -	0%
Class B LTI Rights	\$ 112,848	\$ -	\$ 112,848	\$ -	\$(112,848)	\$ -	\$ -	0%
<b>Total Directors</b>	\$ 1,227,519	\$ 155,813	\$ 843,237	\$ 102,896	\$(225,696)	\$ 720,437	\$ 281,386	

Refer to Section 3(C)(b)(ii) within the Remuneration Report for detailed information relating to options issued to Directors.

# ACTINOGEN MEDICAL LIMITED

## DIRECTORS' REPORT

### (iii) Number of options awarded, vested and lapsed during the financial year

Directors / Class of option issued	Grant Date	Fair value per option at grant date	Financial Year	Vesting date	Exercise price	Expiry date	Quantity as at 1 July 2018	Quantity lapsed during the year	Quantity as at 30 June 2019	Quantity vested during the year
<b>G. Brooke</b>										
Director Options (G)	24/03/2017	\$ 0.049	2017	24/03/2018	\$ 0.10	24/03/2025	2,000,000	-	2,000,000	-
Director Options (G)	24/03/2017	\$ 0.049	2017	24/03/2019	\$ 0.10	24/03/2025	1,500,000	-	1,500,000	1,500,000
Director Options (G)	24/03/2017	\$ 0.049	2017	24/08/2020	\$ 0.10	24/03/2025	1,500,000	-	1,500,000	-
Director Options (F)	28/11/2018	\$ 0.014	2019	See Note 1	\$ 0.09	27/11/2023	4,900,000	-	4,900,000	816,667
<b>B. Ketelbey</b>										
Class H LTI Rights	15/12/2014	\$ 0.036	2015	18/12/2017	\$ 0.04	15/12/2019	6,000,000	-	6,000,000	-
Class I LTI Rights	15/12/2014	\$ 0.036	2015	30/06/2015	\$ 0.04	15/12/2019	3,000,000	-	3,000,000	-
Class J LTI Rights	15/12/2014	\$ 0.036	2015	30/06/2017	\$ 0.04	15/12/2019	3,000,000	-	3,000,000	3,000,000
Director Options (F)	28/11/2018	\$ 0.014	2019	See Note 1	\$ 0.09	27/11/2023	11,700,000	-	11,700,000	1,950,000
<b>G. Morstyn</b>										
Director Options (D)	18/01/2018	\$ 0.013	2018	1/12/2018	\$ 0.10	1/12/2022	700,000	-	700,000	700,000
Director Options (D)	18/01/2018	\$ 0.013	2018	1/12/2019	\$ 0.10	1/12/2022	400,000	-	400,000	-
Director Options (D)	18/01/2018	\$ 0.013	2018	1/12/2020	\$ 0.10	1/12/2022	400,000	-	400,000	-
Director Options (F)	28/11/2018	\$ 0.014	2019	See Note 1	\$ 0.09	27/11/2023	1,500,000	-	1,500,000	250,000
<b>M. McComas</b>										
Director Options (H)	4/04/2019	\$ 0.014	2019	See Note 1	\$ 0.10	4/04/2024	3,000,000	-	3,000,000	-
<b>J. Loveridge</b>										
Class A LTI Rights	19/11/2014	\$ 0.038	2015	30/09/2015	\$ 0.02	30/11/2019	3,000,000	(3,000,000)	-	-
Class B LTI Rights	19/11/2014	\$ 0.038	2015	31/12/2015	\$ 0.02	30/11/2019	3,000,000	(3,000,000)	-	-
<b>Total Directors</b>							45,600,000	(6,000,000)	39,600,000	8,216,667

Note 1: Director Options (F) and (H) both vest quarterly over a period of three years from the date of grant.

Refer to Section 3(C)(b)(ii) within the Remuneration Report for detailed information relating to options issued to Directors.

# ACTINOGEN MEDICAL LIMITED

## DIRECTORS' REPORT

### 8. ADDITIONAL DISCLOSURES RELATING TO SHARES

There were no shares issued as compensation to KMP during the financial year ended 30 June 2019. LTI Rights held by KMP, despite being ordinary fully paid shares, represent an option arrangement and have not been included in the table below.

#### Shareholding of KMP as at 30 June 2019:

Directors	Balance at beginning of year 1/7/2018	Granted as remuneration	On exercise of options	Net change other (a)	Balance at end of year 30/6/2019
Geoffrey Brooke	1,025,000	-	-	300,000	1,325,000
Bill Ketelbey (b)	353,803	-	-	600,000	953,803
Jason Lov eridge	21,875,078	-	-	(21,875,078)	-
George Morstyn	200,000	-	-	-	200,000
Malcolm McComas	-	-	-	500,000	500,000
<b>Total Directors</b>	<b>23,453,881</b>	<b>-</b>	<b>-</b>	<b>(20,475,078)</b>	<b>2,978,803</b>

(a) Movement relates to shares purchased by Dr Brooke and Dr Ketelbey pursuant to the Share Purchase Plan issued 13/7/2018; shares purchased by Mr McComas on-market prior to his appointment as a director; and Dr Lov eridge's resignation on 28 November 2019.

(b) Dr Ketelbey also holds 12,000,000 LTI Rights that despite being accounted for as "in-substance options", they are issued ordinary shares that carry voting and divided rights, however, with a restriction on being able to trade them. Refer to Section 3(C)(b)(iii) within the Remuneration Report for information on LTI Rights.

#### Shareholding of KMP as at 30 June 2018:

Directors	Balance at beginning of year 1/7/2017	Granted as remuneration	On exercise of options	Net change other (a)	Balance at end of year 30/6/2018
Geoffrey Brooke	400,000	-	-	625,000	1,025,000
Bill Ketelbey	353,803	-	-	-	353,803
Jason Lov eridge	21,875,078	-	-	-	21,875,078
George Morstyn	-	-	-	200,000	200,000
Anton Uv arov	4,187,244	-	-	(4,187,244)	-
<b>Total Directors</b>	<b>26,816,125</b>	<b>-</b>	<b>-</b>	<b>(3,362,244)</b>	<b>23,453,881</b>

(a) Movement relates to shares purchased on-market during the year; other than Anton Uvarov's movement which represents his resignation on 14 August 2017

### 9. LOANS MADE TO KEY MANAGEMENT PERSONNEL AND THEIR RELATED PARTIES

No loans were made to any KMP or any of their related entities during the reporting period. In a prior year, limited recourse interest free loans were provided to KMP in the form of LTI Rights. As at 30 June 2019, the total value of the loans outstanding is \$480,000 which relates to Dr Ketelbey's Class H, I and J LTI Rights. The loans are not recognised as the LTI Rights are accounted for as "in-substance options". Refer to Section 3(C)(b)(iii) within the Remuneration Report for information on LTI Rights.

### 10. OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL AND THEIR RELATED PARTIES

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

#### End of Audited Remuneration Report

# ACTINOGEN MEDICAL LIMITED

## DIRECTORS' REPORT

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### 16. 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.

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

During the financial year, Actinogen Medical paid a base premium of \$36,438 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 in the Company, and any other payments arising from liabilities incurred by the officers in connection with such proceedings.

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 for 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.

### 18. 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.

### 19. ENVIRONMENTAL REGULATIONS

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

### 20. 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 2019 and 30 June 2018.

### 21. 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 2019 forms a part of the Directors' Report and can be found on page 39. Signed in accordance with a resolution of the Board of Directors.



Dr Bill Ketelbey  
Managing Director  
Sydney, New South Wales  
Friday, 16 August 2019





**Building a better  
working world**

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

As lead auditor for the audit of the financial report of Actinogen Medical Limited for the financial year ended 30 June 2019, 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

Pierre Dreyer  
Partner  
16 August 2019

**ACTINOGEN MEDICAL LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**For the year ended 30 June 2019**

	Note	Full year ended 30/06/2019 \$	Full year ended 30/06/2018 \$
Revenue from continuing operations		204,546	91,897
Other income		4,862,755	3,251,283
<i>Total revenue &amp; other income</i>	6	5,067,301	3,343,180
Business development		(776,052)	(528,418)
Corporate administration expenses		(658,886)	(696,654)
Research & development expenses	6	(12,553,709)	(7,741,706)
Finance costs		(7,987)	(11,457)
Share-based payment expenses		(127,949)	(239,514)
Amortisation expense	11	(353,500)	(353,500)
Impairment loss	11	(476,900)	-
Depreciation expense	10	-	(2,540)
<i>Total expenses</i>		(14,954,983)	(9,573,789)
<b>Loss before income tax</b>		<b>(9,887,682)</b>	(6,230,609)
Income tax expense	7	-	-
<b>Loss for the Year</b>		<b>(9,887,682)</b>	(6,230,609)
<u>Other comprehensive income</u>			
<i>Items that may be reclassified subsequently to profit and loss:</i>			
Transfer of available-for-sale reserve to profit and loss upon disposal of available-for-sale investments		-	(76,607)
<b>Total comprehensive loss for the Year</b>		<b>(9,887,682)</b>	(6,307,216)
<b>Loss per share for attributable to the ordinary equity holders of the Company</b>			
Basic loss per share (cents)	15	<b>(0.90)</b>	(0.88)
Diluted loss per share (cents)	15	<b>(0.90)</b>	(0.88)

The above Statement of Comprehensive Income should be read in conjunction with the accompanying Notes.

**ACTINOGEN MEDICAL LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**As at 30 June 2019**

	Note	As at 30/06/2019 \$	As at 30/06/2018 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	8	7,636,601	9,896,760
Trade and other receivables	9	4,890,521	3,532,414
<b>TOTAL CURRENT ASSETS</b>		<b>12,527,122</b>	13,429,174
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	-	-
Intangible assets	11	3,659,553	4,489,953
Other receivable - restricted cash		35,266	107,037
<b>TOTAL NON-CURRENT ASSETS</b>		<b>3,694,819</b>	4,596,990
<b>TOTAL ASSETS</b>		<b>16,221,941</b>	18,026,164
<b>CURRENT LIABILITIES</b>			
Trade and other payables	12	433,575	649,225
Provisions		123,820	119,028
<b>TOTAL LIABILITIES</b>		<b>557,395</b>	768,253
<b>NET ASSETS</b>		<b>15,664,546</b>	17,257,911
<b>EQUITY</b>			
Contributed equity	13	48,044,606	40,438,238
Reserve shares	13	(480,000)	(1,040,000)
Reserves	14	7,296,257	7,168,308
Accumulated losses		(39,196,317)	(29,308,635)
<b>TOTAL EQUITY</b>		<b>15,664,546</b>	17,257,911

The above Statement of Financial Position should be read in conjunction with the accompanying Notes.

