Dimerix Limited
and controlled entity
ABN 18 001 285 230

Annual Report for the year ended
30 June 2019

Dimerix

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 Hamish George

Registered and Principal Office
425 Smith St
Fitzroy, Victoria 3065
Tel: 1300 813 321

Postal Address
425 Smith St
Fitzroy, Victoria 3065
Tel: 1300 813 321

Website
Website: www.dimerix.com

Auditors
Stantons International
Level 2, 1 Walker Avenue
West Perth, Western Australia 6005

Share Registry
Automic Registry Services
Suite 1a, Level 1
7 Ventnor Avenue
West Perth, Western Australia 6005
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Australian Securities Exchange
Level 4, North Tower Rialto
525 Collins Street
Melbourne VIC 3000

ASX Code
DXB

Dimerix annual report for the year ended 30 June 2019

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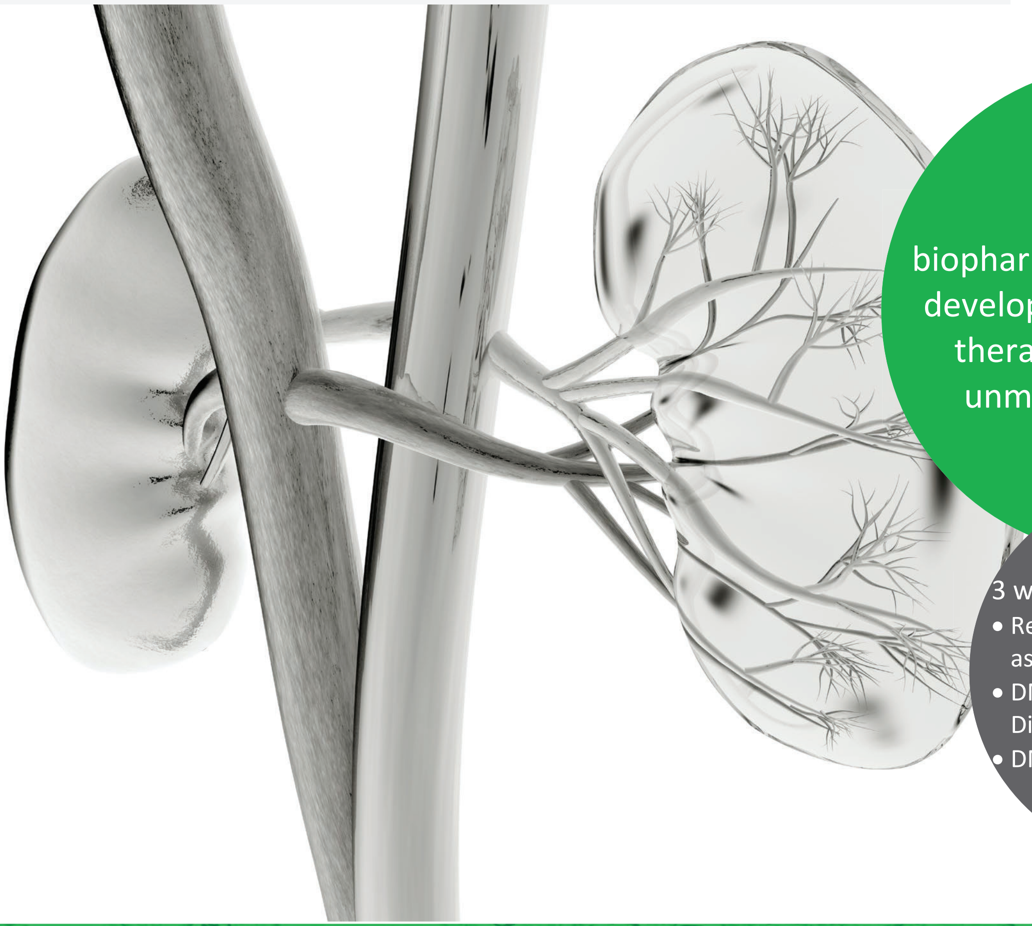


Dimerix is a biopharmaceutical company developing innovative new therapies in areas with unmet medical needs

3 wholly owned assets:

