Dimerix Limited

ACN 001 285 230

Annual Report for the year ended 30 June 2018

Corporate directory

Board of Directors

Dr James Howard Williams	Chairman
Dr Sonia Maria Poli	Non-Executive Director
Mr David Franklyn	Non-Executive Director
Mr Hugh Alsop	Non-Executive Director
Dr Nina Webster	CEO and Managing Director (Appointed on 27 August 2018)

Company Secretary

Mr Ian Hobson

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Auditors

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ASX Code

DXB

Annual report for the year ended 30 June 2018

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Chairman's letter

Dear Shareholders,

It is my pleasure to open Dimerix's FY2018 annual report, looking back across a year of strong operational execution.

During the year, we concluded the Phase 2a human clinical trial for our lead therapeutic program, DMX-200. We opened up that trial to patients of multiple Chronic Kidney Disease types - it was exploratory - and designed primarily to show how safe the therapy would be. We also tested for some secondary efficacy endpoints.

The study showed that DMX-200 not only had an extremely strong safety and tolerability profile, it also showed clinically meaningful efficacy signals and strong result in a sub-group of patients. The group that stood out was patients with Diabetic Kidney Disease, or DKD. Indeed, the results of the Phase 2a trial were so compelling, to us and our clinical advisors, that the Company decided to move ahead with two additional Phase 2 trials, which we are soon to commence.

The first is for patients with Focal Segmental Glomerulosclerosis (or FSGS), the orphan disease area for which DMX-200 has received orphan drug designation from the US FDA. With 120,000 patients per year in the US and no currently acceptable treatment options, FSGS is an area of high unmet patient need.

The potential for Dimerix to fill a significant treatment gap for FSGS patients resonates with us. We also believe the disease area commercially attractive, as given the smaller number of patients with the disease, we can run smaller trials, which makes them achievable within the means of a company of our size. To add to that, our orphan drug status means the Company can access assistance from the FDA to see DMX-200 moved faster through the path to market. Following approval, financial returns from orphan indication can approach, or even exceed, those of larger indications due to the typical pricing premium that is available for treatments for these rare disorders.

Our second trial is in the area of DKD, the disease area for which we saw strong Phase 2a trial data. The number of patients suffering DKD are much greater, estimated at a fast growing 3% of the US population or 9 million patients, being driven by the global diabetes epidemic.

Completing a clinical trial is not easy, but under Kathy Harrison's oversight, our Phase 2a trial was well structured and carefully managed. We also had assistance from Associate Professor David Packham, who was a Principal Investigator on the Phase 2a trial, and later in the reporting period, was appointed to the role of Chief Medical Officer of Dimerix. On behalf of the Board, I thank Kathy, and the broader team for all their efforts.

We are strongly encouraged by the partnering discussions that evolved during the period following the release of our Phase 2a trial results and those discussions have been used to inform the design of the upcoming studies to ensure we are meeting the expectations required to ultimately secure a transaction. We will continue to progress our communications with identified potential partners as we move through the next key inflection points in our trials.

Despite the strong intrinsic value created through the trial data accumulated to date, recognition of Dimerix's efforts from potential partners and an intellectual property position which was considerably strengthened during FY2018, the Board is cognisant that the achievements have not translated into sustained value accretion at the share price level.

With this in mind and the load that comes with running two Phase 2a clinical trials, we announced during the reporting period that the Company would be recruiting a new CEO, while our incumbent CEO, Kathy Harrison would take on the role of Chief Operating Officer, giving her the opportunity to focus on running the complex operational aspects of the business.

We reported this week that Nina Webster had accepted the position of CEO and commenced on August 27th, 2018. Nina will use her decades of experience in the pharmaceutical and biotech industries to steer Dimerix, with a particular focus on investor relations and business development, and complementing the exceptional operational team already established.

In closing, I thank both our longstanding and new shareholders who bought into the Company on market, or through our oversubscribed capital raise during the period. Your ongoing support is appreciated as we look ahead to a year which we expect will be one of significant achievement and value creation for Dimerix and its shareholders.

Yours sincerely,

Dr James Williams
Chairman

Directors' report

The directors of Dimerix Limited ("Dimerix" or "the Company") submit herewith the financial report of the Company and its subsidiary ("Group or Consolidated Entity") for the financial year ended 30 June 2018. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

Information about the directors

The names and particulars of the directors of the Group during or since the end of the financial year are:

Name	**Particulars**
Dr James Williams *BSc (Hons), MBA, PhD, GAICD*	Non-executive Chairman, joined the Board in July 2015. Dr Williams is the co-founder of Dimerix Bioscience Pty Ltd as well as co-founder and investment director of Yuuwa Capital LP, a venture capital firm based in Western Australia. Prior to establishing Yuuwa Capital, he was managing director of two medical device companies, ASX-listed Resonance Health Limited and Argus Biomedical Pty Ltd, both of which secured regulatory approvals under his leadership. Dr Williams conceived, co-founded and is a former CTO and Director of iCeutica Inc., a clinical stage nano drug reformulation company. iCeutica was acquired by Philadelphia-based Iroko Pharmaceuticals in 2011. Dr Williams is a director of Yuuwa investee companies Adalta Limited, PolyActiva Pty Ltd, and iCetana Pty Ltd. He is also a director of Linear Clinical Research Ltd, a specialist early phase trial unit, and a member of the "Panel of Experts" for the University of Western Australia's Pathfinder Fund.
Dr Sonia Poli *PhD*	Non-Executive Director, joined the Board in July 2015. Dr Poli is an accomplished R&D professional with 20 years international experience in large and small pharmaceutical companies. She has broad knowledge of small molecule drug design, optimisation and early clinical development, with expertise which encompasses multiple therapeutic areas. She is the co-inventor of a new anti-emetic medicine, recently included in the National Comprehensive Cancer Network Antiemesis Guidelines as a recommended option. Dr Poli has worked within the Swiss Stock Exchange listed companies Hoffman la Roche and Addex Therapeutics Ltd, where she has held leadership and executive positions across various disciplines in drug discovery, pre-clinical development and translational science. She has served as the Chief Scientific Officer at Addex Therapeutics Limited.
Mr David Franklyn *BEcon*	Non-Executive Director, joined the Board in November 2015. David has extensive experience in finance, funds management, corporate governance, compliance and business strategy. His career includes 25 years in the Australian stockbroking industry and funds management sectors, as well as experience in company management and business strategy. He is an experienced company director, having been Chairman, executive director and non-executive director of various ASX listed companies. David has strong business management expertise incorporating company restructuring, strategy development, people management, corporate culture, and corporate compliance and governance. David was Chairman of Onterran Ltd until April 2015 and is currently managing director of Village National Holdings Ltd.

Mr Hugh Alsop *BSc(Hons), MBA*	Non-executive director, joined the Board on 1 May 2017. Hugh is an accomplished and commercially-focused pharmaceutical and biotechnology executive with more than 20 years of experience in international business development, partnering, drug development and leadership of scientific teams. Melbourne-based, he has held senior positions in the Australian industry and has been responsible for several drug development programs for the international market. In particular, as Director of Business Development at Acrux Limited and as Chief Executive Officer of venture-backed private company Hatchtech, he led teams which completed successful Phase 3 programs, two significant exit transactions and the filing of two New Drug Applications with the US Food & Drug Administration (FDA).
Nina Webster *PhD, MIPLaw, MBA*	Nina joined Dimerix as CEO and Managing Director on 27th August 2018. Nina has over twenty five years of experience in the pharmaceutical industry, with leadership roles in investor relations, business development, and prosecution of intellectual property matters, as well as leading and managing the strategic, scientific and operational aspects of product development. Nina was formerly the Commercial Director for Acrux Limited (ASX: ACR), an Australian drug pharmaceutical company that has successfully developed and commercialised three products globally. Prior to Acrux, Nina was Director of Commercialisation and Intellectual Property for Immuron Limited (ASX: IMC), and previously spent 6 years in new product development with Wyeth Pharmaceuticals in the UK. Nina holds a Ph.D in Pharmaceutics from Cardiff University, a Bachelor degree in Pharmacology, a Masters degree in Intellectual Property Law from Melbourne University and an MBA from RMIT. At the date of this report Nina remains also employed by Acrux Limited. Nina commenced with Dimerix on 27 August 2018 on a part time basis of two days per week and will transition to full time following completion of her notice requirements from her prior role - expected to be no later than 27 November 2018.

With the exception of Nina Webster the above-named directors held office during the whole of the financial year and since the end of the financial year.

Directors' shareholdings

The following table sets out each director's relevant interest in shares, debentures and rights or options in shares or debentures of the Company or a related body corporate as at the date of this report:

Directors	Fully paid ordinary shares Number	Share options Number	Performance shares Number
James Williams	2,252,355	175,000*	-
Sonia Poli	130,000**	125,000	-
David Franklyn	462,157	125,000	-
Hugh Alsop	-	125,000	-
Nina Webster	-	-	-

*Options were issued to a related party of James Williams.

**Pre-consolidation 2,600,000 shares / 20 = 130,000 shares.

Share options granted to directors and senior management

During and since the end of the financial year, 550,000 share options were granted to the directors. Kathy Harrison in her capacity as CEO was issued 1,829,948 options (post consolidation) in August 2017 pursuant to the Company's ESOP exercisable at $0.40 per option, vesting in 30 equal monthly instalments commencing 1 February 2018 and expiring 1 February 2022.

Company Secretary

Ian Hobson B.Bus, FCA, ACIS, MAICD

Mr Hobson is a chartered accountant and chartered company secretary with 30 years' experience. Ian acts as non-executive director and company secretary for ASX listed companies and is experienced in the areas of biotech, technology, finance, mining exploration, marine and mining services. Ian is a governance professional and facilitates governance courses for AICD.

Dividends

No dividends have been paid or declared since the start of the financial year and the directors have not recommended the payment of a dividend in respect of the financial year.