**ACTINOGEN MEDICAL LIMITED**  
**STATEMENT OF CASH FLOWS**  
**For the year ended 30 June 2019**

	Full year ended 30/06/2019	Full year ended 30/06/2018
Note	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Dividends received	-	53,182
Interest received	204,546	38,715
Interest paid	(7,987)	(11,457)
Payments to suppliers and employees	(1,300,665)	(1,170,799)
Payments for research and development	(12,633,011)	(8,086,285)
Government grants and rebate received	3,238,819	1,265,592
<b>Net cash (outflow) from operating activities</b>	<b>(10,498,298)</b>	<b>(7,911,052)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	-	(274)
NAB bank guarantee (restricted cash) for Sydney office premise.	71,771	(107,037)
Proceeds on sale of available-for-sale listed	-	2,060,671
<b>Net cash inflow from investing activities</b>	<b>71,771</b>	<b>1,953,360</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares	7,923,616	14,756,150
Transaction costs associated with issue of shares	(317,248)	(796,303)
Repayment of loan attached to LTI Rights	560,000	-
<b>Net cash inflow from financing activities</b>	<b>8,166,368</b>	<b>13,959,847</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(2,260,159)</b>	<b>8,002,155</b>
Cash and cash equivalents at beginning of the year	9,896,760	1,894,605
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	<b>7,636,601</b>	<b>9,896,760</b>

The above Statement of Cash Flows should be read in conjunction with the accompanying Notes.

**ACTINOGEN MEDICAL LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**For the year ended 30 June 2019**

	Contributed Equity	Accumulated Losses	Fair Value Reserve of Financial Assets at Fair Value through Other Comprehensive Income	Option Reserve	Reserve Shares	Total
<b>Full year ended 30/6/2019</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance as at 1/7/2018	40,438,238	(29,308,635)	-	7,168,308	(1,040,000)	17,257,911
Loss for the year	-	(9,887,682)	-	-	-	(9,887,682)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss for the year	-	(9,887,682)	-	-	-	(9,887,682)
Transactions with equity holders in their capacity as equity holders:						
Shares issued during the year	7,923,616	-	-	-	-	7,923,616
Capital raising costs	(317,248)	-	-	-	-	(317,248)
Repayment of LTI Rights upon cessation of employment	-	-	-	-	560,000	560,000
Share-based payments	-	-	-	127,949	-	127,949
<b>Balance as at 30/6/2019</b>	<b>48,044,606</b>	<b>(39,196,317)</b>	<b>-</b>	<b>7,296,257</b>	<b>(480,000)</b>	<b>15,664,546</b>

	Contributed Equity	Accumulated Losses	Fair Value Reserve of Financial Assets at Fair Value through Other Comprehensive Income	Option Reserve	Reserve Shares	Total
Full year ended 30/6/2018	\$	\$	\$	\$	\$	\$
Balance as at 1/7/2017	26,578,391	(23,078,026)	76,607	6,928,794	(1,140,000)	9,365,766
Loss for the year	-	(6,230,609)	-	-	-	(6,230,609)
Other comprehensive income	-	-	(76,607)	-	-	(76,607)
Total comprehensive loss for the year	-	(6,230,609)	(76,607)	-	-	(6,307,216)
Transactions with equity holders in their capacity as equity holders:						
Shares issued during the year	14,756,150	-	-	-	-	14,756,150
Capital raising costs	(796,303)	-	-	-	-	(796,303)
Cancellation on unvested loan shares	(100,000)	-	-	-	100,000	-
Share-based payments	-	-	-	239,514	-	239,514
Balance as at 30/6/2018	40,438,238	(29,308,635)	-	7,168,308	(1,040,000)	17,257,911

The above Statement of Changes in Equity should be read in conjunction with the accompanying Notes.

# ACTINOGEN MEDICAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 30 JUNE 2019

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#### 1. CORPORATE INFORMATION

The financial statements of Actinogen Medical Limited ('Actinogen Medical' or 'the Company') for the year ended 30 June 2019 were authorised in accordance with a resolution of Directors on 15 August 2019.

Actinogen Medical is a for profit company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange ('ASX'). The nature of operations and principal activities of the Company are described in the Directors' Report.

#### 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 below. The financial statements of the Company are for the financial year ended 30 June 2019.

##### (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. The financial statements are presented in Australian dollars.

##### (b) Going concern basis

This financial report has been prepared on the going concern basis which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

The Company has incurred a loss after tax for the year ended 30 June 2019 of \$9,887,682 (30 June 2018: \$6,230,609) and experienced net cash outflows from operating activities of \$10,498,298 (30 June 2018: \$7,911,052).

In arriving at this position, the Directors have had regard for the fact that based on the matters noted below the Company has, or in the Directors' opinion will have access to, sufficient cash to fund administrative and other committed expenditure for a period of not less than 12 months from the date of this report. In forming this view the Directors have taken into consideration the following:

- The Company has \$7,636,601 in cash and cash equivalents as at 30 June 2019. The Company is listed on the ASX and therefore has access to the Australian equity capital markets. Accordingly, the Directors consider that the Company maintains a reasonable expectation of being able to raise funding from the market as and when required, although it cannot determine in advance the terms upon which it may raise such funding.
- The Company is achieving key milestones with respect to its XanADu trial, an international multi-site Phase II efficacy and safety trial of Xanamem, Actinogen Medical's drug candidate that has been specifically designed to block the production of cortisol in the brain. This provides the Directors with confidence as regards the Company's prospects of generating positive cash flow from operations in the future.
- The Company will be submitting a claim for the Research and Development Tax Incentive in respect of the 2019 tax year. The Company is satisfied that it meets the criteria to qualify for a cash refund and is confident the expenditure to be claimed will satisfy the tests of eligibility. The amount of eligible expenditure in the 2019 financial year is estimated to be \$10,582,210, and if approved, would lead to a cash refund of \$4,603,261 which has been recognised in the current year financial statements. Refer to Note 9: Trade and other receivables.

##### (c) Compliance with IFRS

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

# ACTINOGEN MEDICAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 30 JUNE 2019

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**(d) Historical cost convention**

These financial statements have been prepared under the historical cost convention, except for certain financial assets which have been measured at fair value.

**(e) 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.

**(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 Company. The depreciation rates used for each class of asset for the current period are as follows:

- 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 Company 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 of disposal 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 Company 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 of disposal, 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 measures.

**(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 FINANCIAL STATEMENTS

### 30 JUNE 2019

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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, or when indicators of impairment exist, individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually, or when indicators of impairment exist, 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.

#### *(i) Research and development costs*

Development expenditures on an individual project is 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.

The Company assessed whether the above criteria had been met for the financial year ended 30 June 2019. The Company did not meet this criterion and as a consequence all research and development costs were expensed to profit and loss for the current year.

#### *(ii) Intellectual property*

The Company's intangible assets relate to intellectual property for upfront payments to purchase patents and licenses. The patents and licenses 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 and licenses are amortised on a straight-line basis over the period of the patent patents and license. The remaining life of the patents and licenses is 12 years. Refer to Note 11: Intangible Assets.

#### **(i) Government grants**

Research and development tax rebates are treated as a government grant. 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.

#### **(j) Income tax**

The charge for current income tax expense is based on the result 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.



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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; and affects neither 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. 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.

#### **(k) Employee benefits**

Provision is made for the Company'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 high quality corporate bonds with terms to maturity approximating the terms of the liability.

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

The Company provides benefits to employees (including Directors) and consultants of the Company in the form of share-based payment transactions, whereby employees and consultants 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 Company, 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 only 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.

#### **(m) 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, bank overdrafts and other short term, highly 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.

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**(n) Revenue from contracts with customers**

Revenue is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company is entitled. 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.

Investment income is recognised when the Company's right to receive payment is established.

**(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 ATO. 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 Company. 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 subsequently carried at amortised cost after initial recognition at fair value. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

**(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 result attributable to owners of the Company, 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.

# ACTINOGEN MEDICAL LIMITED

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*(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.

**(f) Trade receivables**

Trade receivables are recognised initially at the transaction price as determined under AASB 15 and subsequently measured at amortised cost using the effect interest method, less allowance for impairment. Trade receivables are generally due for settlement within 30 days. Refer to impairment of trade receivables in section (u) below.

**(u) Financial instruments – initial recognition and subsequent measurement**

*(i) Financial assets*

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through profit or loss or fair value through other comprehensive income ("OCI").

The classification of financial assets at initial recognition depends on the financial assets' contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient for contracts that have a maturity of one year or less, are measured at the transaction price determined under AASB 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement up to 30 June 2018

- Loans and receivables

This category which was used up to 30 June 2018 was the most relevant to the Company. Loans and receivables were non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets were subsequently measured at amortised cost using the EIR method, less impairment.

Amortised cost was calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

The EIR amortisation is included in finance income in the Statement of Comprehensive Income. The losses arising from impairment are recognised in the Statement of Comprehensive Income in finance costs for loans and in cost of sales or other operating expenses for receivables. This category generally applies to trade and other receivables. For more information on receivables, refer to Note 9.

Subsequent measurement from 1 July 2018

For purposes of subsequent measurement from 1 July 2018, financial assets are classified in four categories:

# ACTINOGEN MEDICAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

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- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

The Company only held financial assets at amortised cost from 1 July 2018.

- Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Company. The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using EIR method and are subject to impairment. Interest received is recognised as part of finance income in the statement of profit or loss and other comprehensive income. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost includes trade and other receivables.

#### Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Company's Statement of Financial Position) when:

- The rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

#### Impairment of financial assets up to 30 June 2018

The Company assessed, at each reporting date, whether there was objective evidence that a financial asset or a group of financial assets was impaired. An impairment existed if one or more events that had occurred since the initial recognition of the asset (an incurred 'loss event'), had an impact on the estimated future cash flows of the financial asset or the group of financial assets that could be reliably estimated.

Evidence of impairment may have included indications that the debtor or a group of debtors was experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they would enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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- Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Company first assessed whether impairment existed individually for financial assets that were individually significant, or collectively for financial assets that were not individually significant. If the Company determined that no objective evidence of impairment existed for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assessed them for impairment. Assets that were individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that had not yet been incurred). The present value of the estimated future cash flows was discounted at the financial asset's original EIR.

The carrying amount of the asset was reduced through the use of an allowance account and the loss was recognised in the Statement of Comprehensive Income. Interest income (recorded as finance income in the Statement of Comprehensive Income) continued to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Loans, together with the associated allowance were written off when there is no realistic prospect of future recovery and all collateral had been realised or had been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increased or decreased because of an event occurring after the impairment was recognised, the previously recognised impairment loss was increased or reduced by adjusting the allowance account. If a write-off was later recovered, the recovery was credited to finance costs in the Statement of Comprehensive Income.

Impairment of financial assets from 1 July 2018

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Company applies the simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on the financial asset's lifetime ECL at each reporting date. The group has established a provision methodology that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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 expected credit loss provision has 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.

#### *(ii) Financial liabilities*

##### Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include trade and other payables.

The only financial liabilities the Company has are trade payables which we subsequently measured at amortised cost using the EIR method. Refer to Note 12 for more detail.

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#### Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of Comprehensive Income.

#### **(v) 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.

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

Since 1 July 2018, Actinogen Medical has adopted all Accounting Standards and Interpretation, mandatory for annual periods beginning on or before 1 July 2018.