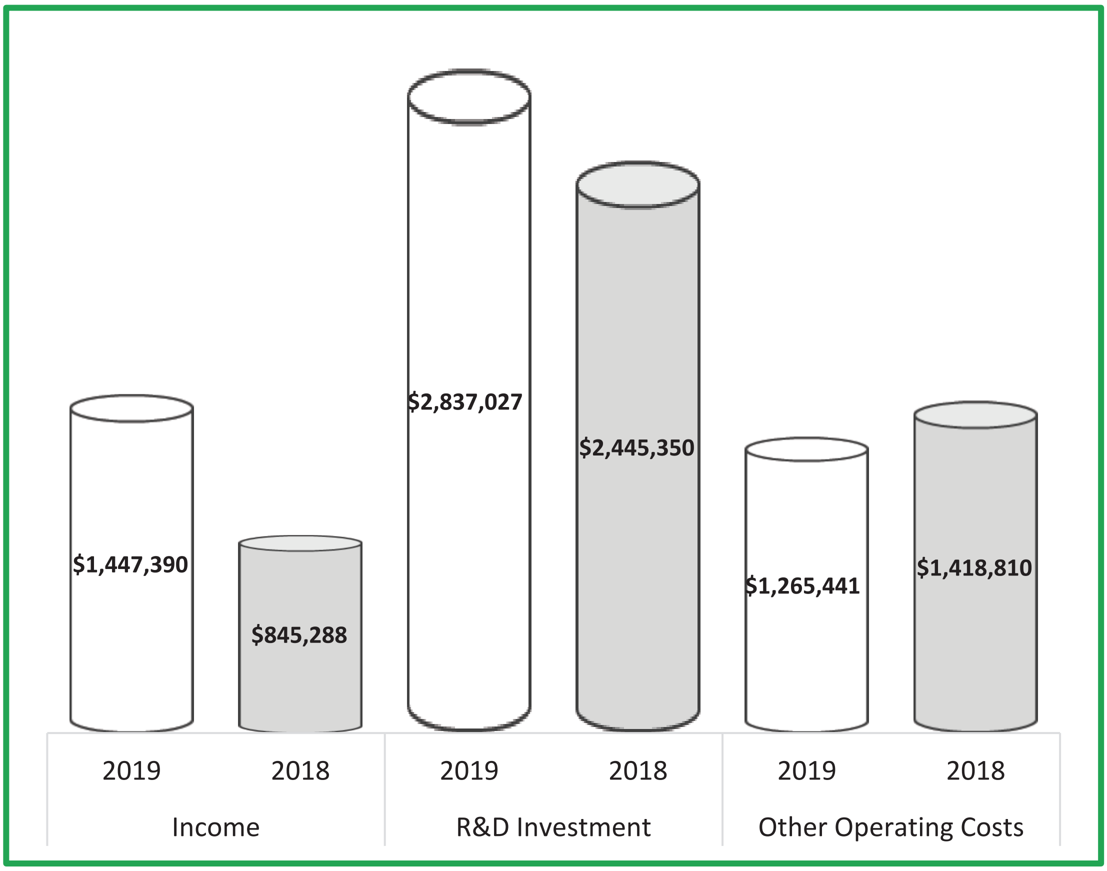
- Receptor-HIT GPCR screening assay
- DMX-200 in Diabetic Kidney Disease (Phase 2)
- DMX-200 in FSGS (Phase 2a)