Unissued shares under option /performance shares

Details of unissued shares or interests under option as at the date of this report are:

Issuing entity	Number of shares under option	Performance Shares	Class of shares	Exercise price of option	Expiry date of options
Dimerix Limited	500,000	-	Ordinary	$0.40	30 June 2019
Dimerix Limited	500,000	-	Ordinary	$0.40	31 March 2020
Dimerix Limited	1,829,948	-	Ordinary	$0.40	1 February 2022
Dimerix Limited	550,000	-	Ordinary	$0.40	20 April 2021
Dimerix Limited	90,515	-	Ordinary	$0.286	13 November 2020

[i] Represent Class C performance shares respectively which convert to fully paid ordinary shares following achievement of numerous milestones (refer to ASX announcement dated 3 July 2015).

The holders of these options and performance shares do not have the right to participate in any share issue or interest issue of the Company or of any other body corporate or registered scheme.

No shares were issued during the year as a result of achieving performance share milestones. The receipt of ethics approval for two studies triggered Milestone C of the Class C Performance Shares resulting in 3,750,044 Class C Performance Shares converting to 3,750,044 ordinary shares on 18 July 2018. 446,429 shares were issued during the year or since the end of the financial year as a result of exercise of options (2017: 1,148,810 post-consolidation).

447,620 options expired during the year or since the end of the financial year.

Indemnification of officers and auditors

During the financial year, the Group paid a premium in respect of a contract insuring the directors of the Group (as named above), the company secretary and all executive officers of the Group and of any related body corporate against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Group has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Group or of any related body corporate against a liability incurred as such an officer or auditor.

Directors' meetings

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member). During the financial year, 13 board meetings were held.

	Board of Directors	
Directors	**Held**	**Attended**
Dr James Williams	13	13
Dr Sonia Poli	13	13
Mr David Franklyn	13	13
Mr Hugh Alsop	13	13

Proceedings on behalf of the Group

No person has applied for leave of Court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings.

Non-audit services

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 24 to the financial statements.

In the event non-audit services are provided by the auditor, the Board has established procedures to ensure that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. These include:

- all non-audit services are reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- non-audit services do not undermine the general principles relating to auditor independence as set out in APES 110 'Code of Ethics for Professional Accountants' issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Auditor's independence declaration

The auditor's independence declaration is included on page 25 of the financial report.

Operating and financial review

Principal activities

The focus of the company (including all majority owned entities) (referred to hereafter as the 'Company') during the year has been the development of its DMX-200 clinical asset for the treatment of Chronic Kidney Disease (CKD), and the broader commercialisation of Dimerix's underlying drug discovery technology.

Operating results

The loss of the Group for the year ended 30 June 2018, after accounting for income tax benefit, amounted to $3,319,726 (2017: $1,758,532). The year ended 30 June 2018 operating results are attributed to the following:

- Research and development costs of $2,051,282 (2017: $878,118)
- Share based payments in respect of transaction options issued to employees and contractors of $300,854 (2017: $52,860); and
- Corporate and administration expenses of $1,812,878 (2017: $1,382,171).

Review of operations

Summary

The Company completed a Phase 2a clinical study of DMX-200 in CKD during the financial year. Positive results of the trial were announced on 12 July 2017 confirming the clinical trial had met its primary end point of safety and tolerability, and showed encouraging signs of efficacy in CKD, with sub group analysis released on 2 November 2017 showing compelling data in the Diabetic Kidney Disease cohort.

A top line summary of key announcements from the year is as follows:

12th July 2017 – Top line Phase 2 clinical trial data

1st August 2017 – Board and executive team restructure

5th September 2017 – Tablet manufacture and human pharmacokinetic study timeline

13th September 2017 – Share consolidation

18th October 2017 – Medical Advisory Board appointed

24th October 2017 – Ethics approval for pharmacokinetic trial

2nd November 2017 – Phase 2a clinical trial sub group analysis shows efficacy signals

8th January 2018 – DMX-200 dosage optimisation study complete

24th January 2018 – Share entitlement offer raises $3m

21st February 2018 – Share placement raises further $4.5m

27th March 2018 – CMO appointment

30th April 2018 – Management team reorganisation and expansion

2nd May 2018 – Unmarketable share parcel sale facility completed

7th May 2018 – Lead investigator engaged for next stage DMX-200 Phase 2 clinical efficacy trials

15th May 2018 – Dual Phase 2 clinical efficacy trial designs released for sub groups; FSGS and DKD

Key announcements immediately post period end

2nd July 2018 – US patent notice of allowance received around additional IP protection for DMX-200

18th July 2018 – Ethics approval secured enabling DMX-200 Phase 2 clinical efficacy trials to commence

27th August – CEO and MD appointment

Overview of Company strategy

The Company's focus during the year was the development of DMX-200, Dimerix's clinical asset for the treatment of CKD. During the year, a Phase 2a clinical trial was completed in CKD. The trial confirmed that patients could safely tolerate the drug, and also showed encouraging signs of efficacy in CKD patients.

Results from the trial were used to shape the next stage of clinical trial development looking at two CKD sub groups; Focal Segmental Glomerulosclerosis (FSGS) and Diabetic Kidney Disease (DKD). Dimerix has Orphan Drug Designation (ODD) in the USA for FSGS. Ethics committee approval for the trials to commence was received post the period, on 18 July 2018 and Dimerix is on track to commence patient recruitment in the September quarter. Preliminary data is expected for both studies late in calendar 2019.

In parallel, Dimerix plans to leverage its drug discovery technology to build a pipeline of additional pre-clinical and clinical assets with the intention of becoming a company with multiple, high potential value, commercial opportunities.

Dimerix's proprietary technology, Receptor HIT, gives the Company a key advantage in drug discovery, in that it examines how different cell receptors function together when a molecule, such as a naturally occurring hormone or drug, binds to them, as opposed to traditional lab testing that only examines how cell receptors respond independently of each other.

Using Receptor HIT, Dimerix discovered that when the safe anti-inflammatory drug, propagermanium, was added to the standard of care treatment for Chronic Kidney Disease, irbesartan, the two drugs would work together to block the signals that cause inflammation, which is a major contributor to the disease's progression. There is an enhanced effect when the two drugs are used together.

The platform has in the past been used under contract or license by pharmaceutical companies for their internal drug development programs. Future focus on platform development will emphasise long term strategic development opportunities to build longer term relationships and value.

The DMX-200 Program

DMX-200 is an adjunct therapy for CKD in which patients are taking the standard of care drug, irbesartan and are administered DMX-200 (an existing drug with a known safety profile, propagermanium).

Irbesartan is an off-patent angiotensin II type I receptor blocker, indicated for the treatment of hypertension and nephropathy in Type II diabetic patients. Propagermanium (PPG) is a chemokine receptor (CCR2) blocker used for its anti-inflammatory properties.

The DMX-200 Phase 2a trial design

The trial design of DMX-200 in CKD was a single arm, open-label trial in adult patients with CKD (exhibiting proteinuria). The patients on the Phase 2a clinical study suffered from CKD of several causes, and 27 patients passed screening and received at least one dose of DMX-200. Patients dosed were diagnosed with diabetic nephropathy (10), IgA nephropathy (6), and other proteinuric diseases (11). DMX-200 was given to patients orally during the trial, and each patient received a dose three times per day.

The primary objective, or end point of the Phase 2a clinical trial was the incidence and severity of adverse events and the clinically significant changes in the safety profile of participants. The median dosing period was 28 weeks.

The secondary objective, or endpoint was to evaluate the effect of DMX-200 on various biomarkers, specifically including proteinuria. The levels of proteinuria give both an indication of likely future deterioration of the kidney as well as high levels contributing to the damage itself, creating a vicious cycle.

Analysis of biomarker data, including proteinuria, occurred at each time point and included an assessment of change from baseline, and identification of those patients who were defined as responders. Responders were defined in the protocol as those participants achieving normalisation of proteinuria (proteinuria within normal limits) or those participants achieving a 50% reduction in proteinuria. The 50% reduction level was selected as it was considered clinically significant following advice from key opinion leaders throughout Australia, the US and Europe.

Dimerix reported positive results from its DMX-200 Phase 2a clinical trial on 12th July 2017.

Key outcomes of the trial were:

- The primary endpoint of safety and tolerability was met, and no serious safety concerns were observed
- Encouraging efficacy signals were demonstrated as a secondary endpoint, evaluating the effect of DMX-200 on various biomarkers, and were deemed “clinically meaningful” with 25% of patients showing a reduction in excess protein in the urine (proteinuria) of over 50%, beyond that achieved with the highest dosage of current standard of care therapy (irbesartan)
- On recommendation of their treating physicians, 45% of patients applied for and were granted Special Access to the drug under the Therapeutic Goods Administration’s (TGA) Special Access Scheme, following completion of their dosing under the trial.

The key safety parameters of blood pressure control, general kidney function and health measures, and the levels of potassium in the blood stream, did not vary to any clinically relevant extent across the study, highlighting a good outcome. Importantly, the adverse events seen in this study were consistent with those expected in this patient population, and DMX-200 appears to have been well tolerated by the patient group.

On 2nd November 2017, the Company presented a detailed analysis of the data from the Phase 2a clinical trial at the American Society of Nephrology (ASN) annual Kidney Week, a world leading forum attended by more than 13,000 international kidney specialists.

In this presentation the Diabetic Kidney Disease (DKD*) sub group of patients showed a clinically and statistically significant efficacy response that far exceeded other investigational agents in development. The data in patients with DKD was overwhelmingly compelling to support a follow up trial of DMX-200 in this large and commercially attractive patient group.

*DKD was previously known as diabetic nephropathy, or DN.

DMX-200 Phase 2 sub group clinical efficacy trials development activities

The next stage to follow Dimerix's completed Phase 2a 'all comers' clinical trial in 2017 will see Dimerix conduct Phase 2 clinical trials in both FSGS (which it has Orphan Drug Designation (ODD) in the USA) and DKD.

The two sub group studies will investigate the **A**T1R and **C**CR2 **T**argets for **I**nflammatory **N**ephrosis, and have been titled **ACTION**.

ACTION for FSGS – Phase 2a trial will study the effects of DMX-200 in around 10 patients with FSGS with endpoints including safety and efficacy (proteinuria reduction).
ACTION for DKD – Phase 2b trial will study the effects of DMX-200 in around 40 patients with DKD with primary endpoint change in 24hr albumin creatinine ratio (ACR) based on identified patient responses in the Phase 2a study.