It has been determined that there is no material impact as a result of the newly adopted standards and interpretations. These standards are discussed below.

- AASB 15 Revenue from Contracts with Customers ("AASB 15")

AASB 15 supersedes AASB 118 Revenue, AASB 111 Construction Contracts and related Interpretations and it applies to all revenue arising from the contracts with customers, unless those contracts are in scope with other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under AASB 15, revenue is recognised as an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

At 1 July 2018, it was determined that the adoption of AASB 15 had no impact on the Company, other than interest receivable, as it is not revenue generating.

- AASB 9 Financial Instruments ("AASB 9")

In accordance with the transitional provisions in AASB 9, comparative figures have not been restated and continue to be reported under AASB 139. AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement ("AASB 139"), bringing together all three aspects of the accounting for financial instruments: classification and measurements; impairment and hedge accounting.

#### *Classification and Measurement:*

Under AASB 9, debt instruments are subsequently measured at fair value through profit and loss (FVPL), amortise cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Company's business model for managing the assets; and whether the instruments' contractual cash flows represent "solely payment of principal and interest" on the principal amount outstanding (the "SPPI test"). The SPPI test is applied to the entire financial asset, even if it contains an embedded derivative.

As the date of initial application, existing financial assets and liabilities of the Company were assessed in terms of the requirements of AASB 9. The assessment was conducted on instruments that had not been derecognised as at 1 July 2018.

In this regard, the Company has determined that the adoption of AASB 9 has impacted the classification of financial instruments at 1 July 2018 as follows:

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Class of financial instrument presented in the Statement of Financial Position	Original measurement category under AASB 139 (prior to 1 July 2018)	New measurement category under AASB 9 (from 1 July 2018)
Cash and cash equivalents	Loans and receivables	Financial assets at amortised cost
Trade and other receivables	Loans and receivables	Financial assets at amortised cost
Trade and other payables	Financial Liability at amortised cost	Financial liabilities at amortised cost

The change in classification of financial instruments has not resulted in any re-measurement adjustment at 1 July 2018.

**(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 2019 reporting periods and have not been early adopted by the Company. These new standards and interpretations, and the status of the Company's assessment of impact on the Company, are set out below.

Reference	Title	Summary	Application date of standard*	Application date for Company*
AASB 16	Leases	<p>AASB 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under AASB 117 <i>Leases</i>. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset).</p> <p>Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.</p> <p>Lessor accounting is substantially unchanged from today's accounting under AASB 117.</p> <p><b>Transition</b>  A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit the Company to apply certain transitional application relief.</p> <p><b>Impact</b>  The Company is still determining the impact of adopting this standard.</p>	1 January 2019	1 July 2019
AASB 3	Definition of a Business - Amendments to AASB 3	<p><b>Key requirements</b>  The AASB issued amendments to the definition of a business in AASB 3 <i>Business Combinations</i> to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test.</p> <p><b>Impact</b>  The Company is not expecting any impact from the adoption of this Standard.</p>	1 January 2020	1 July 2020

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Reference	Title	Summary	Application date of standard*	Application date for Company*
AASB 101 and AASB 108	Definition of Material - Amendments to AASB 101 and AASB 108	<p><b>Key requirements</b>            In October 2018, the AASB issued amendments to AASB 101 <i>Presentation of Financial Statements</i> and AASB 108 to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'            The amendments must be applied prospectively. Early application is permitted and must be disclosed.</p> <p><b>Impact</b>            The amendments to the definition of material are not expected to have a significant impact on a Company's financial statements.</p>	1 January 2020	1 July 2020

**3. FINANCIAL RISK MANAGEMENT**

The Company'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 Company'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 Company as at 30 June 2019:

<b>As at 30/6/2019</b>	<b>Cash and cash equivalents</b>	<b>Financial assets / liabilities at amortised cost</b>
	\$	\$
<b>Financial assets:</b>		
Cash and cash equivalents	7,636,601	-
Trade and other receivables	-	4,890,521
<b>Total current assets</b>	<b>7,636,601</b>	<b>4,890,521</b>
<b>Total assets</b>	<b>7,636,601</b>	<b>4,890,521</b>
<b>Financial liabilities:</b>		
Trade and other payables	-	433,575
<b>Total current liabilities</b>	-	<b>433,575</b>
<b>Total liabilities</b>	-	<b>433,575</b>
<b>Net exposure</b>	<b>7,636,601</b>	<b>4,456,946</b>



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Set out below is an overview of the financial instruments held by the Company as at 30 June 2018:

As at 30/6/2018	Cash and cash equivalents \$	Financial assets / liabilities at amortised cost \$
Financial assets:		
Cash and cash equivalents	9,896,760	-
Trade and other receivables	-	3,532,414
Total current assets	9,896,760	3,532,414
Total assets	9,896,760	3,532,414
Financial liabilities:		
Trade and other payables	-	649,225
Total current liabilities	-	649,225
Total liabilities	-	649,225
Net exposure	9,896,760	2,883,189

**(a) Market Risk**

*(i) Price risk*

Equity price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in equity prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments in the market.

*(ii) Interest rate risk*

The Company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the interest rates on classes of financial assets and financial liabilities is as follows:

Sensitivity analysis:

	Interest rate risk		
	Carrying amount	-1% Profit/Equity	+1% Profit/Equity
	\$	\$	\$
<b>30 June 2019</b>			
Financial Assets			
Cash and cash equivalents	7,636,601	(76,366)	76,366
 30 June 2018			
Financial Assets			
Cash and cash equivalents	9,896,760	(98,968)	98,968

Variable rate instruments:

	2019		2018	
	\$	%	\$	%
Cash and cash equivalents	7,636,601	2.03	9,896,760	1.0

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#### **(b) Credit risk**

Credit risk is the risk of financial loss to the Company if a counter party to a financial instrument fails to meet its contractual obligations. The Company's main credit risk exposure relates to the financial assets of the Company, which comprise cash and cash equivalents and trade and other receivables. The Company'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 Company's maximum exposure to credit risk in relation to those assets. The Company does not hold any credit derivatives to offset its credit exposure.

The Company trades only with recognised, credit worthy third parties and as such collateral is not requested nor is it the Company's policy to securitise its trade and other receivables. Receivable balances are monitored on an ongoing basis with the result that the Company does not have a significant exposure to bad debts. The Company has the following concentrations of credit risk:

##### *(i) Cash*

The Directors believe that there is negligible credit risk with the Company'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 Company 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. This is because the current Research and Development Rebate Receivable is with the ATO, a reputable Australian government agency.

#### **(c) Liquidity risk**

Liquidity risk is the risk that the Company 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 Company 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 Company does not have any financing arrangements.

##### *(ii) Maturities of financial liabilities:*

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

#### **(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 carrying value of financial assets and financial liabilities approximates their fair value as at 30 June 2019 and 30 June 2018 given the short-term nature of financial assets and liabilities.

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#### 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

- *Key estimates: Impairment of Intangible Assets*

The Company assesses impairment for intangible assets at each reporting date or when an impairment indicator exists, by evaluating conditions specific to the Company and to the particular asset that may lead to impairment. These include product, technology, economic and political environments and future expectations. If an impairment indicator exists, the recoverable amount of the asset is determined. For further information on intangible assets refer to Note 2(h).

- *Key estimates: Share-based payments*

The Company 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 20.

- *Key Estimates: Research & development tax rebate*

In line with accounting policy 2(i) research & development tax rebates are treated as government grants and are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. The Company applies judgment in assessing that all attached conditions will be complied with based on the nature of the expenditure incurred and the activities of the Company undertaken during the year.

#### 5. SEGMENT INFORMATION

The Company's sole operations are within the biotechnology industry within Australia. Given the nature of the Company, its size and current operations, the Company's management does not treat any part of the Company as a separate operating segment. Internal financial information used by the Company'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 30/06/2019</b>	Full year ended 30/06/2018
	\$	\$
<b>Revenue from contracts with customers</b>		
Dividends received on listed investments	-	53,182
Interest revenue	204,546	38,715
	<b>204,546</b>	91,897
<u>Other income</u>		
Export market development grant	80,819	50,838
Research and development tax rebate	4,781,936	3,158,000
Realised gain on sale of listed investments	-	42,445
<i>Total other income</i>	<b>4,862,755</b>	3,251,283
<b>Total revenue and income</b>	<b>5,067,301</b>	3,343,180

	<b>Full year ended 30/06/2019</b>	Full year ended 30/06/2018
	\$	\$
<b>Expenses</b>		
<i>Research and development ('R&amp;D') expenses:</i>		
Research consultants	228,427	188,459
Administrative	304,805	72,842
Laboratory expenses	10,321,144	5,955,423
Travel and accommodation costs	223,204	265,057
R&D employee expenses	1,476,129	1,259,925
	<b>12,553,709</b>	7,741,706
Non-R&D employee expenses	170,916	195,493
	<b>170,916</b>	195,493

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**7. INCOME TAX**

	<b>Full-year ended 30/06/2019</b>	Full-year ended 30/06/2018
	<b>\$</b>	<b>\$</b>
Numerical reconciliation of operating loss to prima facie income tax expense		
Operating loss before income tax	(9,887,682)	(6,230,609)
Tax benefit at the Australian tax rate of 27.5% (2018: 27.5%)	(2,719,113)	(1,713,418)
Tax effect of amounts that are not deductible / taxable in calculating taxable income:		
Entertainment expense	1,274	806
Share-based payments	35,186	65,866
Gain on asset disposal	-	2,671
Prior year over-provision	(8,827)	-
Research and development	1,595,075	1,127,987
Deferred tax asset not brought to account	1,096,405	516,088
Income tax expense	-	-
	<b>Full-year ended 30/06/2019</b>	Full-year ended 30/06/2018
	<b>\$</b>	<b>\$</b>
<b>Tax Losses</b>		
Unused tax losses for which no deferred tax asset has been recognised.		
Potential tax benefit @ 27.5% (2018: 27.5%)	3,780,689	2,693,159
	<b>3,780,689</b>	<b>2,693,159</b>
<b>Unrecognised temporary differences</b>		
Temporary differences for which deferred tax assets have not been recognised.		
- Provisions and accruals	149,797	127,312
- Intangible Assets	476,900	-
- Capital raising costs	757,053	850,152
- Patent application fees	-	72,842
	<b>1,383,750</b>	<b>1,050,306</b>
Unrecognised deferred tax asset relating to the above temporary differences @ 27.5% (2018: 27.5%)	<b>264,310</b>	<b>288,834</b>

The tax benefit of tax losses and other temporary differences will only arise in the future where the Company 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 Company achieving sufficient taxable income in the future is not probable and the tax benefit of these tax losses and other temporary differences has not been recognised.