Dimerix HQ
425 Smith St, Fitzroy 3065
Victoria, Australia
T. 1300 813 321

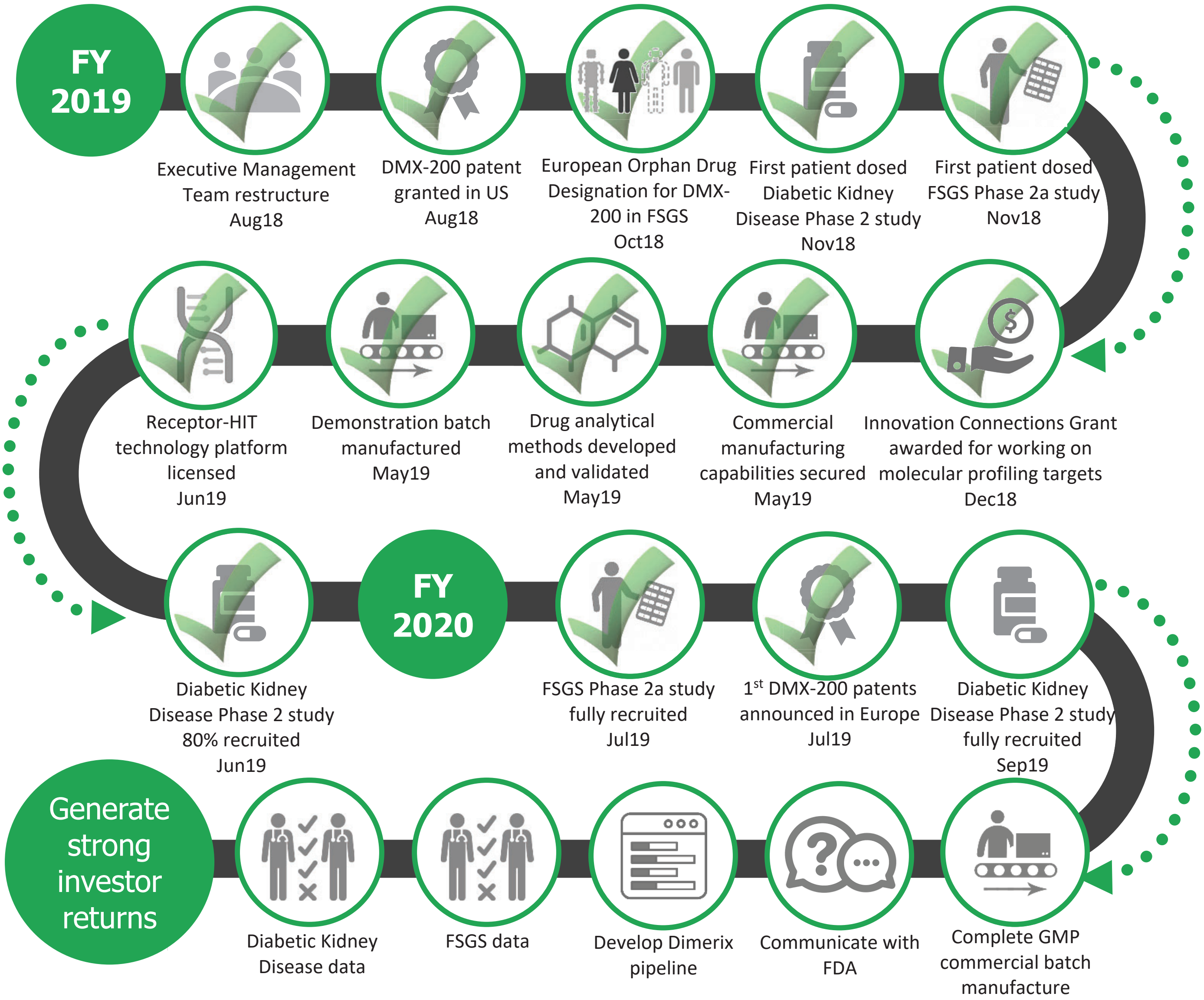
Financial Outcomes

Cash Reserves
at June 2019
$3.56 million

FY2019 net
operating cash
expenditure
$2.7m



2019 Business Achievements and 2020 Planned Milestones



Dimerix HQ
425 Smith St, Fitzroy 3065
Victoria, Australia
T. 1300 813 321

Chairman’s letter

Dr James Williams

Dear Shareholders,

The 2019 Financial year has seen many changes throughout Dimerix, starting with the change in management structure. We were very pleased to welcome Dr Nina Webster to Dimerix as Chief Executive Officer and Managing Director in August 2018. Nina’s experience and capabilities have significantly enhanced our development and commercial capabilities, and we have a committed team which has delivered the outcomes we have been targeting.