Both trials will be randomised, double blind placebo-controlled, crossover studies, to maximise potential for data while being highly efficient and cost effective.

Principal Investigator and Contract Research Organisation (CRO) appointed
Principal Investigator Professor Simon Roger, Director of Renal Research (private practice) in Gosford, New South Wales, was appointed during the period to lead the DMX-200 Phase 2 trials. Prof. Roger is a preeminent Australian investigator and has had a role in the majority of the significant Phase 2 and 3 trials performed in clinical nephrology in Australia within the past two decades.

IQVIA (previously QuintilesIMS) was appointed contract research organisation (CRO), a key vendor to facilitate the ACTION studies.

Pharmacokinetic dosing administration optimised
During the period, dosing data from Dimerix's pharmacokinetic (PK) study was analysed by pharmacometric specialists to finalise the dosing for the Phase 2b clinical trials.

An optimised dosing regime will see two instead of three capsules taken daily. This is expected to support compliance rates from patients both in the Company's upcoming Phase 2 trials and also for the marketed product, once commercially available.

Manufacturer identified for commercial-scale product
In line with activities necessary to prepare DMX-200 to be commercially ready, during the period, Dimerix engaged a third party manufacturer, to produce the compound at commercial scale and quality to GMP standards.

This activity was undertaken as it is important for potential pharmaceutical partners; will enable the filing of an Investigational New Drug Application (IND), key to the preparation of DMX-200 for eventual registration with the US FDA.

Dimerix and Proteomics partner to improve treatment of CKD
In December 2017, Dimerix and Proteomics (ASX: PIQ) announced a collaboration under which the two parties would work together to evaluate the performance of Proteomics' PromarkerD diagnostic test alongside DMX-200 in Dimerix's pharmacokinetic testing and the coming Phase 2 DMX-200 clinical trials.

PromarkerD is a predictive and diagnostic test for Diabetic Kidney Disease (DKD) which measures a protein biomarker in the blood. It has the potential to serve as a companion diagnostic test in clinical trials to help measure and monitor the effectiveness of the DMX-200 drug. A companion diagnostic can help identify at risk patients who might benefit from taking the drug, enable more accurate dosing, and help monitor clinical end points and side effects.

If PromarkerD proves successful as a companion diagnostic test to support the use of DMX-200 as treatment for CKD, Dimerix will have the option to licence PromarkerD for ongoing use.

Investor activity
Dimerix attended the Gold Coast Investment Showcase on 20 & 21 June at Surfers Paradise, where Kathy Harrison presented to and met with potential and existing investors.

On 26 April, Dimerix concluded a share sale facility initiative for shareholders with unmarketable parcels to opt to sell their shares to Dimerix.

The receipt of ethics approval for the next Phase 2 clinical trials for DMX-200, announced post year end, triggering Milestone C of the Class C Performance Shares which were issued to Dimerix Bioscience shareholder vendors on 3 July 2015. As a result, 3,750,002 Class C Performance Shares converted to 3,750,002 ordinary shares on 18 July, 2018. This allocation represents the last tranche of Performance Shares associated with the 2015 transaction.

Post year end, Dimerix's Chief Medical Officer, Associate Professor David Packham, presented at the Bioshares Biotech Summit annual conference held in Queenstown, New Zealand on the 27th July.

Partnering and industry conferences
Dimerix continued to explore opportunities for licensing the DMX-200 program and the Company's other assets with potential partners.

In November 2017, shortly after the release of sub set analysis from Dimerix's Phase 2a trial in CKD, one of the Principal Investigators, Professor David Power, presented at the American Society of Nephrology's Annual Kidney Week, attended by around 13,000 international kidney specialists. This conference provided a significant opportunity for Dimerix to further identify and speak with potential partners for DMX-200. Later in the month, Dimerix's now Chief Medical Officer Associate Professor David Packham, presented at the World Congress of Clinical Trials in Diabetes.

In January 2018, Kathy Harrison and Dimerix's Chairman and Co-Founder, Dr James Williams attended San Francisco during the JP Morgan healthcare conference period to conduct further partnering discussions.

In June, Kathy Harrison was in Boston for the commencement of the BIO conference to meet with potential partners and collaborators. During the same trip the Company attended NephCure Kidney Internationals' 12th International Podocyte conference in Montreal. The event was important for understanding the broader research landscape of kidney diseases and supporting collaborations with non-clinical and clinical experts for our DMX-200 program. The event also provided the opportunity to market the Dimerix programs with leading research nephrologists.

Management team reorganisation and expansion

On 30 April, Dimerix announced its intention to undertake management team changes designed to support the Company in the next phase of its lead program for DMX-200 and in developing its Receptor HIT platform technology.

Kathy Harrison has since transitioned to the newly created Chief Operating Officer role, with the major focus on running the DMX-200 Phase 2 trials.

Nina Webster accepted the position of CEO and commenced on August 27th, 2018.

Liquidity and capital resources

Dimerix ended the financial year with cash of $6,284,322, and expects to receive a Research and Development tax incentive refund of $825,104* following 30 June 2018, further boosting capital resources.

*Note this amount is based on the criteria of eligible expenditure set out by AusIndustry. The Group has submitted an Overseas Finding application with AusIndustry. Should the application be successful this amount may increase.

Financial position

	30 June 2018 $	30 June 2017 $
Cash and cash equivalents	6,284,322	2,244,500
Net assets / total equity	6,857,955	2,629,675
Contributed equity	20,287,429	13,012,842
Accumulated losses	(14,055,459)	(10,735,733)

The directors believe the Group is in a strong and stable financial position to expand and grow its current operations.

Significant changes in state of affairs

There were no significant changes in the state of affairs in the year ended 30 June 2018.

Events after the reporting period

Ethics committee approval

Post year end, Dimerix secured ethics committee approval, and notified this to the Australian TGA, enabling site initiation and patient recruitment to commence, with recruitment on track to begin in the September quarter of 2018 and preliminary data is expected for both studies late in calendar 2019.

Conversion of Class C Performance shares to ordinary shares

On 18 July 2018 The Company considered the C Milestone under the Implementation Agreement to be achieved by the announcement of ethics approval for both FSGS and DKD, allowing these studies to commence recruitment.

The event triggered the conversion of 3,750,044 Class C Performance Shares to ordinary shares which were issued to the Dimerix Bioscience vendors on 3 July 2015.

US patent application allowed for DMX-200

Post year end on 2 July, Dimerix announced the receipt of a Notice of Allowance from the US Patent and Trade Mark Office of a further US patent application for its lead therapeutic program DMX-200.

The newly allowed patent application, number 15/086,823, entitled 'Combination Therapy' claims a pharmaceutical composition comprising a broad range of angiotensin receptor blockers and chemokine 2 receptor (CCR2) antagonists. US15/086,823 will issue as U.S. Patent No. 10,058,555 on 28 August 2018 and the patent will provide protection until 2032.

The allowed claims relate to the class of compounds used in Dimerix's DMX-200 program, under which an initial Phase 2a trial in Chronic Kidney Disease was successfully reported in 2017 and which will be studied again in the Company's ACTION trials.

Future developments, prospects and business strategies

Following receipt of ethics approval for Dimerix's two Phase 2 clinical trials for DMX-200 in July 2018, Dimerix is on track to commence patient recruitment in the September quarter, followed by patient dosing. Preliminary data is expected for both studies late in calendar 2019.

Dimerix has commenced development of a GMP process to manufacture propagermanium, supporting partnership discussions, filing an IND and later stage clinical trials. The CRO Patheon, is on track to manufacture a demonstration batch of the final active pharmaceutical ingredient (API) during the second half of calendar 2018.

The Company also intends to progress filing of an Orphan Drug Designation application in Europe for FSGS in the second half of calendar 2018.

If positive, the data from the commenced FSGS and DKD studies will support partnering discussions for DMX-200, while in parallel the Company will plan to enter Phase 3 clinical trials for the FSGS during calendar year 2020 either alone or with a partner.

The Company will provide updates on its pipeline programs and further commercial applications of its Receptor HIT platform technology during the coming financial year. It is the Company's intention to leverage its drug discovery technology to build a pipeline of additional pre-clinical and clinical assets and become a company with multiple high potential value commercial opportunities.

Environmental issues

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

Remuneration report (audited)

This remuneration, which forms part of the directors' report, sets out information about the remuneration of Dimerix Limited's key management personnel for the financial year ended 30 June 2018. The term 'key management personnel' refers to those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group. The prescribed details for each person covered by this report are detailed below under the following headings:

- key management personnel
- remuneration policy
- relationship between the remuneration policy and Group performance
- remuneration of key management personnel
- key terms of employment contracts.

Key management personnel

The directors and other key management personnel of the Group during the financial year were:

Non-executive directors	Position
Mr James Williams (Transitioned from Executive Chairman to non-executive chairman 1 August 2017)	Executive Chairman
Mr David Franklyn	Non-executive director
Dr Sonia Maria Poli	Non-executive director
Mr Hugh Alsop	Non-executive director
Executive Employees	**Position**
Kathy Harrison	Chief Executive Officer/Chief Operating Officer

Except as noted, the named persons held their current position for the whole of the financial year and since the end of the financial year.

Remuneration policy

The board of directors of the Group is currently responsible for determining and reviewing compensation arrangements for key management personnel. The Group does not currently operate a Remuneration Committee. The remuneration policy, which is set out below, is designed to promote superior performance and long-term commitment to the Group.

Non-executive director remuneration

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

Shareholders approval must be obtained in relation to the overall limit set for the non-executive directors' fees. The maximum aggregate remuneration approved by shareholders for non-executive directors is $250,000 per annum. The directors set the individual non-executive director fees within the limit approved by shareholders. Non-executive directors are not provided with retirement benefits.

Executive director remuneration

Executive directors receive a base remuneration which is at market rates, and may be entitled to performance based remuneration, which is determined on an annual basis. Overall remuneration policies are subject to the discretion of the board and can be changed to reflect competitive and business conditions where it is in the interests of the Group and shareholders to do so. Executive remuneration and other terms of employment are reviewed annually by the board having regard to the performance, relevant comparative information and expert advice.