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**8. CASH AND CASH EQUIVALENTS**

	<b>As at 30/06/2019</b>	As at 30/06/2018
	<b>\$</b>	<b>\$</b>
Cash at bank and on hand	1,571,600	9,829,796
Short term deposits	6,065,001	66,964
<b>Total cash and cash equivalents</b>	<b>7,636,601</b>	<b>9,896,760</b>

During the year ended 30 June 2019, the Company raised cash via a number of capital raisings and the exercise of options. Refer the Directors' Report: Review of Operations: Section 7(x) and Note 13: Contributed Equity for further information on the capital raisings and exercise of options that occurred during the year. Furthermore, the Company is expecting to receive an estimated \$4,603,261 which relates to the research and development rebate receivable recognised at year end. Refer to Note 9(c) below.

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

	<b>Full year ended 30/06/2019</b>	Full year ended 30/06/2018
	<b>\$</b>	<b>\$</b>
Loss for the year	(9,887,682)	(6,230,609)
<u>Non cash items:</u>		
Realised loss from available-for-sale listed investments	-	(42,445)
Depreciation	-	2,540
Amortisation expense	353,500	353,500
Impairment loss	476,900	-
Share-based payment expense	127,949	239,514
<u>Change in assets and liabilities:</u>		
(Increase)/decrease in receivables	(1,358,107)	(2,157,546)
Increase/(decrease) in trade creditors and other payables	(215,650)	(114,457)
Increase/(decrease) in provisions	4,792	38,451
	<b>(10,498,298)</b>	<b>(7,911,052)</b>

**Non-cash financing and investing activities:** No non-cash financing and investing activities occurred during the year ended 30 June 2019. During the prior year ended 30 June 2018, 5,000,000 unvested Class F LTI Rights, totalling \$100,000, were cancelled on 14 December 2017 due to forfeiture following the resignation of former director, Mr Martin Rogers, on 30 November 2017.

**Financing facilities available:** As at 30 June 2019, the Company had no financing facilities available (2018: None). 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 Company'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**

	As at 30/06/2019	As at 30/06/2018
	\$	\$
Prepayments (a)	57,115	47,375
Goods and services tax receivable (b)	230,145	312,904
Research and development tax rebate receivable (c)	4,603,261	3,158,000
Other receivable	-	14,135
<b>Total trade and other receivables</b>	<b>4,890,521</b>	<b>3,532,414</b>

(a) Prepayments: This amount relates to prepaid insurances.

(b) Goods and services tax receivable: This amount relates to net good and services tax (GST) paid during the quarter ended 30 June 2019 which is refundable.

(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 research and development costs incurred during the financial year.

None of the current receivables are impaired, or past due but not impaired. Due to their short-term nature, carrying amounts approximate their fair value.

**10. PROPERTY, PLANT AND EQUIPMENT**

	As at 30/06/2019	As at 30/06/2018
	\$	\$
At cost	-	24,222
Accumulated depreciation	-	(24,222)
<b>Total property, plant and equipment</b>	<b>-</b>	<b>-</b>

Movements during the year:

	Plant and Equipment	Office Equipment	Computer Equipment	General Pool	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2018	-	-	-	-	-
Acquisitions	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Balance at 30 June 2019</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Balance at 1 July 2017	-	-	-	2,266	2,266
Acquisitions	-	-	-	274	274
Depreciation	-	-	-	(2,540)	(2,540)
Balance at 30 June 2018	-	-	-	-	-

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**11. INTANGIBLE ASSETS**

	<b>As at 30/06/2019</b>	As at 30/06/2018
	<b>\$</b>	<b>\$</b>
At cost	5,756,743	5,756,743
Accumulated amortisation	(1,620,290)	(1,266,790)
Accumulated impairment loss (b)	(476,900)	-
<b>Total intangible assets (a)</b>	<b>3,659,553</b>	<b>4,489,953</b>

*Movements during the year:*

	<b>Intellectual Property \$</b>
<b>Balance at 1/7/2018</b>	<b>4,489,953</b>
Amortisation expense	(353,500)
Impairment loss	(476,900)
<b>Balance at 30/6/2019</b>	<b>3,659,553</b>
Balance at 1/7/2017	4,843,453
Amortisation expense	(353,500)
Balance at 30/6/2018	4,489,953

(a) Intellectual property

On 8 December 2014, Actinogen Medical 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 Medical and the assumption by the Company of all of Corticrine's obligations in respect of such Assignment.

When the Company acquired the intellectual property from Corticrine, this comprised patents and licences, as well as the value of research performed to date; and the progression of testing to human trials. 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.

As at 30 June 2019, the intellectual property is valued at \$3,659,553

(b) Impairment testing:

As at 30 June 2019, the Company conducted an assessment to determine whether there were any indicators of impairment in relation to the carrying value of its capitalised intangible assets. On review, the Board were of the view that indicators of impairment existed in relation to its capitalised intangible assets, based on the fact that the market capitalisation of the Company was below the book value of its net assets as at 30 June 2019. As a result, the Board made a formal estimate of recoverable amount using fair value less costs of disposal ("FVLCD").

In estimating the recoverable amount of its intangible assets, the Company considered a valuation methodology which sought to estimate an enterprise value for the Company and the resultant FVLCD of the



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intangible assets using relevant historical transaction multiples. This methodology took into consideration historical information for completed comparable transactions in Australia over a 15-year period, based on which a mean is determined to use for the estimate of an enterprise value for the Company.

Since this method of determining recoverable amount was performed using a significant non-observable input, the FVLCD determined was classified as a Level 3 measurement under the fair value hierarchy in AASB 13.

The Board has, following this process, estimated the recoverable amount of the Company's capitalised intangible assets, and has recognised an impairment loss of \$476,900 for the year ended 30 June 2019 (2018: Nil).

**12. TRADE AND OTHER PAYABLES**

	<b>As at 30/06/2019</b>	As at 30/06/2018
	<b>\$</b>	\$
Trade payables	282,822	507,399
Accruals and other payables	58,939	25,500
Goods and services tax payable	522	108
NAB credit cards	33,542	54,574
Provision for payroll tax	32,000	27,445
PAYG payable	25,750	34,199
<b>Total trade and other payables</b>	<b>433,575</b>	649,225

Trade and other payables are non-interest bearing liabilities stated at amortised cost and settled within 30 days.

**13. CONTRIBUTED EQUITY**

	<b>As at 30/06/2019</b>	As at 30/06/2018
	<b>\$</b>	\$
Fully paid ordinary shares (1,119,231,320)	51,438,157	43,514,541
Capital raising costs	(3,393,551)	(3,076,303)
<b>Total contributed equity</b>	<b>48,044,606</b>	40,438,238

(a) Share Capital

Ordinary shares: These shares entitle the holder to participate in dividends and the winding up of the Company in proportion to the number and amount paid on the share held.

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

	Date	Quantity	Unit Price \$	Total \$
Opening balance 1 July 2017		620,193,558		26,578,391
Capital Raising Tranche 1	8/12/2017	91,500,000	0.04	3,660,000
Capital raising costs	-	-	-	(219,600)
Less cancellation of loan shares	14/12/2017	(5,000,000)	0.02	(100,000)
Capital Raising Tranche 2	22/01/2018	40,500,000	0.04	1,620,000
Capital raising costs	-	-	-	(97,200)
Exercise of unlisted options	12/04/2018	3,000,000	0.02	60,000
Exercise of unlisted options	14/05/2018	3,000,000	0.02	60,000
Private Placement Tranche 1	28/05/2018	187,122,994	0.05	9,356,150
Capital raising costs	-	-	-	(479,503)
<b>Balance at 30 June 2018</b>		<b>940,316,552</b>		<b>40,438,238</b>
Exercise of Unlisted Options	4/07/2018	4,000,000	0.02	80,000
Private Placement T2 (BVF)	12/07/2018	112,877,006	0.05	5,643,850
Capital raising costs - Bell Potter	12/07/2018			(282,192)
Share purchase plan	13/07/2018	19,050,000	0.05	952,500
Share purchase plan (shortfall)	24/07/2018	11,200,000	0.05	560,000
Capital raising costs - Bell Potter	17/07/2018			(35,056)
Exercise of Unlisted Options	18/09/2018	2,750,000	0.02	55,000
Exercise of Unlisted Options	14/11/2018	20,550,000	0.02	411,000
Exercise of Unlisted Options	30/11/2018	7,200,000	0.02	144,000
Exercise of Unlisted Options	4/04/2019	1,287,762	0.06	77,266
<b>Balance at 30 June 2019</b>		<b>1,119,231,320</b>		<b>48,044,606</b>

Refer to the Directors' Report: Review of Operations: Section 7(x) for further information on the capital raisings completed during the year.

(c) Reserve Shares

During a prior year (year ended 30 June 2015), the Company issued 45,000,000 shares, which are considered to be "in substance options" or rights ('LTI Rights') under Australian Accounting Standards, to various KMP by way of provision of a limited recourse, interest free loan (subject to approval at an Annual General Meeting of shareholders on 19 November 2014).

Of the 45,000,000 shares issued, 33,000,000 were issued at \$0.02 each on 3 December 2014; and 12,000,000 were issued at \$0.04 each on 12 December 2014.

During the year, the vesting condition on 3,000,000 Class J Rights issued to Dr Ketelbey were met on 31 October 2018.

As at 30 June 2019, all LTI Rights have vested, except for 3,000,000 Class I LTI Rights due to the performance milestones not being met as yet despite the share-based payment expense against these Rights being fully expensed based on the expected vesting date at that time.

During the year, Messrs Rogers, Loveridge and Ruffles repaid their loans: \$400,000, \$120,000 and \$40,000, respectively, to the Company to exercise the rights attached to their LTI Rights issued to them when they were previously employed by the Company. As at 30 June 2019, the total value of the loans outstanding is \$480,000 which relates to Dr Ketelbey's Class H, I and J LTI Rights.