During the year, we initiated two Phase 2 clinical studies: the first in diabetic kidney disease; and the second in focal segmental glomerulosclerosis (a rare kidney disease). For such a small company, this is no mean feat, and I am pleased to see both studies recruiting well. Both studies are expected to report in the second quarter 2020 (calendar year), making this a very exciting year for Dimerix.

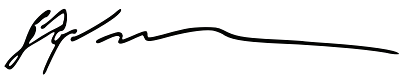
We also licensed out our Receptor-HIT assay to Excellerate Bioscience, a world class pharmacological assay provider based in the UK. This is a welcome re-engagement around our platform technology which reflects our broadening of commercialisation activities and focus.

Your Board has endorsed a business strategy which will result in the Company having a more diverse asset portfolio moving forward, and which is expected to generate new intellectual property, as well as broaden our future income streams. We look forward to sharing our progress with you through the year.

With the additional activities Dimerix has also reported on during the year, such as manufacturing, intellectual property, regulatory activities and molecular profiling of potential targets, Dimerix is well positioned to deliver on the strategic activities through the 2020 financial year, and for which we continue to have a healthy cash position.

I would like to thank our shareholders, longstanding and new. Your ongoing support is appreciated as we look ahead to our clinical studies completion and value creation. I would also like to extend my personal thanks to the Board for their input over the last year. And finally, I would like to extend the Board’s appreciation to Nina and her team for their great work in repositioning Dimerix for growth. I look forward to reporting on the outcomes of our strategic activities next year!

Yours sincerely,



Dr James Williams
Non-Executive Chairman

CEO & Managing Director's report

Dr Nina Webster

During the 2019 financial year, we have been focused on creating a company that is competitive, resilient and innovative, allowing us to successfully navigate in a complex and constantly changing environment. One of Dimerix' greatest capabilities is the therapeutic science; we are a very small team but have attracted world-class scientists, clinical researchers and medical professionals. To this end, the 2019 financial year has been extremely busy making solid progress in addressing the near-term strategic priorities that we believe will enable us to achieve our objective of delivering on DMX-200 in two different indications, as well as diversifying risk through broadening our product portfolio.

Developing strategic focus

We devoted the majority of our development resources and expenditure to the two Phase 2 product candidates: DMX-200 for Diabetic Kidney Disease and DMX-200 for FSGS. Both of the current Phase 2 clinical trials play a large part in the overall product development pathway but are by no means the only piece of the puzzle. To maximise the opportunity, DMX-200 product development program comprises clinical development, patent strategy, commercial manufacturing supply, interaction with regulatory agencies in US and Europe, quality oversight, analytical development and established shelf-life. These are all R&D activities that Dimerix remains focused on to achieve the best outcome for the patients and for our shareholders.

IP portfolio bolstered

A number of patents relating to DMX-200 were granted in key territories during the year, in the US, Canada and Europe. These patents will join corresponding previously granted patents in numerous territories including the United States of America (US). The patent grants continue to demonstrate that global regulatory bodies continue to recognise and provide protection for the Dimerix novel pharmaceutical products.

The granted therapeutic use patents are set to expire post 2032 (2033 in the US), and additional patent applications to extend this date are expected to be filed in due course. The current intellectual property strategy is very much aligned with the Dimerix business strategy and objectives. Dimerix continuously monitors the competitive landscape to identify, assess and minimise any IP risks, and to strengthen the Dimerix IP position.

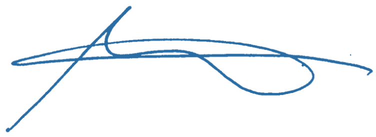
Capable team

Dimerix restructured its team during the reporting period to build the capabilities required to successfully move DMX-200 through the development pathway to market. Our Director of Research & Development, Dr Robert Shepherd, moved roles to head up the Dimerix research programs in November 2018, having previously led multidisciplinary research and development teams for over 11 years. Dr Shepherd continues to lead the DMX-200 development program as well as help guide the expansion of the Dimerix pipeline.

Looking forward

In addition to the on-going clinical trials, a major focus for the Company in the 2020 financial year is the FDA communication, non-clinical activities, finished product development and commercial scale manufacturing. By completing these activities in parallel to the current clinical trials, Dimerix can avoid delays in the product development process and time to marketing authorisation. Further, the Dimerix team has invested significant effort into the assessment and development of our pipeline, which we hope to expand during the 2020 financial year. The team responsible for our achievements during 2019 financial year should be very proud of their successes and I thank them for their efforts.