The board's remuneration policy reflects its obligation to align executive remuneration with shareholders' interests and to retain appropriately qualified executive talent for the benefit of the Group. The main principles are:

(a) remuneration reflects the competitive market in which the Group operates;
(b) individual remuneration should be linked to performance criteria if appropriate; and
(c) executives should be rewarded for both financial and non-financial performance.

The total remuneration of executives consists of the following:

(a) salary – executives receive a fixed sum payable monthly in cash plus superannuation at 9.5% of salary;
(b) cash at risk component – executives may participate in share and option schemes generally made in accordance with thresholds set in plans approved by shareholders if deemed appropriate. However, the board considers it appropriate to issue shares and options to executives outside of approved schemes in exceptional circumstances;
(c) other benefits – executives may, if deemed appropriate by the board, be provided with a fully expensed mobile phone and other forms of remuneration; and
(d) performance bonus.

The board has not formally engaged the services of a remuneration consultant to provide recommendations when setting the remuneration received by directors or other key management personnel during the financial year.

Relationship between the remuneration policy and Group performance

The board considers that at this time, evaluation of the Group's financial performance using generally accepted measures such as profitability, total shareholder return or per Group comparison are not relevant as the Group is at an early stages of the DMX-200 Phase II trial which is continuing as outlined in the directors' report.

Remuneration of key management personnel

2018	Short-term employee benefits			Post-employment benefits	Share-based payment		Performance related %
	Salary & fees $	Bonus[2] $	Other[1] $	Superannuation $	Options $	Total $	
Non-executive directors							
Sonia Poli	45,000	-	-	-	15,633	**60,633**	26%
David Franklyn	41,096	-	-	3,904	15,633	**60,633**	26%
Hugh Alsop	41,096	-	-	3,904	15,633	**60,633**	26%
Executive directors							
James Williams	100,000	-	-	9,500	21,887	**131,387**	17%
Chief Executive Officer	-	-	-	-	-	**-**	
Kathy Harrison	225,000	30,000	4,693	21,375	183,064	**464,132**	46%
Total	**452,192**	**30,000**	**4,693**	**38,683**	**251,850**	**777,418**	

[1] Other comprises annual leave expense for the year
[2] Performance bonus for the year based on agreed criteria

2017	Short-term employee benefits			Post-employment benefits	Share-based payment		Performance related %
	Salary & fees $	Bonus[4] $	Other[3] $	Superannuation $	Options $	Total $	
Non-executive directors							
Sonia Poli	50,000	-	-	-	-	50,000	-
David Franklyn	41,096	-	-	3,904	-	45,000	-
Liz Jazwinska[1]	20,125	-	-	-	-	20,125	-
Hugh Alsop[2]	6,849		-	651	-	7,500	-
Executive directors							
James Williams	100,000		-	9,500	-	109,500	-
CEO / GM	-		-	-	-	-	
Kathy Harrison	191,237	43,750	12,448	21,492	49,193	318,120	29%
Total	**409,307**	**43,750**	**12,448**	**35,547**	**49,193**	**550,245**	

[1] Resigned 3 November 2016
[2] Appointed 1 May 2017
[3] Other comprises annual leave expense for the year
[4] Performance bonus for the year

Hugh Alsop was a consultant with the Company prior to his appointment as a Non-Executive Director.

No key management personnel appointed during the year received a payment as part of his or her consideration for agreeing to hold the position.

Bonuses and share-based payments granted as compensation for the current financial year

Bonuses
Kathy Harrison achieved the milestones for a performance bonus of $30,000 during the financial year (2017: $43,750) which forms part of salary and fees.

Incentive share-based payments arrangements
During the financial year, the following share-based payment arrangements were in existence:

No of options.	Grant date	Expiry date	Grant date fair value	Vesting date
500,000	6 September 2016	30 June 2019	$0.12*	1/3rd Vest on date of grant 1/3rd vest on 30 June 2017 1/3rd vest on 30 June 2018
500,000	27 March 2017	31 March 2020	$0.038*	½ vest on 31 March 2018 ½ vest on 31 March 2019
1,829,948	16 August 2017	1 February 2022	$0.156	Vesting in 30 equal monthly instalments

				commencing 1 February 2018 and expiring 1 February 2022
550,000	19 October 2017	20 April 2021	$0.125	20 February 2018
90,515	17 November 2017	13 November 2020	$0.108	17 November 2017

*The grant date fair values have been converted to post consolidation amounts.

There has been no alteration of the terms and conditions of the above share-based payment arrangements since the grant date.

Share options issued to key management personnel as remuneration during the year are set out below (2017: 17,219,494). No share options were exercised by key management personnel during the year (2017: nil).

1,829,948 options were issued to Kathy Harrison during the year with an exercise price of $0.40 (post-consolidation) with an expiry date of 1 February 2022. Vesting in 30 equal monthly instalments commencing 1 February 2018 and expiring 1 February 2022. The grant date fair value of the options issued was $285,318.

175,000 options were issued to a related party of James Williams during the year with an exercise price of $0.40 (post-consolidation) with an expiry date of 20 April 2021. The options vested on 20 February 2018. The grant date fair value of the options issued was $21,887.

125,000 options were issued to Sonia Poli during the year with an exercise price of $0.40 with an expiry date of 20 April 2021. The options vested on 20 February 2018. The grant date fair value of the options issued was $15,633.

125,000 options were issued to David Franklyn during the year with an exercise price of $0.40 (post-consolidation) with an expiry date of 20 April 2021. The options vested on 20 February 2018. The grant date fair value of the options issued was $15,633.

125,000 options were issued to Hugh Alsop during the year with an exercise price of $0.40 (post-consolidation) with an expiry date of 20 April 2021. The options vested on 20 February 2018. The grant date fair value of the options issued was $15,633.

Key terms of employment contracts

On 3 July 2015, Dr James Williams was appointed Executive Chairman and his remuneration and other terms of appointment were formalised in a letter of appointment, the key terms and conditions of which are:

- Term of agreement – 12 months commencing 3 July 2015 (casual basis) and monthly thereafter until terminated by the Company.
- After the initial term of the agreement employment may be terminated by either party giving one month's notice.
- Remuneration will be $109,500 per annum inclusive of statutory superannuation.

On 1 August 2017, Dr James Williams transitioned to Non-Executive Chairman and his remuneration and other terms of appointment were formalised in a letter of appointment, the key terms and conditions of which are:

- The Executive Chairman Term of agreement ceased;
- Term of Agreement – monthly until termination by the Company or until the next AGM.
- No entitlement to any compensation or damage or payment of any further director's fees for any period after termination
- No entitlement to any compensation or damage or payment of any further director's fees for any period after termination.
- Remuneration will be $60,000 per annum plus superannuation.

In addition to the above James Williams entered into a three-month contract with the Company on 1 August 2017 for remuneration of $10,000 plus superannuation. The contract was subsequently extended on 1 November 2017, 1 February 2018 and 1 May 2018 for an additional three months at the time of each extension for $10,000 plus superannuation.

On 3 July 2015, Dr Sonia Poli was appointed as Non-Executive Director and her remuneration and other terms of appointment were formalised in a letter of appointment, the key terms and conditions of which are:

- Term of agreement – monthly until termination by the Company or until the next AGM.
- No entitlement to any compensation or damage or payment of any further director's fees for any period after termination
- No entitlement to any compensation or damage or payment of any further director's fees for any period after termination.
- Remuneration will be $45,000 per annum (plus GST if applicable).

Dimerix Bioscience Pty Ltd entered into a consulting agreement with Dr Poli on 1 April 2016 to provide additional consulting services at the rate of $5,000 per month for four months.

On 23 November 2015 Mr David Franklyn was appointed as Non-Executive Director and the terms of the appointments were formalised in a letter of appointment with the following key terms and conditions:

- Term of agreement – monthly until termination by the Company or until the next AGM.
- No entitlement to any compensation or damage or payment of any further director's fees for any period after termination.
- Remuneration will be $45,000 per annum (inclusive of superannuation).

On 1 May 2017 Mr Hugh Alsop was appointed as Non-Executive Director and the terms of the appointments were formalised in a letter of appointment with the following key terms and conditions:

- Term of agreement – monthly until termination by the Company or until the next AGM.
- No entitlement to any compensation or damage or payment of any further director's fees for any period after termination.
- Remuneration will be $45,000 per annum (inclusive of superannuation).

Ms Kathy Harrison was appointed as General Manager of Dimerix Bioscience Pty Ltd on 25 March 2014 with the following key terms and conditions

- Term of agreement – employment may be terminated by either party giving one month's notice.
- Remuneration will be $175,000 per annum plus superannuation.
- Performance bonus of up to 20% of base salary ($35,000) with capacity for additional 5% for over performance.

On 7 November 2016, Ms Kathy Harrison was appointed to the role of Chief Executive officer on the following key terms and conditions:

- Term of agreement – employment may be terminated by either party giving two month's notice.
- Remuneration will be $200,000 per annum plus superannuation.

Performance bonus of up to 25% of base salary ($50,000), an increase from 20% of base salary.

On 1 July 2017 Kathy Harrison's Remuneration employment agreement was updated to reflect the following key terms and conditions:

• Term of agreement – employment may be terminated by either party giving two month's notice.

• Remuneration of $225,000 per annum plus superannuation, an increase from $200,000 plus superannuation.

Performance bonus of up to 30% of base salary ($67,500), an increase from 25% of base salary.

On 30 April 2018 the Company announced a search had commenced to appoint a new CEO. Upon appointment of the new CEO, Kathy Harrison transitioned to the newly created Chief Operating Officer role.

On 27 August 2018 Nina Webster was appointed CEO and Managing Director on 27 August 2018 with the following key terms and conditions:

- Remuneration of $300,000 per annum inclusive of superannuation and short-term incentives of up to 30% base salary against agreed stretch milestones.
- Term of agreement – employment may be terminated by either party giving three month's notice.

On appointment to the board, all non-executive directors are required to sign a letter of appointment with the Company. The letter of appointment summarises the board policies and terms, including compensation relevant to the office or director.