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Reserve shares	Date	Quantity	Unit Price \$	Total \$
Opening balance 1 July 2017		(45,000,000)		(1,140,000)
Cancellation of unvested loan shares	14/12/2017	5,000,000	0.02	100,000
Balance at 30 June 2018		(40,000,000)		(1,040,000)
Repayment of loan shares by Mr Rogers	30/11/2018	20,000,000	0.02	400,000
Repayment of loan shares by Dr Loveridge	6/12/2018	6,000,000	0.02	120,000
Repayment of loan shares by Mr Ruffles	15/03/2019	2,000,000	0.02	40,000
<b>Balance at 30 June 2019</b>		<b>(12,000,000)</b>		<b>(480,000)</b>

(d) Share Options

As at 30 June 2019, there were 41,942,631 unissued ordinary shares under option:

Quantity	Type	Issue Date	Exercise Price	Expiry Date	Vesting Conditions
2,100,000	Unlisted Employee Options A (Tranche 1)	6/02/2017	\$ 0.100	5/02/2021	Yes
5,000,000	Unlisted Director Options G	24/03/2017	\$ 0.100	24/03/2022	Yes
417,188	Unlisted Employee Options B (Tranche 2)	12/07/2017	\$ 0.100	5/02/2021	No
1,500,000	Unlisted Director Options D	1/12/2017	\$ 0.100	1/12/2022	Yes
417,110	Unlisted Employee Options C (Tranche 3)	3/04/2018	\$ 0.100	5/02/2021	No
625,000	Unlisted Employee Options C (Tranche 3)	3/04/2018	\$ 0.100	5/02/2021	Yes
18,100,000	Unlisted Director Options F	27/11/2018	\$ 0.085	27/11/2023	Yes
5,783,333	Unlisted Employee Options E (Tranche 4)	13/12/2018	\$ 0.085	12/12/2023	Yes
5,000,000	Unlisted Consultant Options (Bio-Link)	1/02/2019	\$ 0.093	1/02/2024	Yes
3,000,000	Unlisted Director Options H	12/04/2019	\$ 0.100	4/04/2024	Yes
<b>41,942,631</b>	<b>Total shares under option</b>				

During the year the following options were exercised, expired, lapsed or forfeited:

Quantity	Type	Exercised, expired, lapsed or forfeited date	Exercised, expired, lapsed or forfeited	Exercise Price	Comment
4,000,000	Exercise of unlisted options	4/07/2018	Exercised	\$ 0.02	
2,750,000	Exercise of unlisted options	18/09/2018	Exercised	\$ 0.02	
1,112,500	Lapse of Employee Options (A) & (C)	31/10/2018	Lapsed	\$ 0.10	(i)
20,550,000	Exercise of unlisted options	14/11/2018	Exercised	\$ 0.02	
7,200,000	Exercise of unlisted options	30/11/2018	Exercised	\$ 0.02	
146,588,471	Expiry of listed options	31/03/2019	Expired	\$ 0.06	
1,287,762	Exercise of unlisted options	4/04/2019	Exercised	\$ 0.06	
916,667	Forfeiture of Employee Options (E)	12/04/2019	Forfeited	\$ 0.09	(ii)
<b>184,405,400</b>	<b>Total shares under options that were exercised, expired, lapsed or forfeited</b>				

(i) By 31 October 2018, the vesting condition of achieving dosing of more than 30 patients at 20mg or higher on Xanamem was not met and subsequently 1,112,500 unlisted employee options (comprising 800,000 and 312,500 Employee Options (A) and (C), respectively) lapsed.

(ii) On 15 April 2019, a total of 916,667 unvested employee options, expiring on 12/12/2023 and exercisable at \$0.085 each, lapsed. These options related to Mr V. Ruffles ceasing employment with the Company.

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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.

(e) Terms and Conditions of Issued Capital

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 Company'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 Company considers capital to consist of cash reserves on hand.

Consistent with the Company's objective, it manages working capital by issuing new shares, investing in and selling assets, submitting applications for research and development rebates to 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 ASX and receipt of Research and Development rebates from the Australian Tax Office.

**14. RESERVES**

Reserves is made up of the option reserve. The option reserve records items recognised as share-based payment ('SBP') expenses on valuation of employee and Director options. Details of the movement in reserves is shown below.

	<b>As at 30/06/2019</b>	As at 30/06/2018
	<b>\$</b>	\$
Option Reserve	7,296,257	7,168,308
Available-for-sale Investments Reserve	-	-
<b>Total reserves</b>	<b>7,296,257</b>	7,168,308

Movements in Option Reserve during the year:

	<b>As at 30/06/2019</b>	As at 30/06/2018
	<b>\$</b>	\$
<b>Option Reserve</b>		
Balance at the beginning of the year	7,168,308	6,928,794
Share-based payment expense on LTI Rights	-	41,428
Share-based payment expense on Director options	102,896	137,773
Share-based payment expense on employee options	36,571	97,391
Lapse of employee options	(22,834)	(37,078)
Share-based payment expense on consultant options	11,316	
<b>Balance at end of year</b>	<b>7,296,257</b>	7,168,308

Refer to Note 13(d) on unissued ordinary shares under option; and Note 20: Share-based payments.

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Movements in Available-for-sale Investments Reserve during the year:

	<b>As at</b> <b>30/06/2019</b>	<b>As at</b> <b>30/06/2018</b>
	<b>\$</b>	<b>\$</b>
<b>Available-for-sale Investments Reserve</b>		
Balance at the beginning of the year	-	76,607
Transfer of available-for-sale reserve upon disposal of available-for-sale-listed investments	-	(76,607)
Balance at end of year	-	-

**15. LOSSES PER SHARE**

	<b>Full-year ended</b> <b>30/06/2019</b>	<b>Full-year ended</b> <b>30/06/2018</b>
	<b>\$</b>	<b>\$</b>
Basic EPS from continuing operations attributable to the ordinary shareholders of the Company (cents)	<b>(0.90)</b>	(0.88)
Weighted number of ordinary shares used as the denominator	<b>1,102,236,780</b>	705,094,056
Net loss used in calculating EPS	<b>(9,887,682)</b>	(6,230,609)
Diluted EPS from continuing operations attributable to the ordinary shareholders of the Company (cents)	<b>(0.90)</b>	(0.88)
Weighted number of ordinary shares used as the denominator	<b>1,102,236,780</b>	705,094,056
Net loss used in calculating diluted EPS	<b>(9,887,682)</b>	(6,230,609)

As at 30 June 2019, there were 41,942,631 (2018: 193,548,031) 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 for the current period presented.

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.

**16. COMMITMENTS**

Other than what is mentioned below, the Company has no other future commitments existing as at 30 June 2019 (2018: Nil).

*Rental Agreement*

During the prior year the Company entered into a property rental lease agreement for a term of three years which commenced from 1 June 2018 with an option to renew for a period of three years from 1 June 2021 to 31 May 2024 included in the agreement.

There are no restrictions placed upon the Company 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 2019 are as follows:

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	As at 30/06/2019	As at 30/06/2018
	\$	\$
Within one year	96,180	96,180
After one year but not more than five years	88,165	184,345
	<b>184,345</b>	280,525

**17. CONTINGENCIES**

The Directors are not aware of any contingent liabilities or assets as at 30 June 2019 (2018: Nil).

Research and development claims recognised are subject to review within the time period stipulated by the Australian Tax Office ('ATO').

**18. KEY MANAGEMENT PERSONNEL DISCLOSURES**

Key Management Personnel ("KMP") of Actinogen Medical are listed below:

Name	Position	Appointed	Resigned
Dr Geoffrey Brooke	Non-Executive Chairman	1/03/2017	Current
Dr Bill Ketelbey	Managing Director / Chief Executive Officer	18/12/2014	Current
Dr George Morstyn	Non-Executive Director	1/12/2017	Current
Mr Malcolm McComas	Non-Executive Director	4/04/2019	Current
Dr Jason Loveridge	Non-Executive Director	1/12/2014	28/11/2018

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

	Full-year ended 30/06/2019	Full-year ended 30/06/2018
	\$	\$
Short-term employee benefits	584,405	517,911
Post employment benefits	29,207	28,624
Long-term benefits	11,388	3,796
Share-based payments	102,897	171,029
	<b>727,897</b>	721,360

There were no other long-term benefits or termination benefits paid out during the years ended 30 June 2019 and 30 June 2018. The detailed remuneration disclosures and relevant interest of each KMP in fully paid ordinary shares and options of the Company are provided in the audited Remuneration Report on pages 23 to 37.

**19. RELATED PARTY TRANSACTIONS**

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

Details of transactions with KMP are set out in Note 18. There were no other related party transactions that occurred during the year.

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**20. SHARE – BASED PAYMENTS**

The table below summarises the options on issue (including the LTI Rights that are in substance options) that had share-based payments applied as at 30 June 2019:

Quantity	Type	Grant Date	Exercise Price	Expiry Date	Remaining life (years)	Vesting Conditions	Reference below
12,000,000	LTI Rights Class H to J	15/12/2014	\$ 0.04	15/12/2019	0.5	Yes	(a)
2,100,000	Unlisted Employee Options (A) (Tranche 1)	23/01/2017	\$ 0.10	5/02/2021	2	Fully vested.	(b)
417,188	Unlisted Employee Options (B) (Tranche 2)	12/07/2017	\$ 0.10	5/02/2021	2	No. Upfront vesting.	(b)
417,110	Unlisted Employee Options (C) (Tranche 3)	20/03/2018	\$ 0.10	5/02/2021	2	No. Upfront vesting.	(b)
625,000	Unlisted Employee Options (C) (Tranche 3)	20/03/2018	\$ 0.10	5/02/2021	2	Fully vested.	(b)
5,783,333	Unlisted Employee Options (E) (Tranche 4)	12/12/2018	\$ 0.085	12/12/2023	4	Yes	(b)
1,500,000	Unlisted Director Options (D)	18/01/2018	\$ 0.10	1/12/2022	4	Yes	(c)
18,100,000	Unlisted Director Options (F)	28/11/2018	\$ 0.085	27/11/2023	4	Yes	(c)
5,000,000	Unlisted Director Options (G)	24/03/2017	\$ 0.10	24/03/2025	6	Yes	(c)
3,000,000	Unlisted Director Options (H)	4/04/2019	\$ 0.100	4/04/2024	5	Yes	(c)
5,000,000	Unlisted Consultant Options	1/02/2019	\$ 0.093	1/02/2024	5	Yes	(d)
<b>53,942,631</b>	<b>Total Share-based payments</b>						

**(a) LTI Rights**

During a prior year ended 30 June 2015, 45,000,000 shares, which are considered to be "in substance options" or rights ('LTI Rights') under Australian Accounting Standards, were issued to various KMP at the time by way of provision of a limited recourse loan. They were independently valued using the Black-Scholes option pricing model taking into account the terms and conditions upon which the LTI Rights were granted. Due to the vesting conditions attached to these LTI Rights, they are expensed over the vesting period. Refer to Section 3(C)(b) within the Remuneration Report for further information on vesting conditions.

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 a 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 Company does not have a past practice of cash settlement for these awards.

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Of the 45,000,000 shares originally issued, 5,000,000 Class F LTI Rights were cancelled by the Company during the prior year ended 30 June 2018 due to the vesting condition not being met. Furthermore, the share-based payment expense associated with the Class F LTI Rights was reversed in the prior year ending 30 June 2017 according to when they were forfeited which was when the former director, Mr Rogers, resigned from the Company on 30 November 2016. At an Annual General Meeting held on 30 November 2016, Shareholders approved an extension of time for Mr Rogers to repay the loan to the Company, this being a period of two years from the date of resignation.

During the year ended 30 June 2019, Messrs Rogers and Loveridge and Ruffles repaid their loans: \$400,000, \$120,000 and \$40,000, respectively, to the Company to exercise the rights attached to their respective LTI Rights. Furthermore, the share-based payment expense associated with their Class of LTI Rights was also reversed due to forfeiture that comes with cessation of employment (see table below).

As at 30 June 2019, there are 12,000,000 Class H, I and J LTI Rights remaining and they are held by Dr Ketelbey. These rights have been fully expensed in prior periods despite the fact that the Class I remains unvested.