I strongly believe Dimerix is well positioned to deliver on our strategic activities, and to create a successful company with a diversified portfolio as we move closer to our first commercialisation events.



Dr Nina Webster
CEO & Managing Director

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 2019. 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. James is a Founder and Investment Director of Yuuwa Capital LP, a venture capital firm based in Western Australia and was the CEO of Dimerix between 2007 and 2009. Prior to establishing Yuuwa Capital and managing Dimerix, James was Managing Director of two medical device companies, ASX-listed Resonance Health Ltd and Argus Biomedical Pty Ltd, both of which took their products to market under his guidance. James also co-founded and is a former CSO and Director of iCeutica, Inc., a clinical stage nano drug reformulation company that was acquired in 2011. James is a Director of Yuuwa investee companies Adalta Pty Ltd, PolyActiva Pty Ltd and iCetana Pty Ltd. James is also a Director of Linear Clinical Research Ltd, a specialist early phase clinical trial unit, a member of the "Panel of Experts" for the University of Western Australia's Pathfinder Fund and a member of the Federal Government's Entrepreneur Program Committee. James completed his undergraduate degree in Biochemistry at the University of Aberdeen, PhD at Melbourne University and MBA at the University of Western Australia.
Dr Nina Webster PhD, M IP Law, MBA 	Executive CEO and Managing Director, joined the Board 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 PhD in Pharmaceutics from Cardiff University, a Bachelor's degree in Pharmacology, a Master's degree in Intellectual Property Law from Melbourne University and an MBA from RMIT.
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 managing director of Village National Holdings Ltd until January 2019.

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. Sonia is currently serving as Chief Scientific Officer at Minoryx. Sonia was formerly Executive Manager at AC Immune, a Nasdaq listed company, and has previously worked within Swiss Stock Exchange listed companies Hoffman la Roche and Addex Therapeutics, where she has held leadership and executive positions across various disciplines in drug discovery, pre-clinical development and translational science and has interacted with regulatory authorities, investors and public funding institutions. Sonia has held various corporate responsibilities such as outsourcing and out-licensing, and she has promoted academic collaborations and supported R&D collaborations with external partners.

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).

With the exception of Dr 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	45,000	6,351,975	-

Share options granted to directors and senior management

During and since the end of the financial year, 6,351,975 options were granted to senior management.

6,351,975 options were granted to the Chief Executive Officer in accordance with the Company's ESOP during the period. The Options were issued in three equal tranches, comprising 2,117,325 options each with a price of $0.18 per share, $0.27 and $0.36. The Options expire five years from the date of issue and vest 1/3 after 12 months, then in equal quarterly amounts.

Company Secretary

Hamish George BCom, CA, GIA(Cert)

Mr George is a chartered accountant and has experience in providing financial advice and CFO services to businesses ranging from small start-ups to large established businesses with turnover of over $50 million. Hamish is a member of the senior management team at Bio101, a financial services firm providing outsourced CFO, tax and company secretarial solutions to the life science sector. Hamish holds a Bachelor of Commerce from the University of Melbourne, a Diploma in Financial Planning from Kaplan Professional, a Master's Degree in Professional Accounting from RMIT and a Certificate in Governance Practice from the Governance Institute of Australia.

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	31 March 2020
Dimerix Limited	550,000	-	Ordinary	$0.40	20 April 2021
Dimerix Limited	90,515	-	Ordinary	$0.286	13 November 2020
Dimerix Limited	500,000	-	Ordinary	$0.25	24 September 2020
Dimerix Limited	1,500,000	-	Ordinary	$0.50	24 September 2020
Dimerix Limited	2,117,325	-	Ordinary	$0.18	30 October 2023
Dimerix Limited	2,117,325	-	Ordinary	$0.27	30 October 2023
Dimerix Limited	2,117,325	-	Ordinary	$0.36	30 October 2023
Dimerix Limited	625,000	-	Ordinary	$0.18	31 January 2024
Dimerix Limited	625,000	-	Ordinary	$0.27	31 January 2024
Dimerix Limited	1,000,000	-	Ordinary	$0.18	09 August 2022

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.