Key management personnel equity holdings

Fully paid ordinary shares of Dimerix Limited

2018	Balance at 1 July	Granted as compensation	Received on exercise of options/ performance shares	Net other change	Balance on Resignation	Balance at 30 June
	No.	No.	No.	No.		No.
James Williams[1]	33,293,382	-	-	(31,162,043)	-	2,131,339
Sonia Poli[1]	2,600,000	-	-	(2,470,000)	-	130,000
David Franklyn[2]	3,311,443	-	-	(2,863,084)	-	448,359
Hugh Alsop[6]	-	-	-	-	-	-
Kathy Harrison	3,333,334	-	-	(3,000,001)	-	333,333

2017	Balance at 1 July No.	Granted as compensation No.	Received on exercise of options/ performance shares No.	Net other change No.	Balance on Resignation	Balance at 30 June No.
James Williams[1]	29,043,382	-	-	4,250,000	-	33,293,382
Sonia Poli[1]	-	-	-	2,600,000	-	2,600,000
David Franklyn[2]	3,311,443	-	-	-	-	3,311,443
Liz Jazwinska[3]	-	-	-	-	-	-
Hugh Alsop[6]	-	-	-	-	-	-
Kathy Harrison	-	-	-	3,333,334	-	3,333,334

[1] Appointed 3 July 2015 [2] Appointed 23 November 2015
[3] Appointed 17 December 2015, resigned 3 November 2016
[4]Resigned 24 November 2015 [5]Resigned 3 July 2015
[6] Appointed 1 May 2017

The shares shown in the 2017 table are pre-consolidation of 1:20 which occurred on 13 September 2017.

Share options of Dimerix Limited

2018	Balance at 1 July No.	Granted as compens-ation No.	Exercised / Lapsed No.	Balance at 30 June No.	Balance vested at 30 June No.	Vested and exercisable No.	Options vested during year No.
James Williams	-	175,000	-	175,000	175,000	175,000	175,000
Sonia Poli[1]	-	125,000	-	125,000	125,000	125,000	125,000
David Franklyn[2]	-	125,000	-	125,000	125,000	125,000	125,000
Hugh Alsop[6]	-	125,000	-	125,000	125,000	125,000	125,000
Kathy Harrison	500,000	1,829,948	-	2,329,948	804,991	804,991	471,658

2017	Balance at 1 July No.	Granted as compens-ation No.	Exercised No.	Balance on resignation No.	Balance at 30 June No.	Balance vested at 30 June No.	Vested and exercisable No.	Options vested during year No.
James Williams	10,762,183	-	(10,762,183)	-	-	-	-	-
Sonia Poli[1]	2,152,437	-	(2,152,437)	-	-	-	-	-
David Franklyn[2]	2,152,437	-	(2,152,437)	-	-	-	-	-
Liz Jazwinska[3]	-	-	-	-	-	-	-	-
Hugh Alsop[6]	-	-	-	-	-	-	-	-
Kathy Harrison	2,152,437	10,000,000	(2,152,437)	-	10,000,000	6,666,666	6,666,666	6,666,666

[1] The options lapsed during the year were issued in 2016.

The options shown in the 2017 table are pre-consolidation of 1:20 which occurred on 13 September 2017.

Key management personnel equity holdings

Performance shares of Dimerix Limited

2018	Balance at 1 July No.	Granted as compensation No.	Net other change No.	Conversion to fully paid ordinary shares No.	Balance on Resignation	Balance at 30 June No.
James Williams[1]	2,420,283	-	(2,299,267)	-	-	121,016
Sonia Poli[2]	-	-	-	-	-	-
David Franklyn[2]	275,954	-	(262,156)	-	-	13,798
Hugh Alsop[6]	-	-	-	-	-	-
Kathy Harrison	-	-	-	-	-	-

2017	Balance at 1 July No.	Granted as compensation No.	Net other change No.	Conversion to fully paid ordinary shares No.	Balance on Resignation	Balance at 30 June No.
James Williams	2,420,283	-	-	-	-	2,420,283
Sonia Poli	-	-	-	-	-	-
David Franklyn	275,954	-	-	-	-	275,954
Liz Jazwinska[2]	-	-	-	-	-	-
Hugh Alsop[1]	-	-	-	-	-	-

[1] Appointed 1 May 2017
[2] Resigned 3 November 2016

The performance shares shown in the 2017 table are pre-consolidation of 1:20 which occurred on 13 September 2017.

This directors' report, incorporating the remuneration report, is signed in accordance with a resolution made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the directors

Dr James Williams
Chairman
Perth, 30 August 2018

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30 August 2018

Board of Directors
Dimerix Limited
Suite 5, 95 Hay Street
SUBIACO WA 6008

Dear Directors

RE: DIMERIX LIMITED

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Dimerix Limited.

As Audit Director for the audit of the financial statements of Dimerix Limited for the year ended 30 June 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely
STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)

Martin Michalik

Martin Michalik
Director

Stantons International Audit and Consulting Pty Ltd
trading as
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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
DIMERIX LIMITED

Report on the Audit of the Financial Report

Our Opinion

We have audited the financial report of Dimerix Limited (the Company) and its subsidiaries (the Consolidated Entity), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion:

(a) the accompanying financial report of the Consolidated Entity is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2018 and of its financial performance for the year then ended; and

  (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 3.1

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 Consolidated Entity 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 judgement, 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, and we do not provide a separate opinion on these matters.

Key Audit Matters	How the matter was addressed in the audit
Share based payments – share options The Group awarded share-based payments in the form of share options. The awards vest subject to the achievement of certain vesting conditions. The Group used the Black-Scholes model in valuing the share-based awards, based on the conditions attached to each tranche. The Group has performed calculations to record the related share based payment expense of $300,854 in the consolidated statement of profit or loss and other comprehensive income. Due to the complex and estimates used in determining the valuation of the share based payment arrangement and vesting expense, we consider the Group's calculation of the share based payment expense to be a key audit matter. In determining the fair value of the awards and related expense, the Group used assumptions in respect of future market and economic conditions. Refer to Note 19 to the financial report for the share based payment expense recognised for the year ended 30 June 2018 and related disclosures.	For the share options, awards granted, our audit procedures included the following: i. Assessing the assumptions used in the Group's calculation being the share price of the underlying equity, interest rate, volatility, dividend yield, time to maturity (expected life) and grant date; ii. Assessing the fair value of the calculation through re-performance using the Black Scholes model; and iii. Assessing the accuracy of the share based payments expense and the adequacy of disclosures made by the Group in the financial report.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, 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.

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.

In preparing the financial report, the directors are responsible for assessing the ability of the Consolidated Entity to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Consolidated Entity or to cease operations, or has 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 Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

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.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We 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 Consolidated Entity'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 Consolidated Entity to cease to continue as a going concern.

We 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 obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Consolidated Entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Consolidated Entity audit. We remain solely responsible for our audit opinion.

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.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. 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.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 16 to 23 of the directors' report for the year ended 30 June 2018. The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion on the Remuneration Report

In our opinion, the Remuneration Report of Dimerix Limited for the year ended 30 June 2018 complies with section 300A of the *Corporations Act 2001*.

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)

Stantons International Audit & Consulting Pty Ltd

Martin Michalik

Martin Michalik
Director

West Perth, Western Australia
30 August 2018

Directors' declaration

The directors declare that:

(a) in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

(b) in the directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 3 to the financial statements;

(c) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Consolidated entity; and

(d) the directors have been given the declarations required by s.295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the directors

Dr James Williams
Chairman

Date: 30 August 2018

Consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2018

	Note	30 June 2018 $	30 June 2017 $
Continuing operations			
Revenue	6	20,184	18,282
Other income	7	825,104	536,335
Research and development expenses		(2,051,282)	(878,118)
Share based payments	16 & 17	(300,854)	(52,860)
Corporate administration expenses	8	(1,812,878)	(1,382,171)
Loss before income tax		**(3,319,726)**	**(1,758,532)**
Income tax expense	9	-	-
Loss for the year from continuing operations		**(3,319,726)**	**(1,758,532)**
Other comprehensive income, net of income tax			
Items that will not be reclassified subsequently to profit or loss		-	-
Items that may be reclassified subsequently to profit or loss		-	-
Other comprehensive income for the year, net of income tax		**-**	**-**
Total comprehensive loss for the year		**(3,319,726)**	**(1,758,532)**
Loss attributable to:			
Owners of Dimerix Limited		**(3,319,726)**	**(1,758,532)**
Total comprehensive loss attributable to:			
Owners of Dimerix Limited		**(3,319,726)**	**(1,758,532)**
Loss per share:			
Basic and diluted (cents per share)	10	(2.88)	(2.15)

Notes to the financial statements are included on pages 33 to 59.

Consolidated statement of financial position as at 30 June 2018

	Note	30 June 2018 $	30 June 2017 $
Current assets			
Cash and cash equivalents	22	6,284,322	2,244,500
Trade and other receivables	11	979,986	624,023
Total current assets		**7,264,308**	**2,868,523**
Non-current assets			
Property, plant and equipment	12	391	3,270
Total non-current assets		**391**	**3,270**
Total assets		**7,264,699**	**2,871,793**
Current liabilities			
Trade and other payables	13	364,443	210,457
Provisions	14	42,301	31,661
Total current liabilities		**406,744**	**242,118**
Total liabilities		**406,744**	**242,118**
Net assets		**6,857,955**	**2,629,675**
Equity			
Issued capital	16	20,287,429	13,012,842
Reserves	17	625,985	352,566
Accumulated losses		(14,055,459)	(10,735,733)
Total equity		**6,857,955**	**2,629,675**

Notes to the financial statements are included on pages 33 to 59.