The fair value of options granted during a 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

Recipient	Grant Date	Class	Quantity of LTI rights as at 1 July 2018	Quantity of LTI Rights converted during the year (Note 1)	Quantity of LTI Rights as at 30 June 2019	Fair value per LTI Right	Total SBP valuation	Opening value of SBP expensed as at 1 July 2018	Value recognised during the year	Value of converted rights during the year	Closing value of SBP expensed as at 30 June 2019	Value to be recognised in future years
J. Lov eridge	19/11/2014	Class A	3,000,000	(3,000,000)	-	\$ 0.0376	\$ 112,848	\$ 112,848	\$ -	\$ (112,848)	\$ -	\$ -
J. Lov eridge	19/11/2014	Class B	3,000,000	(3,000,000)	-	\$ 0.0376	\$ 112,848	\$ 112,848	\$ -	\$ (112,848)	\$ -	\$ -
M. Rogers	19/11/2014	Class C	7,500,000	(7,500,000)	-	\$ 0.0376	\$ 282,120	\$ 282,120	\$ -	\$ (282,120)	\$ -	\$ -
M. Rogers	19/11/2014	Class D	7,500,000	(7,500,000)	-	\$ 0.0376	\$ 282,128	\$ 282,128	\$ -	\$ (282,128)	\$ -	\$ -
M. Rogers	19/11/2014	Class E	5,000,000	(5,000,000)	-	\$ 0.0376	\$ 188,085	\$ 188,085	\$ -	\$ (188,085)	\$ -	\$ -
V. Ruffles	19/11/2014	Class G	2,000,000	(2,000,000)	-	\$ 0.0376	\$ 75,234	\$ 75,234	\$ -	\$ (75,234)	\$ -	\$ -
B. Ketelbey	15/12/2014	Class H	6,000,000	-	6,000,000	\$ 0.0365	\$ 218,886	\$ 218,886	\$ -	\$ -	\$ 218,886	\$ -
B. Ketelbey	15/12/2014	Class I	3,000,000	-	3,000,000	\$ 0.0365	\$ 109,443	\$ 109,443	\$ -	\$ -	\$ 109,443	\$ -
B. Ketelbey	15/12/2014	Class J	3,000,000	-	3,000,000	\$ 0.0365	\$ 109,443	\$ 109,443	\$ -	\$ -	\$ 109,443	\$ -
<b>Total Rights</b>			<b>40,000,000</b>	<b>(28,000,000)</b>	<b>12,000,000</b>		<b>\$ 1,491,035</b>	<b>\$ 1,491,035</b>	<b>\$ -</b>	<b>\$ (1,053,263)</b>	<b>\$ 437,772</b>	<b>\$ -</b>



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**(b) Employee Options A, B, C and E**

Under the Employee Option Plan (approved by shareholders on 12 November 2015), awards are made to employees of the Company. The Plan awards are delivered in the form of options over shares. The fair value of share options granted have been valued using a Black-Scholes option pricing model, taking into account the terms and conditions upon which the share options were granted. Where vesting conditions are applicable, they are expensed over the vesting period. During the year and in previous years, various issues of options to employees were made and are outlined below:

(i) 4,950,000 Employee Options (A) (Tranche 1)

The approximate interest rate over a five-year term was used. The assumed dividend payable during the term of the Options is deemed to be nil. A volatility of the share price fluctuation was calculated by considering the historical movement of the share price over a 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 Company does not have a past practice of cash settlement for these awards. The fair value of options granted during a prior year ended 30 June 2017 was estimated on the date of grant using the following assumptions:

- Dividend yield (%) nil
- Expected volatility (%) 100%
- Risk-free interest rate (%) 2.17%
- Expected life (years) 5.0

Recipient	Grant Date	Quantity as at 1 July 2018	Quantity lapsed during the year (Note 1)	Quantity as at 30 June 2019	Fair value per option	Total SBP valuation	Opening value of SBP expensed as at 1 July 2018	Value recognised during the year	Value lapsed during the year	Closing value of SBP expensed as at 30 June 2019	Value to be recognised in future years
V. Ruffles	23/01/2017	625,000	(625,000)	-	\$ 0.0352	\$ 22,000	\$ 17,839	\$ -	\$ (17,839)	\$ -	\$ -
V. Ruffles	23/01/2017	1,250,000	-	1,250,000	\$ 0.0352	\$ 44,000	\$ 35,677	\$ 8,323	\$ -	\$ 44,000	\$ -
T. Woolley	23/01/2017	200,000	-	200,000	\$ 0.0352	\$ 7,040	\$ 4,949	\$ 2,091	\$ -	\$ 7,040	\$ -
P. Webse	23/01/2017	300,000	-	300,000	\$ 0.0352	\$ 10,560	\$ 7,423	\$ 3,137	\$ -	\$ 10,560	\$ -
T. Russell	23/01/2017	50,000	(50,000)	-	\$ 0.0352	\$ 1,760	\$ 1,427	\$ -	\$ (1,427)	\$ -	\$ -
T. Russell	23/01/2017	100,000	-	100,000	\$ 0.0352	\$ 3,520	\$ 2,854	\$ 666	\$ -	\$ 3,520	\$ -
B. Rooney	23/01/2017	125,000	(125,000)	-	\$ 0.0352	\$ 4,400	\$ 3,568	\$ -	\$ (3,568)	\$ -	\$ -
B. Rooney	23/01/2017	250,000	-	250,000	\$ 0.0352	\$ 8,800	\$ 7,135	\$ 1,665	\$ -	\$ 8,800	\$ -
<b>Total</b>		<b>2,900,000</b>	<b>(800,000)</b>	<b>2,100,000</b>		<b>\$ 102,080</b>	<b>\$ 80,872</b>	<b>\$ 15,882</b>	<b>\$ (22,834)</b>	<b>\$ 73,920</b>	<b>\$ -</b>

Note 1: By 31 October 2018, the vesting condition of achieving dosing of more than 30 patients at 20mg or higher on Xanamen was not met and subsequently 800,000 Employee Options (A) lapsed.

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(ii) 417,188 Employee Options (B) (Tranche 2)

The approximate interest rate over a four-year term was used. The assumed dividend payable during the term of the Options is deemed to be nil. A volatility of the share price fluctuation was calculated by considering the historical movement of the share price over a 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 four years and there are no cash settlement alternatives for the employees. The Company does not have a past practice of cash settlement for these awards. There were no vesting conditions attached to these options; therefore, the share-payment of \$417,188 was fully expensed as at grant date.

The fair value of options granted during the prior year ended 30 June 2018 was estimated on the date of grant using the following assumptions:

- Dividend yield (%) nil
- Expected volatility (%) 75%
- Risk-free interest rate (%) 2.29%
- Expected life (years) 4.0

Recipient	Grant Date	Quantity as at 1 July 2018	Quantity lapsed during the year	Quantity as at 30 June 2019	Fair value per option	Total SBP valuation	Opening value of SBP expensed as at 1 July 2018	Value recognised during the year	Value lapsed during the year	Closing value of SBP expensed as at 30 June 2019	Value to be recognised in future years
V. Ruffles	12/07/2017	234,375	-	234,375	\$ 0.0244	\$ 5,723	\$ 5,723	\$ -	-	\$ 5,723	-
T. Russell	12/07/2017	18,750	-	18,750	\$ 0.0244	\$ 458	\$ 458	\$ -	-	\$ 458	-
K. Boyd	12/07/2017	117,188	-	117,188	\$ 0.0244	\$ 2,862	\$ 2,862	\$ -	-	\$ 2,862	-
B. Rooney	12/07/2017	46,875	-	46,875	\$ 0.0244	\$ 1,145	\$ 1,145	\$ -	-	\$ 1,145	-
<b>Total</b>		<b>417,188</b>	<b>-</b>	<b>417,188</b>		<b>\$ 10,188</b>	<b>\$ 10,188</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 10,188</b>	<b>\$ -</b>

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(iii) 1,354,610 Employee Options (C) (Tranche 3)

The approximate interest rate over a three-year term was used. The assumed dividend payable during the term of the Options is deemed to be nil. A volatility of the share price fluctuation was calculated by considering the historical movement of the share price over a 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 three years and there are no cash settlement alternatives for the employees. The Company 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 2018 was estimated on the date of grant using the following assumptions:

- Dividend yield (%) nil
- Expected volatility (%) 65%
- Risk-free interest rate (%) 2.101%
- Expected life (years) 3.0

Recipient	Grant Date	Quantity as at 1 July 2018	Quantity lapsed during the year (Note 1)	Quantity as at 30 June 2019	Fair value per option	Total SBP valuation	Opening value of SBP expensed as at 1 July 2018	Value recognised during the year	Value lapsed during the year	Closing value of SBP expensed as at 30 June 2019	Value to be recognised in future years
V. Ruffles	20/03/2018	296,875	-	296,875	\$ 0.0128	\$ 3,804	\$ 3,804	\$ -	\$ -	\$ 3,804	\$ -
T. Russell	20/03/2018	23,750	-	23,750	\$ 0.0128	\$ 304	\$ 304	\$ -	\$ -	\$ 304	\$ -
T. Miller	20/03/2018	37,110	-	37,110	\$ 0.0128	\$ 476	\$ 476	\$ -	\$ -	\$ 476	\$ -
T. Miller	20/03/2018	312,500	(312,500)	-	\$ 0.0128	\$ 4,004	\$ 1,823	\$ -	\$ (1,823)	\$ -	\$ -
T. Miller	20/03/2018	625,000	-	625,000	\$ 0.0128	\$ 8,009	\$ 3,647	\$ 4,362	\$ -	\$ 8,009	\$ -
B. Rooney	20/03/2018	59,375	-	59,375	\$ 0.0128	\$ 761	\$ 761	\$ -	\$ -	\$ 761	\$ -
<b>Total</b>		<b>1,354,610</b>	<b>(312,500)</b>	<b>1,042,110</b>		<b>\$ 17,358</b>	<b>\$ 10,815</b>	<b>\$ 4,362</b>	<b>\$ (1,823)</b>	<b>\$ 13,354</b>	<b>\$ -</b>

Note 1: By 31 October 2018, the vesting condition of achieving dosing of more than 30 patients at 20mg or higher on Xanamen was not met and subsequently 312,500 Employee Options (C) lapsed.

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(iv) 6,700,000 Employee Options (E) (Tranche 4)

The approximate interest rate over a five-year term was used. The assumed dividend payable during the term of the Options is deemed to be nil. A volatility of the share price fluctuation was calculated by considering the historical movement of the share price over a 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 Company does not have a past practice of cash settlement for these awards.