On 18 July 2018, ethics approval was granted for DMX-200 Phase 2 clinical efficacy trials, triggering Milestone C of the Class C Performance Shares which were issued to Dimerix Bioscience shareholder vendors on 3 July 2015. As a result, 3,750,044 Class C Performance Shares were converted to 3,750,044 ordinary shares. This allocation represents the last tranche of Performance Shares associated with the 2015 transaction for acquisition of Dimerix Bioscience Pty Ltd.

2,329,948 options lapsed 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, 9 board meetings were held.

	Board of Directors	
Directors	**Held**	**Attended**
Dr James Williams	9	9
Dr Sonia Poli	9	9
Mr David Franklyn	9	8
Mr Hugh Alsop	9	9
Dr Nina Webster*	8	8

* Dr Nina Webster was appointed CEO/Managing Director on 27 August 2018.

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 28 of the financial report.

Operating and financial review

Principal activities

Dimerix is a biopharmaceutical company developing innovative new therapies in areas with unmet medical needs. Dimerix pursues new product concepts and applies strong scientific know-how to the discovery of products from early stage development through to commercialisation. Dimerix products will target multiple global territories.

Dimerix lead assets are the Receptor-HIT assay technology, and the development of two product candidates: DMX-200 for FSGS and DMX-200 for diabetic kidney disease.

Operating results

The loss of the Group for the year ended 30 June 2019, after accounting for income tax benefit, amounted to $2,886,221 (2018: $3,319,726). The year ended 30 June 2019 operating results are attributed to the following:

- Research and development costs of $2,837,027 (2018: $2,445,350)
- Share based payments in respect of transaction options issued to employees and contractors of $231,143 (2018: $300,854); and
- Corporate and administration expenses of $1,265,441 (2018: $1,418,810).

Review of operations

Summary

Dimerix initiated two Phase 2 clinical trials during the period. DMX-200 for FSGS was fully recruited and DMX-200 for Diabetic Kidney Disease was over 80% recruited at the end of the period. Both trials will continue through financial year 2020. Progress was made towards commercialising the product candidates through securing GMP commercial source and further strengthening the intellectual property position. The Receptor-HIT platform assay technology was licensed out to a UK based pharmacological assay service provider, for which Dimerix will receive royalties on the use of the assay.

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

- Further US patent allowed for DMX-200
- Ethics Approval Received to Commence Clinical Trials
- Executive Team Bolstered Through CEO & Managing Director Appointment
- AGM Presentation and CEO Address
- Change of Address
- First Patient Dosed in DMX-200 Clinical Trial for Diabetic Kidney Disease
- Dimerix Receives Orphan Drug Designation in EU
- 1st Patient Dosed in DMX-200 Clinical Trial for FSGS
- Dimerix Awarded $50,000 Innovation Connections Grant
- Dimerix Receives R&D Tax Cash Rebate Totaling $1.07m
- DMX-200 Clinical Trials Update
- CFO and Company Secretary Appointment
- DMX-200 Manufacturing Update
- Dimerix Signs License Agreement for Receptor-HIT Technology

Key announcements immediately post period end

- DMX-200 Phase 2 Clinical Trial in FSGS Fully Recruited
- First DMX-200 Patents to Grant in Europe and Canada

Overview of Company strategy

Our goal is to develop patient-friendly products that treat medical needs in important therapeutic areas. We pursue new product concepts and provide strong scientific know-how in the development of products from early stage development through to commercialisation. Our products will target multiple global territories, with the initial focus predominantly on the large United States market.

Dimerix strives to develop products to help patients with un-met medical needs and our investment in research and development includes the use of state-of-the-art technology and collaborating effectively with our partners to help those patients most in need.

Dimerix has used our Receptor HIT technology to identify a new treatment (DMX-200) that may transform the lives of patients with Kidney Disease. Kidney Disease is a major global health problem, and is currently a significant, underserved therapeutic area. DMX-200 is currently in development for both Diabetic Kidney Disease and Focal Segmental Glomerulosclerosis (FSGS).