Consolidated statement of changes in equity for the year ended 30 June 2018

	Issued Capital $	Reserves $	Accumulated losses $	Total $
Balance at 1 July 2016	**10,920,070**	**299,706**	**(8,977,201)**	**2,242,575**
Loss for the year	-	-	(1,758,532)	(1,758,532)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	-	-	(1,758,532)	(1,758,532)
Issue of ordinary shares	2,000,000	-	-	2,000,000
Conversion of options to shares	220,835	-	-	220,835
Share issue costs	(128,063)	-	-	(128,063)
Recognition of share based payments	-	52,860	-	52,860
Balance at 30 June 2017	**13,012,842**	**352,566**	**(10,735,733)**	**2,629,675**
Balance at 1 July 2017	**13,012,842**	**352,566**	**(10,735,733)**	**2,629,675**
Loss for the year	-	-	(3,319,726)	(3,319,726)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	-	-	(3,319,726)	(3,319,726)
Issue of ordinary shares	7,556,116	-	-	7,556,116
Conversion of options to shares	62,500	-	-	62,500
Share issue costs	(371,464)	-	-	(371,464)
Recognition of share based payments	27,435	273,419	-	300,854
Balance at 30 June 2018	**20,287,429**	**625,985**	**(14,055,459)**	**6,857,955**

Notes to the financial statements are included on pages 33 to 59.

Consolidated statement of cash flows for the year ended 30 June 2018

	Note	30 June 2018 $	30 June 2017 $
Cash flows from operating activities			
Research and development tax incentive received		545,771	420,900
Payments to suppliers and employees		(3,791,385)	(2,303,589)
Interest received		20,182	18,282
Net cash used in operating activities	22.1	(3,225,432)	(1,864,407)
Cash flows from investing activities			
Payments for property, plant and equipment	12	(3,543)	(2,581)
Net cash used in from investing activities		(3,543)	(2,581)
Cash flows from financing activities			
Proceeds from issue of shares		7,556,116	2,220,835
Proceeds from options exercised		62,500	-
Payment for share issue costs		(371,464)	(128,063)
Net cash provided by financing activities		7,247,152	2,092,772
Net increase in cash and cash equivalents		4,018,177	225,784
Cash and cash equivalents at the beginning of the year		2,244,500	2,018,716
Effects of exchange rate changes on cash and cash equivalents		21,645	-
Cash and cash equivalents at the end of the year	22	**6,284,322**	**2,244,500**

Notes to the financial statements are included on pages 33 to 59.

Notes to the financial statements for the year ended 30 June 2018

1. General information

Dimerix Limited ("Dimerix or the Company") and its subsidiary (the "Group or Consolidated Entity") is a listed public company incorporated in Australia. The address of its registered office and principal place of business is disclosed in the corporate directory to the annual report.

The principal activities of the Group are described in the directors' report.

2. Application of new and revised Accounting Standards

2.1 The Group has considered the implications of new and amended Accounting Standards applicable for annual reporting periods beginning after 1 July 2017 but determined that their application to the financial statements is either not relevant or not material.

2.2 ***New standards and interpretations not yet adopted***

A number of new standards, amendments to standards and interpretations issued by the AASB which are not yet mandatorily applicable to the Group have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

- *AASB 9 Financial Instruments* and associated Amending Standards (applicable for annual reporting period commencing 1 January 2018)

  The Standard will be applicable retrospectively (subject to the comment on hedge accounting below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

  Key changes made to this standard that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income.

  The directors anticipate that the adoption of AASB 9 will not have a material impact on the Group's financial instruments.

- *AASB 15: Revenue from Contracts with Customers* (applicable to annual reporting periods commencing on or after 1 January 2018).

  When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

This Standard will require retrospective restatement, as well as enhanced disclosures regarding revenue.

The directors anticipate that the adoption of AASB 15 will not have a material impact on the Group’s revenue recognition and disclosures.

- *AASB 16: Leases* (applicable to annual reporting periods commencing on or after 1 January 2019).

  AASB 16 removes the classification of leases as either operating leases or finance leases for the lessee effectively treating all leases as finance leases. Short term leases (less than 12 months) and leases of a low value are exempt from the lease accounting requirements. Lessor accounting remains similar to current practice.

  Although the directors anticipate that the adoption of AASB 16 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

- *Other standards not yet applicable*

  There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

3. Significant accounting policies

3.1 Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations and comply with other requirements of the law.

The financial statements comprise the financial statements of the Group. For the purposes of preparing the financial statements, the Group is a for-profit entity.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Group comply with International Financial Reporting Standards (“IFRS”).

The financial statements were authorised for issue by the directors on 30 August 2018.

3.2 Basis of preparation

The financial statements have been prepared on the basis of historical cost, except for certain financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair values of the consideration given in exchange for goods and services. The financial statements have been prepared on a going concern basis. All amounts are presented in Australian dollars, unless otherwise noted.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Group takes into account the characteristics of the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2, leasing transactions that are within the scope of AASB 117 and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 2 or value in use in AASB 136.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3.3 Business combinations

Acquisitions of business are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred by the Company, liabilities incurred by the Company to the former owners of the acquiree and the equity instruments issued by the Company in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with AASB 112 ‘Income Taxes’ and AASB 119 ‘Employee Benefits’ respectively.
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Company entered into to replace share-based payment arrangements of the acquiree are measured in accordance with AASB 2 ‘Share-based Payment’ at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 ‘Non-current Assets Held for Sale and Discontinued Operations’ are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Where the consideration transferred by the Company in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the ‘measurement period’ (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date. The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity.

Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates in accordance with AASB 139, or AASB 137 ‘Provisions, Contingent Liabilities and Contingent Assets’, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

3.4 Going concern basis

The financial statements have been prepared on the going concern basis which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

For the year ended 30 June 2018 the Group incurred a loss after tax of $3,319,726 (2017: $1,758,532) and a net cash outflow from operations of $3,225,432 (2017: 1,864,407). At 30 June 2018, the Group had current assets of $7,264,308 (2017: $2,868,523), current liabilities of $406,744 (2017: $242,118) and current cash holding was $6,284,322 (2017: $2,244,500). The Group does not have any forthcoming material expenditure commitments in the relevant period.

The directors have reviewed the business outlook and cash flow forecasts and are of the opinion that the use of the going concern basis of accounting is appropriate as they believe the Group will continue to raise further funds and meet its expenditure commitments as required.

Should the Group be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of liabilities that may be necessary should the Group be unable to continue as a going concern.

3.5 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of the acquisition of the business (see 3.3 above) less accumulated impairment losses, if any. For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods**.**

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

3.6 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Interest income
Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Research and Development Incentive
These are accounted on an accrual basis once it is probable that it will be received.

3.7 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3.8 Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

3.9 Employee benefits

Short-term and long-term employee benefits
A liability is recognised for benefits accrued to employees in respect of wages and salaries and annual leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of short-term employee benefits are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

3.10 Share-based payments arrangements

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 19.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

3.11 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

3.11.1 Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using the tax rates that have been enacted or substantively enacted by the end of the reporting period.

3.11.2 Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same authority and the Group intends to settle its current tax assets and liabilities on a net basis.

3.11.3 Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively.

Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3.12 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit and loss.

3.13 Intangible assets

3.13.1 Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

3.13.2 Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognised in profit or loss when the asset is derecognised.

3.14 Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less cost of disposal and value in use. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease

3.15 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.16 Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3.16.1 Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

3.16.1.1 Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and AASB 139 'Financial Instruments: Recognition and Measurement' permits the entire combined contract to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item.

3.16.1.2 Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

3.16.1.3 Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets that are carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial asset that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve.

3.16.1.4 <u>Derecognition of financial assets</u>

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

3.16.2 Financial liabilities and equity instruments

3.16.2.1 Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

3.16.2.2 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group of entity are recognised at the proceeds received, net of direct issue costs.

3.16.2.3 Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

3.16.2.4 Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and AASB 139 'Financial Instruments: Recognition and Measurement' permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item.

3.16.2.5 Other financial liabilities

Other financial liabilities, including borrowings and trade and other payables, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

3.16.2.6 Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3.17 Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified within operating cash flows.

3.18 Comparative amounts

When current period balances have been classified differently within current period disclosures when compared to prior periods, comparative disclosures have been restated to ensure consistency of presentation between periods.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, the directors of the Group are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period on which the estimate is revised if the revision affects only that period, or in the period in the revision and future periods if the revision affects both current and future periods.

In preparing these financial statements, the significant judgements were made by management in applying the Group's accounting policies and the key sources of estimation uncertainty have been applied to the Business combination.

4.1 *Other Key sources of estimation uncertainty*

- Valuation of Performance Shares issued on acquisition of subsidiary which impact on the corporate restructure expense
- Valuation of share options issued to management, staff and consultants
- Determination of expenses eligible for research and development tax incentive

5. Segment information

From the period beginning 1 July 2016 the Board considers that the Company has only operated in one Segment. The financial information presented in the statement of financial performance and statement of financial position represents the information for the business segment.

6. Revenue

	2018 $	2017 $
Interest received	20,184	18,282

7. Other income

	2018 $	2017 $
Research and development tax incentive*	825,104	536,335
	825,104	536,335

*Note this amount is based on the criteria of eligible expenditure set out by AusIndustry. The Group has submitted an Overseas Finding application with AusIndustry. Should the application be successful this amount may increase.

8. Loss for the year

Loss for the year has been arrived at after charging the following items of expenses:	2018	2017
	$	$
Corporate administration expenses		
Company secretary fees	44,600	48,900
Directors remuneration	244,500	232,125
Legal and professional fees	8,793	5,301
Share registry fees	28,686	13,095
Insurance expenses	68,443	42,187
Other administration expenses	1,417,856	1,040,563
	1,812,878	1,382,171

9. Income taxes relating to continuing operations

9.1 Income tax recognised in profit or loss

	2018	2017
	$	$
Current tax benefit	(612,531)	(301,759)
Deferred tax expense	71,544	30,922
Tax losses not recognised	540,987	270,837
Total Tax expense/(benefit)	-	-

The income tax expense for the year can be reconciled to the accounting loss as follows:

	2018	2017
	$	$
Loss before tax from continuing operations	(3,319,726)	(1,758,532)
Income tax expense/(revenue) calculated at 27.5% (2017: 27.5%)	912,925	483,596
Effect of items that are not assessable/deductible in determining taxable loss:		
Non-deductible expenses	(598,841)	(360,251)
Non-assessable income	226,903	147,492
Effect of unused tax losses not recognised as deferred tax assets	(540,987)	(270,837)
	-	-

The tax rate used for the reconciliation above is the corporate tax rate of 27.5% (2017:27.50%) payable by Australian corporate entities on taxable profits under Australian tax law.