The fair value of options granted during the year ended 30 June 2019 was estimated on the date of grant using the following assumptions:

- Dividend yield (%) nil
- Expected volatility (%) 54%
- Risk-free interest rate (%) 2.15%
- Expected life (years) 5.0

Recipient	Grant Date	Quantity as at 1 July 2018	Quantity issued during the year	Quantity forfeited during the year (Note 1)	Quantity as at 30 June 2019	Fair value per option	Total SBP valuation	Opening value of SBP expensed as at 1 July 2018	Value recognised during the year	Value lapsed during the year	Closing value of SBP expensed as at 30 June 2019	Value to be recognised in future years
V. Ruffles	12/12/2018	-	1,000,000	(916,667)	83,333	\$ 0.0158	\$ 15,800	\$ -	\$ 1,317	\$ -	\$ 1,317	\$ -
T. Miller	12/12/2018	-	4,000,000	0	4,000,000	\$ 0.0158	\$ 63,200	\$ -	\$ 10,533	\$ -	\$ 10,533	\$ 52,667
M. Roesner	12/12/2018	-	1,000,000	0	1,000,000	\$ 0.0158	\$ 15,800	\$ -	\$ 2,633	\$ -	\$ 2,633	\$ 13,167
T. Russell	12/12/2018	-	200,000	0	200,000	\$ 0.0158	\$ 3,160	\$ -	\$ 527	\$ -	\$ 527	\$ 2,633
T. Woolley	12/12/2018	-	200,000	0	200,000	\$ 0.0158	\$ 3,160	\$ -	\$ 527	\$ -	\$ 527	\$ 2,633
P. Webse	12/12/2018	-	300,000	0	300,000	\$ 0.0158	\$ 4,740	\$ -	\$ 790	\$ -	\$ 790	\$ 3,950
<b>Total</b>		-	<b>6,700,000</b>	<b>(916,667)</b>	<b>5,783,333</b>		<b>\$ 105,860</b>	<b>\$ -</b>	<b>\$ 16,327</b>	<b>\$ -</b>	<b>\$ 16,327</b>	<b>\$ 75,050</b>

Note 1: Of the 1,000,000 options issued to employee, Vincent Ruffles, 83,333 had vested during the year while the remaining 916,667 unvested portion were forfeited due to him ceasing employment on 12 April 2019. Although Mr Ruffles is no longer an employee of the Company, the 83,333 unlisted options that vested during his employment with the Company remain on issue.

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**(c) Director Options**

(i) 1,500,000 Director Options (D) - Issued to Dr George Morstyn

1,500,000 Director options were granted to Dr George Morstyn as part of his appointment to the Board as Non-Executive Director. These options over shares will vest over a period of three years subject to meeting various vesting conditions. Refer to Section 3(C)(b) within the Remuneration Report for further information on vesting conditions.

The fair value of options granted have been valued using a Black-Scholes option pricing model, 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 during the term of the Options is deemed to be nil.

A volatility of the share price fluctuation was calculated by considering the historical movement of the share price over a 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 Company 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 2018 was estimated on the date of grant using the following assumptions:

- Dividend yield (%) nil
- Expected volatility (%) 60%
- Risk-free interest rate (%) 2.44%
- Expected life (years) 5.0

Recipient	Grant Date	Quantity as at 1 July 2018	Quantity lapsed during the year	Quantity as at 30 June 2019	Fair value per option	Total SBP valuation	Opening value of SBP expensed as at 1 July 2018	Value recognised during the year	Value lapsed during the year	Closing value of SBP expensed as at 30 June 2019	Value to be recognised in future years
G. Morstyn	18/01/2018	700,000	-	700,000	\$ 0.0129	\$ 9,030	\$ 5,220	\$ 3,810	\$ -	\$ 9,030	\$ -
G. Morstyn	18/01/2018	400,000	-	400,000	\$ 0.0129	\$ 5,160	\$ 1,491	\$ 2,580	\$ -	\$ 4,071	\$ 1,089
G. Morstyn	18/01/2018	400,000	-	400,000	\$ 0.0129	\$ 5,160	\$ 993	\$ 1,718	\$ -	\$ 2,712	\$ 2,448
<b>Total</b>		<b>1,500,000</b>	<b>-</b>	<b>1,500,000</b>		<b>\$ 19,350</b>	<b>\$ 7,705</b>	<b>\$ 8,108</b>	<b>\$ -</b>	<b>\$ 15,813</b>	<b>\$ 3,537</b>

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(ii) 18,100,000 Director Options (F) – issued to various Directors

18,100,000 Director options were granted to various Directors who held office at the time of the date of grant. These options over shares will vest quarterly over a period of three years subject to continuous service as a director from grant date up to and including each of the quarterly vesting dates. Refer to Section 3(C)(b) within the Remuneration Report for additional information.

The fair value of options granted have been valued using a Black-Scholes option pricing model, 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 during the term of the Options is deemed to be nil.

A volatility of the share price fluctuation was calculated by considering the historical movement of the share price over a 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 Company does not have a past practice of cash settlement for these awards.

The fair value of options granted during the year ended 30 June 2019 was estimated on the date of grant using the following assumptions:

- Dividend yield (%) nil
- Expected volatility (%) 54%
- Risk-free interest rate (%) 2.29%
- Expected life (years) 5.0

Recipient	Grant Date	Quantity as at 1 July 2018	Quantity issued during the year	Quantity lapsed during the year	Quantity as at 30 June 2019	Fair value per option	Total SBP valuation	Opening value of SBP expensed as at 1 July 2018	Value recognised during the year	Value lapsed during the year	Closing value of SBP expensed as at 30 June 2019	Value to be recognised in future years
G. Brooke	28/11/2018	-	4,900,000	-	4,900,000	\$ 0.0142	\$ 69,580	\$ -	\$ 11,597	\$ -	\$ 11,597	\$ 57,983
B. Ketelbey	28/11/2018	-	11,700,000	-	11,700,000	\$ 0.0142	\$ 166,140	\$ -	\$ 27,690	\$ -	\$ 27,690	\$ 138,450
G. Morstyn	28/11/2018	-	1,500,000	-	1,500,000	\$ 0.0142	\$ 21,300	\$ -	\$ 3,550	\$ -	\$ 3,550	\$ 17,750
<b>Total</b>		-	<b>18,100,000</b>	-	<b>18,100,000</b>		<b>257,020</b>	-	<b>42,837</b>	-	<b>42,837</b>	<b>214,183</b>

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(iii) 5,000,000 Director Options (G) - Issued to Dr Geoffrey Brooke

5,000,000 Director options were granted to Dr Geoffrey Brooke as part of his appointment to the Board as Non-Executive Chairman. These options over shares will vest over a period of three years subject to meeting various vesting conditions. Refer to Section 3(C)(b) within the Remuneration Report for further information on vesting conditions.

The fair value of options granted have been valued using a Black-Scholes option pricing model, 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 during the term of the Options is deemed to be nil.

A volatility of the share price fluctuation was calculated by considering the historical movement of the share price over a 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 eight years and there are no cash settlement alternatives for the employees. The Company does not have a past practice of cash settlement for these awards.

The fair value of options granted during a prior year ended 30 June 2017 was estimated on the date of grant using the following assumptions:

- Dividend yield (%) nil
- Expected volatility (%) 100
- Risk-free interest rate (%) 2.61%
- Expected life (years) 8.0

Recipient	Grant Date	Quantity as at 1 July 2018	Quantity lapsed during the year	Quantity as at 30 June 2019	Fair value per option	Total SBP valuation	Opening value of SBP expensed as at 1 July 2018	Value recognised during the year	Value lapsed during the year	Closing value of SBP expensed as at 30 June 2019	Value to be recognised in future years
G. Brooke	24/03/2017	2,000,000	-	2,000,000	\$ 0.0491	\$ 98,114	\$ 98,114	\$ -	\$ -	\$ 98,114	\$ -
G. Brooke	24/03/2017	1,500,000	-	1,500,000	\$ 0.0491	\$ 73,586	\$ 46,672	\$ 26,914	\$ -	\$ 73,586	\$ -
G. Brooke	24/03/2017	1,500,000	-	1,500,000	\$ 0.0491	\$ 73,586	\$ 27,278	\$ 21,505	\$ -	\$ 48,783	\$ 24,803
<b>Total</b>		<b>5,000,000</b>	<b>-</b>	<b>5,000,000</b>		<b>\$ 245,285</b>	<b>\$ 172,064</b>	<b>\$ 48,419</b>	<b>\$ -</b>	<b>\$ 220,483</b>	<b>\$ 24,803</b>

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(iv) 3,000,000 Director Options (H) - Issued to Mr Malcolm McComas

3,000,000 Director options were granted to Mr McComas as part of his appointment to the Board as Non-Executive Director. These options over shares will vest quarterly over a period of three years subject to continuous service as a director from grant date up to and including each of the quarterly vesting dates. Refer to Section 3(C)(b) within the Remuneration Report for additional information.

The fair value of options granted have been valued using a Black-Scholes option pricing model, 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 during the term of the Options is deemed to be nil.

A volatility of the share price fluctuation was calculated by considering the historical movement of the share price over a 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 Company does not have a past practice of cash settlement for these awards.

The fair value of options granted during the year ended 30 June 2019 was estimated on the date of grant using the following assumptions:

- Dividend yield (%) nil
- Expected volatility (%) 48.5
- Risk-free interest rate (%) 1.5%
- Expected life (years) 5.0

Recipient	Grant Date	Quantity as at 1 July 2018	Quantity issued during the year	Quantity lapsed during the year	Quantity as at 30 June 2019	Fair value per option	Total SBP valuation	Opening value of SBP expensed as at 1 July 2018	Value recognised during the year	Value lapsed during the year	Closing value of SBP expensed as at 30 June 2019	Value to be recognised in future years
M. McComas	4/04/2019	-	3,000,000	-	3,000,000	\$ 0.0141	\$ 42,396	\$ -	\$ 3,533	\$ -	\$ 3,533	\$ 38,863
<b>Total</b>		<b>-</b>	<b>3,000,000</b>	<b>-</b>	<b>3,000,000</b>		<b>42,396</b>	<b>-</b>	<b>3,533</b>	<b>-</b>	<b>3,533</b>	<b>38,863</b>



**ACTINOGEN MEDICAL LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**30 JUNE 2019**

**(d) Consultant Options**

(i) Issued to Bio-Link Australia

5,000,000 options were granted to Bio-Link Australia to reward them for their existing contributions to the Company; and to incentivise future achievements that will benefit shareholders. These options over shares will vest over a period of four years subject to meeting various vesting conditions.

The fair value of options granted have been valued using a Black-Scholes option pricing model, 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 during the term of the Options is deemed to be nil.

A volatility of the share price fluctuation was calculated by considering the historical movement of the share price over a 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 Company does not have a past practice of cash settlement for these awards.