The Group has no franking credits available for recovery in future years.

9.2	*Income tax recognised directly in equity*	2018 $	2017 $
	Current tax		
	Share issue costs	70,697	65,254
	Deferred tax		
	Share issue costs deductible over 5 years	81,722	28,174
		152,419	93,428

9.3	*Unrecognised deferred tax assets*	2018 $	2017 $
	Unused tax losses (revenue) for which no deferred tax assets have been recognised	2,829,521	2,249,280
	Temporary differences	185,689	174,689

All unused tax losses were incurred by Australian entities.

This benefit for tax losses will only be obtained if the specific entity carrying forward the tax losses derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised, and the Group complies with the conditions for deductibility imposed by tax legislation.

10. Loss per share

	2018	2017
Basic and diluted loss per share (cents per share)	(2.88)	(2.15)*

*The prior period loss per share has been restated for comparative purposes to reflect the loss per share post consolidation

10.1 Basic and diluted loss per share

The loss and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	2018 $	2017 $
Loss for the year attributable to owners of the Company	(3,319,726)	(1,758,532)

	2018 No.	2017 No.
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	115,416,006	81,730,092*

*The prior period weighted average number of ordinary shares has been restated for comparative purposes to reflect the number of shares post consolidation.

11. Trade and other receivables

	2018 $	2017 $
Other receivables	903,495	577,188
Prepayments	76,491	46,835
	979,986	624,023

The other receivables at the reporting date include Research and Development tax incentive of $825,104. Note this amount is based on criteria of eligible expenditure set out by AusIndustry. The Group has submitted an Overseas Finding application with AusIndustry. Should the application be successful this amount may increase.

At the reporting date, none of the receivables are past due or impaired.

12. Property, plant and equipment

	2018 $	2017 $
Carrying amounts of		
Computer Equipment	**391**	**3,270**

Cost or valuation

	2018 $	2017 $
Balance at 1 July	7,264	4,683
Additions	3,543	2,581
Disposals	-	-
Balance at 30 June	**10,807**	**7,264**

Accumulated depreciation

	2018 $	2017 $
Balance at 1 July	3,994	2,474
Accumulated depreciation acquired through the Acquisition	-	-
Depreciation expense	6,422	1,520
Disposals	-	-
Balance at 30 June	10,416	3,994
Net book value	**391**	**3,270**

13. Trade and other payables

	2018 $	2017 $
Trade creditors	269,262	83,399
Accruals and other payables	95,181	127,058
	364,443	210,457

Trade creditor payment terms are 30 days from end of month.

14. Provisions

	2018 $	2017 $
Provision for employee entitlements	42,301	31,661

15. Subsidiaries

		2018	2017
Dimerix Bioscience Pty Ltd	Australia	100%	100%

16. Issued capital

	2018 $	2017 $
155,049,393 fully paid ordinary shares (2017: 1,829,949,652)	20,287,429	13,012,842*

	30 June 2018		30 June 2017	
	No.	$	No.	$
Balance at beginning of the balance year	**1,829,949,652**	**13,012,842**	**1,473,640,129***	**10,920,070**
Consolidation (1:20)	(1,738,451,496)	-	-	-
Issue of ordinary shares	62,967,633	7,556,116	333,333,333*	2,000,000
Conversion of options to shares	446,429	62,500	22,976,190*	220,835
Shares issued in lieu of cash for services	137,175	27,435		
Capital raising costs/(refund)	-	(371,464)	-	(128,063)
Balance at end of the end of the year	**155,049,393**	**20,287,429**	**1,829,949,652***	**13,012,842**

*The amounts shown in the 2017 table are pre-consolidation of 1:20 which occurred on 13 September 2017.

Fully paid ordinary shares carry one vote per share and carry a right to dividends.

Shares issued for services

137,175 shares were issued in lieu of medical advisory board fees.

Item	Inputs
Number of Shares	137,175
Share price at date of issue (11 November 2017)	$0.20
Total amount recognised as share based payments	$27,435

17. Reserves

	2018 $	2017 $
Performance shares reserve	187,501	187,501
Share based payment reserve	438,484	165,065
Total reserves at end of year	625,985	352,566

17. Reserves (continued)

Performance share reserve

On acquisition of Dimerix Bioscience Pty Ltd, performance shares were issued to the Vendors or their nominee. Each performance share is convertible into 1 ordinary share. The Directors determined the value of the performance shares based on the ASX market price on the date of issue and adjusted the value for the probability of achieving the performance milestones as follows:

Class	No.	Probability
Class A Performance shares	75,000,040 #	85%
Class B Performance shares	75,000,040 #	25%
Class C Performance shares	3,750,044*	25%

* Post consolidation

Pre consolidation

On 19 February 2016, the Group announced that it had received a Notice of Allowance from the United States Patent and Trade Mark Office (USPTO) for its patent covering the use of DMX-200 in the treatment of kidney disease. The allowance of the US patent triggers Milestone A of the Class A performance shares which were issued to the Dimerix Bioscience vendors on 3 July 2015. As such, 75,000,040 Class A Performance Shares converted to 75,000,040 ordinary shares (pre consolidation).

On 28 April 2016, the Group announced that it filed a request to the US Food and Drug Administration (FDA) for a pre-Investigational New Drug (IND) application meeting in relation to the Development Plan for DMX-200 in Focal Segmental Glomerularsclerosis (FSGS). This event triggered Milestone B of the Class B performance shares which were issued to the Dimerix Bioscience vendors on 3 July 2015. As such, 75,000,040 Class B Performance Shares converted to 75,000,040 ordinary shares (pre consolidation).

There were no changes to the performance share reserve in the financial year ended 30 June 2018.

Performance share reserve movement

	2018 $	2017 $
Balance at beginning of the balance year	187,501	187,501
Issue of performance shares on acquisition of Dimerix Bioscience Pty Ltd	-	-
Conversion to ordinary shares	-	-
Balance at end of the end of the balance year	187,501	187,501

Share-based payments Reserve	2018 $	2017 $
Balance at beginning of year	165,065	112,205
Arising on share-based payments	273,419	52,860
Balance at end of year	438,484	165,065

Further information about share-based payments is set out in note 19.

18. Financial instruments

18.1 Capital management

The Group manages its capital to ensure entities in the Group will be able to continue as going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The Group's overall strategy remains unchanged from 2017.

The Group is not subject to any externally imposed capital requirements.

Given the nature of the business, the Group monitors capital on the basis of current business operations and cash flow requirements.

18.2. *Categories of financial instruments*

	2018	2017
Financial assets	$	$
Cash and cash equivalents	6,284,322	2,244,500
Trade and other receivables	903,495	577,188
	7,187,817	2,821,688
Financial liabilities		
Trade and other payables	364,443	210,457
	364,443	210,457

The fair value of the above financial instruments approximates their carrying values.

18.3 Financial risk management objectives

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of those risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

The board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function.

The Group's risk management policies and objectives are therefore designed to minimise the potential impacts of these risks on the Group where such impacts may be material. The board receives monthly financial reports through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The overall objective of the board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility.

18.4 Market risk

Market risk for the Group arises from the use of interest bearing financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rate (see 18.5 below).

18.5 Interest rate risk management

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end on the reporting period.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end on the reporting period.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's loss for the year ended 30 June 2018 would increase/decrease by $202 (2017: $22,445).

18.6 Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

18.7 Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Group's short-, medium- and long-term funding and liquidity management requirements. The Group manages liquidity by maintaining adequate banking facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

Contractual cash flows

	Carrying Amount	Less than 1 month	1-3 months	3-12 months	1 year to 5 years	Total contractual cash flows
	$	$	$	$	$	$
2018						
Trade and other payables	364,443	364,443				364,443
2017						
Trade and other payables	210,457	210,457				210,457

19. Share-based payments

Share-based payments	2018 $	2017 $
Arising on issuance of shares for no consideration	27,435	-
Arising on issuance of options	273,419	52,860
	300,854	52,860

19.1 Employee share option plan

Options may be issued to external consultants or non-related parties without shareholders' approval, where the annual 15% capacity pursuant to ASX Listing Rule 7.1 has not been exceeded. Options cannot be offered to a director or an associate except where approval is given by shareholders at a general meeting.

2,470,463 were issued during the financial year (2017: 1,000,000 post-consolidation).

Each option issued converts into one ordinary share of Dimerix Limited on exercise. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

1,829,948 options (post consolidation) were granted to the Chief Executive officer in accordance with the Company's ESOP during the period. The options vest in 30 equal monthly instalments commencing 1 February 2018. The fair value of the options at grant date are determined using a Black Scholes pricing method that takes into account the exercise price, the term of the option, the share price at grant date and expected volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option. The following table lists the inputs to the model used for valuation of the unlisted options (post consolidation):

Item	Inputs
Volatility (%)	122.4%
Risk free interest rate (%)	1.50%
Expected life of option (years)	4.47
Exercise price per terms and conditions	$0.40
Underlying security price at grant date	$0.21
Expiry date	1 February 2022
Value per option	$0.156

19. Share-based payments (continued)

550,000 options (post consolidation) were granted to the Directors in accordance with the Company's ESOP during the period, the options vest on 20 February 2018. The fair value of the options at grant date are determined using a Black Scholes pricing method that takes into account the exercise price, the term of the option, the share price at grant date and expected volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option. The following table lists the inputs to the model used for valuation of the unlisted options (post consolidation):

Item	Inputs
Volatility (%)	123.4%
Risk free interest rate (%)	1.50%
Expected life of option (years)	3.50
Exercise price per terms and conditions	$0.40
Underlying security price at grant date	$0.19
Expiry date	20 April 2021
Value per option	$0.125

90,515 options (post consolidation) were granted on 17 November 2017 to a Scientific Advisory Board member in accordance with the Company's ESOP during the period. The fair value of the options at grant date are determined using a Black Scholes pricing method that takes into account the exercise price, the term of the option, the share price at grant date and expected volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option. The following table lists the inputs to the model used for valuation of the unlisted options (post consolidation):

Item	Inputs
Volatility (%)	122.5%
Risk free interest rate (%)	1.50%
Expected life of option (years)	2.99
Exercise price per terms and conditions	$0.286
Underlying security price at grant date	$0.17
Expiry date	13 November 2020
Value per option	$0.108

19.2 Options on Issue

The following share-based payment arrangements were in existence during the current reporting period:

Number	Grant date	Grant date fair value	Exercise price	Expiry date	Vesting date
500,000	06/09/2016	0.12	0.40	30/06/2019	1/3rd Vest on date of grant 1/3rd vest on 30 June 2017 1/3rd vest on 30 June 2018
500,000	27/03/2017	0.038	0.40	31/03/2020	½ vest on 31 March 2018 ½ vest on 31 March 2019
1,829,948	16/08/2017	0.156	0.40	01/02/2022	Vesting in 30 equal monthly instalments commencing 1 February 2018 and expiring 1 February 2022
90,515	17/11/2017	0.108	0.286	13/11/2020	17/11/2017
550,000	19/10/2017	0.125	0.40	20/04/2021	20/02/2018

There has been no alteration of the terms and conditions of the above share-based payment arrangements since the grant date.