The fair value of options granted during the year ended 30 June 2019 was estimated on the date of grant using the following assumptions:

- Dividend yield (%) nil
- Expected volatility (%) 53.75%
- Risk-free interest rate (%) 1.83%
- Expected life (years) 5.0

Recipient	Grant Date	Quantity as at 1 July 2018	Quantity issued during the year	Quantity lapsed during the year	Quantity as at 30 June 2019	Fair value per option	Total SBP valuation	Opening value of SBP expensed as at 1 July 2018	Value recognised during the year	Value lapsed during the year	Closing value of SBP expensed as at 30 June 2019	Value to be recognised in future years
Bio-Link	1/02/2019	-	5,000,000	-	5,000,000	\$ 0.0185	\$ 92,500	\$ -	\$ 11,316	\$ -	\$ 11,316	\$ 81,184
<b>Total</b>		-	<b>5,000,000</b>	-	<b>5,000,000</b>		<b>92,500</b>	-	<b>11,316</b>	-	<b>11,316</b>	<b>81,184</b>

**ACTINOGEN MEDICAL LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**30 JUNE 2019**

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**21. REMUNERATION OF AUDITOR**

	<b>Full-year ended</b> <b>30/06/2019</b>	Full-year ended 30/06/2018
	\$	\$
Amounts paid or payable to Ernst & Young for:		
- An audit or review of the financial statements of the entity	41,903	40,502
- Other assurance services	2,500	-
	<b>44,403</b>	40,502

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

There are no matters or circumstances that 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

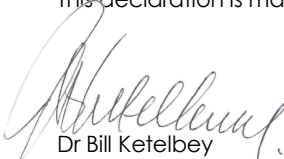
### DIRECTORS' DECLARATION

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In the Directors' opinion:

1. The Financial Statements and Notes set out on pages 40 to 80, are in accordance with the *Corporations Act 2001* including:
  - (a) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
  - (b) giving a true and fair view of the Company's financial position as at 30 June 2019 and of its performance for the year ended on that date;
2. The remuneration disclosure included in the audited Remuneration Report in the Directors' Report complies with Section 300A of the *Corporations Act 2001*.
3. The Directors have been given the declaration by the Managing Director and Chief Financial Officer (or equivalent) as required by section 295A of the *Corporations Act 2001*.
4. The Company has included in the Notes to the Financial Statements an explicit and unreserved statement of compliance with International Financial Reporting Standards as issued by the International Accounting Standards Board.
5. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Dr Bill Ketelbey  
Managing Director  
Sydney, New South Wales  
16 August 2019



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

### **Report on the audit of the financial report**

#### **Opinion**

We have audited the financial report of Actinogen Medical Limited (the Company), which comprises the statement of financial position as at 30 June 2019, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration of the Company.

In our opinion, the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Company's financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### **Basis for opinion**

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

#### **Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context. We have determined the matters described below to be the key audit matters to be communicated in our report.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.



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## 1. Research and development rebate

### Why significant

The Company has lodged a claim with the Australian Taxation Office (ATO) for a rebate of eligible Research & Development (R&D) expenditure (R&D rebate) relating to its ongoing research activities for the development of Xanamem.

Included in trade and other receivables on the statement of financial position is an amount for \$4.61 million related to the R&D rebate calculated for the year ended 30 June 2019.

Due to judgment involved in determining whether expenditure incurred in R&D activities meets the eligibility criteria to qualify for inclusion in the R&D rebate calculation and the significance of this source of cash inflow for the Company, we considered this to be a key audit matter. Refer to Note 9 to the financial report.

### How our audit addressed the key audit matter

We involved our R&D taxation specialists to assess the appropriateness of the R&D rebate calculated by the Company's third party expert.

We evaluated the qualifications, competency and objectivity of the Company's third party expert.

We assessed the Company's accounting treatment of the R&D rebate under Australian Accounting Standard - AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance*.

## 2. Impairment of intangible assets

### Why significant

Included in the statement of financial position as at 30 June 2019 is an amount for \$3.66 million relating to intangible assets which consist of patents and licenses. This amount represents 23% of the Company's total assets.

The carrying value of intangible assets must be assessed for impairment when facts and circumstances indicate that the carrying value exceeds its recoverable amount.

The determination whether there are any indicators of impairment involves a high degree of judgment. Following an assessment of a number of internal and external factors, the directors determined that there were impairment indicators present at 30 June 2019.

As detailed in Note 11, the directors estimated that the carrying value of the Company's intangible assets exceeded its recoverable amount by \$0.48 million and hence this amount was recorded as an impairment loss in the statement of comprehensive income for the year ended 30 June 2019.

Due to the significance to the Company's financial report and level of judgment involved in determining whether indicators of impairment are present and, if they were, in estimating the recoverable amount of the Company's intangible assets, we consider this to be a key audit matter. Refer to Note 11 to the financial report.

### How our audit addressed the key audit matter

We challenged the Company's assessment regarding whether there were impairment indicators present that required intangibles assets to be tested for impairment as at 30 June 2019.

In doing so, we examined the patent and license agreement and considered potential internal and external impairment factors in relation to the patents and licences held pursuant to the requirements of Australian Accounting Standards.

As impairment indicators were identified for the intangible assets, we assessed the key assumptions used in determining recoverable amount. Our valuation specialists assisted us in this assessment.

We assessed the adequacy of the disclosures in Note 11 to the financial report.



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### 3. Share based payments

#### Why significant

During the year ended 30 June 2019, the Company issued the following options:

- ▶ 6,700,000 to employees of the Company
- ▶ 21,100,000 to two non-executive directors of the Company
- ▶ 5,000,000 to a consultant.

Under Australian Accounting Standards, equity settled awards are measured at fair value on grant date taking into consideration the probability of the vesting conditions attached. This amount is recognised as an expense over the relevant vesting period.

Due to the complex and judgmental estimates used in determining the valuation of the share based payments, we consider the Company's calculation of the share based payment expense to be a key audit matter. Refer to Note 20 to the financial report for details.

#### How our audit addressed the key audit matter

We assessed the assumptions used in the Company's calculation of the share based payment expense, including the share price of the underlying equity, interest rate, volatility, time to maturity (expected life), grant date and grant criteria. We involved our valuation specialists in assessing these assumptions and calculations.

We assessed the adequacy of the share based payment disclosure in the financial report.

### Information other than the financial report and auditor's report

The directors are responsible for the other information. The other information comprises the information included in the Company's 2019 Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the directors 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 control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.



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In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

## **Auditor's responsibilities for the audit of the financial report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- ▶ Obtain an understanding of internal control relevant to the audit 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 Company's internal control
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors
- ▶ Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern
- ▶ Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



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We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## **Report on the audit of the remuneration report**

### **Opinion on the remuneration report**

We have audited the Remuneration Report included in pages 23 to 38 of the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of the Company for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

### **Responsibilities**

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.

The Ernst &amp; Young logo is a stylized, handwritten-style signature of the words 'Ernst &amp; Young' in a dark blue color.

Ernst & Young

A handwritten signature in dark blue ink, appearing to be 'P. Dreyer', written over a faint circular stamp or watermark.

Pierre Dreyer  
Partner  
Perth  
16 August 2019



# ACTINOGEN LIMITED

## SHAREHOLDER INFORMATION

### Substantial shareholders

The following substantial shareholders have lodged notices with the company as at 8 October 2019:

Holders	Shares	Percentage of Issued Capital
BVF Partners L.P. on its own behalf and on behalf of BVF Inc., Mark N Lampert, Biotechnology Value Fund, L.P.; and Biotechnology Value Fund II, L.P.	217,200,000	17.16%

Distribution of ordinary shareholders as at 8 October 2019

Range of Holding	Holders	Shares
1-1,000	48	5,791
1,001-5,000	88	275,025
5,001-10,000	268	2,388,923
10,001 - 100,000	1,473	66,438,773
100,001 – over	932	1,050,122,808
	2,809	1,119,231,320
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 8 October 2019

	Number of Shares	Percentage of Issued Capital
HSBC Custody Nominees (Australia) Limited	226,324,149	20.22%
Edinburgh Technology Fund Limited	48,147,864	4.30%
Tisia Nominees Pty Ltd <Henderson Family A/C>	29,867,184	2.67%
Mrs Sarah Cameron	25,174,137	2.25%
Mr Ross Edward Gustafson <Vesty Super Fund A/C>	22,877,572	2.04%
Jinark Pty Ltd <Jinark Family A/C>	20,360,843	1.82%
Bannaby Investments Pty Limited <Bannaby Super Fund A/C>	17,976,761	1.61%
Sunset Capital Management Pty Ltd <Sunset Superfund A/C>	15,392,421	1.38%
BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd DRP	14,302,319	1.28%
Comsec Nominees Pty Limited	12,891,130	1.15%
Dr John William Ketelbey	12,157,894	1.09%
Brazil Farming Pty Ltd	11,000,000	0.98%
Mr Steven Veronese	10,008,001	0.89%
Tets Pty Ltd	10,000,000	0.89%
Oaktone Nominees Pty Ltd <Grist Investment A/C>	10,000,000	0.89%
Citicorp Nominees Pty Limited	8,869,221	0.79%
Griffin & Grace Investments Pty Ltd <Griffin & Grace Inv S/F A/C>	8,500,000	0.76%
Romfal Sifat Pty Ltd <The Fizmail Family A/C>	8,000,000	0.71%
Mr Alan Giles Sauran	7,600,000	0.68%
BNP Paribas Nominees Pty Ltd <BNPP NYB Clearing Acc DRP>	7,560,729	0.68%
<b>TOTAL</b>	<b>527,010,225</b>	<b>47.08%</b>

# ACTINOGEN LIMITED

## SHAREHOLDER INFORMATION

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### Unquoted Securities as at 8 October 2019

1. There were 3,559,298 unlisted employee share option plan options exercisable at \$0.10 each and expiring on 5 February 2021 held by seven holders, on issue.
2. There were 1,500,000 unlisted options exercisable at \$0.10 each and expiring on 1 December 2022 held by one holder, on issue. Details of the holders holding more than 20% of the above:

	Number of Options	Percentage
George Morstyn	1,500,000	100.00%

3. There were 18,100,000 unlisted options exercisable at \$0.085 each and expiring on 27 November 2023 held by three holders, on issue. Details of the holders holding more than 20% of the above:

	Number of Options	Percentage
John William Ketelbey	11,700,000	64.64%
Geoffrey Edward Duncan Brooke	4,900,000	27.07%

4. There were 5,783,333 unlisted employee share option plan options exercisable at \$0.085 each and expiring on 12 December 2023 held by six holders, on issue.
5. There were 5,000,000 unlisted options exercisable at \$0.093 each and expiring on 1 February 2024 held by one holder, on issue. Details of the holders holding more than 20% of the above:

	Number of Options	Percentage
Bio-Link Australia Pty Ltd	5,000,000	100.00%

6. There were 3,000,000 unlisted options exercisable at \$0.10 each and expiring on 4 April 2024 held by one holder, on issue. Details of the holders holding more than 20% of the above:

	Number of Options	Percentage
Malcolm John McComas	3,000,000	100.00%

7. There were 5,000,000 unlisted options exercisable at \$0.10 each and expiring on 24 March 2025 held by one holder, on issue. Details of the holders holding more than 20% of the above:

	Number of Options	Percentage
Geoffrey Edward Duncan Brooke	5,000,000	100.00%

### 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.