19.2 Fair value of share options granted in the year

The deemed fair value of options granted during the year is $363,922 (2017: $79,227).

19.3 Performance shares on issue

Class	Number	Grant date	Grant date fair value	Expiry date	Vesting condition
C	3,750,044*	3/07/2015	0.05*	30/06/2019	Each share converts to one ordinary share on receipt to ethics approval allowing commencement of a second clinical trial derived from the Dimerix platform.

*Post consolidation.

19.3 *Movements in share options during the year*

The following reconciles the share options outstanding at the beginning and end of the year:

	2018		2017	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
	No.	$	No.	$
Balance at beginning of the year	37,880,953	0.0139	111,708,737	0.0123
Consolidation (1:20)	(35,986,904)	-		
Granted during the year	2,470,463	0.3958	20,000,000	0.020
Forfeited during the year	-	-	-	-
Exercised during the year	(446,429)	0.14	(22,976,190)	0.0096
Expired during the year	(447,620)	0.14	(70,851,594)	0.0144
Balance at end of year	**3,470,463**	**0.397**	**37,880,953**	**0.0139**
Exercisable at end of year	**1,695,506**	**0.3939**	**24,547,620**	**0.011**

19.4 *Share options exercised during the year*

446,429 share options were exercised during the year (2017: 22,976,190).

19.5 *Share options outstanding at the end of the year*

The share options outstanding at the end of the year had a weighted average exercise price of $0.3970 and a weighted average remaining contractual life of 1,022 days (2017: 545 days).

20. Key management personnel

The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

	2018 $	2017 $
Short-term employee benefits	486,885	465,505
Post-employment benefits	38,683	35,547
Share-based payments	251,850	49,193
	777,418	550,245

Short term employee benefits

These amounts include director and consulting fees paid to non-executive directors as well as salary and paid leave benefits awarded to executive directors.

Post-employment benefits

These amounts are superannuation contributions made during the year.

Further information in relation to key management personnel remuneration can be found in the remuneration report contained in the directors' report.

21. Related party transactions

21.1 Key management personnel

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity, are considered key management personnel.

For details of disclosures relating to key management personnel, refer to the remuneration report contained in the directors' report and note 20.

21.2 Other related party transactions

All transactions between the Group and related parties are on an arms-length basis.

22. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include cash on hand and in banks, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position as follows:

	2018 $	2017 $
Cash and bank balances	6,284,322	2,244,500

22.1 Reconciliation of loss for the year to net cash flows from operating activities

	2018 $	2017 $
Cash flow from operating activities		
Loss for the year	(3,319,726)	(1,758,532)
Adjustments for:		
Depreciation	6,422	1,520
Share based payments	300,854	52,860
Effects of exchange rate changes on cash and cash equivalents	(21,645)	-
Movements in working capital		
(Increase)/decrease in other receivables	(326,307)	(117,721)
(Increase)/decrease in prepayments	(29,656)	(1,927)
Increase/(decrease) in trade and other payables	153,986	(54,096)
Increase/(decrease) in provisions	10,640	13,489
Net cash outflows from operating activities	(3,225,432)	(1,864,407)

23. Commitments and contingencies

There are no significant commitments and contingencies at balance date in the current or prior reporting periods.

24. Remuneration of auditors

Auditor of the parent entity

	2018 $	2017 $
Audit or review of the financial statements	34,420	38,069
Other non-audit services	-	-
	34,420	38,069

The auditors of Dimerix Limited are Stantons International Audit and Consulting Pty Ltd.

25. Events after the reporting period

<u>Conversion of Class C Performance shares to ordinary shares</u>

On 18 July 2018 The Company considered the C Milestone under the Implementation Agreement to be achieved by the announcement of ethics approval for both FSGS and DKD, allowing these studies to commence recruitment. The event triggered the conversion of 3,750,044 Class C Performance Shares to ordinary shares which were issued to the Dimerix Bioscience vendors on 3 July 2015.

26. Parent entity information

The accounting policies of the parent entity, which have been applied in determining the 2018 and 2017 financial information shown below, are the same as those applied in the financial statements. Refer to note 3 for a summary of significant accounting policies relating to the Group.

Financial position of Dimerix Limited (Legal Parent)

	2018 $	2017 $
Assets		
Current assets	5,557,078	1,658,156
Non-current assets	-	-
Total assets	**5,557,078**	**1,658,156**
Liabilities		
Current liabilities	110,815	132,917
Provisions	35,313	30,620
Non-current liabilities	**-**	**-**
Total liabilities	**146,128**	**163,537**
Net assets	5,410,950	1,494,619
Equity		
Issued capital	50,230,340	42,955,753
Reserves	789,964	516,545
Accumulated losses	(45,609,354)	(41,977,679)
Total equity	**5,410,950**	**1,494,619**

Financial performance

Loss for the year	(3,631,675)	(11,464,603)

There are no significant commitments and contingencies at balance date in the current or prior reporting periods.

ASX Additional Information as at 28 August 2018

Corporate Governance Statement

The Company's corporate governance statement is located at the Company's website: www.dimerix.com/company/corporate-governance.

Ordinary share capital

Holding Ranges	Holders	Total Units	% Issued Share Capital
1 - 1,000	98	17,540	0.01%
1,001 - 5,000	175	699,945	0.44%
5,001 - 10,000	207	1,564,822	0.99%
10,001 - 100,000	680	29,679,254	18.69%
100,001 - 9,999,999,999	264	126,837,876	79.87%
Totals	**1,424**	**158,799,437**	**100.00%**

Each ordinary share is entitled to vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

Options

- 500,000 unlisted $0.4 expiring 30 June 2019 are held by one individual ESOP holder
- 500,000 unlisted $0.4 expiring 31 March 2020 are held by one individual ESOP holder
- 1,829,948 unlisted $0.4 expiring 1 February 2020 are held by one individual ESOP holder
- 90,515 unlisted $0.286 expiring 13 November 202 are held by one individual ESOP holder
- 550,000 unlisted $0.4 expiring 20 April 2021 are held by four individual option holders. Unlisted option holders holding more than 20% of the above options are:

Hugh Alsop	125,000
David Franklyn	125,000
Jampaso Pty Ltd	175,000
Sonia Poli	125,000

Options do not carry a right to vote.

Unmarketable parcels

There are 220 shareholdings held with less than a marketable parcel.

Substantial shareholders

	Number of shares	% holding
Mr Peter Meurs	24,819,309	15.63%

Restricted securities

Nil

On-Market buy-back

There is no current on-market buy-back.

Twenty (20) largest shareholders of quoted equity securities

Position	Holder Name	Holding	% IC
1	MR PETER FLETCHER MEURS	24,819,309	15.63%
2	YODAMBAO PTY LTD <YODAMBAO INVESTMENT A/C>	6,312,603	3.98%
3	MR PAUL ANDREW WHITE & MS ELIZABETH ANN MCCALL <WHITE FAMILY A/C>	2,187,789	1.38%
4	MRS GWEN MURRAY PFLEGER <PFLEGER FAMILY A/C>	2,105,988	1.33%
5	JAMPASO PTY LTD <WILLIAMS FAMILY A/C>	1,778,742	1.12%
6	BOND STREET CUSTODIANS LIMITED <VVALLE - D42570 A/C>	1,750,000	1.10%
7	DJEE PTY LIMITED <DJEE SUPERANNUATION A/C>	1,500,000	0.94%
7	MR BRENDAN PAUL COOPER	1,500,000	0.94%
8	TT NICHOLLS PTY LTD <NICHOLLS SUPER FUND A/C>	1,450,000	0.91%
9	TOLTEC HOLDINGS PTY LTD	1,339,372	0.84%
10	TROCA ENTERPRISES PTY LTD <COULSON SUPER FUND A/C>	1,327,331	0.84%
11	SLADE TECHNOLOGIES PTY LTD <EMBREY FAMILY S/FUND A/C>	1,225,001	0.77%
12	MR MATTHEW COOPER	1,162,500	0.73%
13	MRS FIONNUALA CATHERINE EDMONDSON	1,108,334	0.70%
14	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,088,955	0.69%
15	JGC SUPER PTY LTD <JGC FAMILY SUPER FUND A/C>	1,072,000	0.68%
16	DR DAVID KENNETH PACKHAM <PACKHAM & DAUGHTERS A/C>	1,054,391	0.66%
17	NULLAKI SERVICES PTY LTD <ANVIL BAY A/C>	1,049,881	0.66%
18	NOOKAMKA HOLDINGS PTY LTD <SUPERANNUATION FUND A/C>	1,024,832	0.65%
19	BLAKE NOMINEES PTY LTD <M AND T SUPER FUND A/C>	1,000,001	0.63%
20	OSIRIS CAPITAL INVESTMENTS PTY LTD	1,000,000	0.63%
20	OCEAN VIEW W A PTY LTD	1,000,000	0.63%
20	ENERVIEW PTY LTD	1,000,000	0.63%
20	SOLEQUEST PTY LTD	1,000,000	0.63%
	Total	**59,857,029**	**37.69%**
	Total issued capital - selected security class(es)	**158,799,437**	**100.00%**