Dimerix has secured orphan drug designation for DMX-200 in FSGS in the US and Europe. Current treatment options for FSGS are limited and have significant side effects, meaning there is a desperate need for safe treatments. Through the orphan drug program, DMX-200 will be have access to a number of regulatory and financial incentives, potentially meaning shorter trials and lower costs compared to other therapies.

Dimerix is adopting a diversified investment approach, targeting a range of specialty innovative new chemical entities (NCE's) along with re-purposed candidates providing a balanced approach and a reduced risk when compared with development of NCE's alone. We do this by:

- Developing and applying our proprietary Receptor-HIT technology across a broad range of therapeutic classes, using existing drugs and new chemical entities.
- Establishing early-stage collaborative agreements with innovator pharmaceutical companies and institutes to enable rapid candidate evaluation and commercialisation of the technology.
- Evaluating how use of the Dimerix Receptor-HIT platform might provide enhanced clinical benefit in the management of diseases.
- Evaluating other opportunities through mergers, licensing and acquisitions that build the Dimerix pipeline.
- Developing strong proprietary positions through patents to maintain and extend competitive advantages for existing & new drugs.
- Creating a diversified portfolio of marketed products to generate future income streams.

- Building a solid product pipeline that has an attractive projected internal rate of return, with a collectively lower risk profile and faster pathway to approval than NCE products alone.

The DMX-200 Program

DMX-200 is a compound called propagermanium that inhibits the cellular inflammation receptor CCR2. It is administered as a twice daily capsule to patients already on standard of care treatment (Irbesartan). DMX-200 has never been approved by regulators in the USA, Europe or Australian. As such, DMX-200 is considered a New Chemical Entity (NCE) in these jurisdictions. Propagermanium, at a different dose and formulation, has been approved by the Japanese regulatory agency for use in a different condition, providing DMX-200 with a known safety profile which can therefore reduce development times and costs.

Following the DMX-200 Phase 2a trial that was completed in 2017, Dimerix entered into two Phase 2 clinical trials: the first in Diabetic Kidney Disease; and the second in Focal Segmental Glomerulosclerosis.

The two sub-group studies will investigate the **A**T1R and **C**CR2 **T**argets for **I**nflammat**o**ry **N**ephrosis and have been titled ACTION. IQVIA was appointed the contract research organisation (CRO), a key vendor to facilitate the ACTION studies.

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

Focal Segmental Glomerulosclerosis

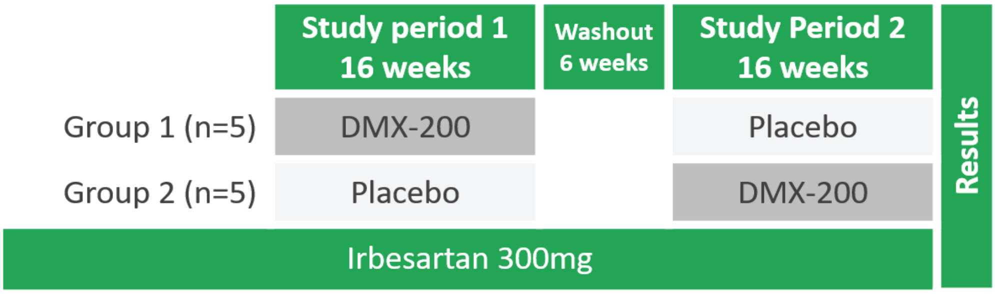
Focal Segmental Glomerulosclerosis is a serious and rare disease that attacks the kidney's filtering units (glomeruli) causing scarring of the tissues, leading to permanent kidney damage and kidney failure. FSGS affects approximately 210,000 patients world-wide and affects both children and adults. There are no treatments currently approved for the treatment of FSGS and thus there is a strong unmet medical need.

Dimerix has received Orphan Drug Designation for DMX-200 in both the US and Europe for the treatment of FSGS. Dimerix established with the respective regulatory agencies that "the intention to treat FSGS with DMX-200 was justified based on preliminary non-clinical data which showed a reduction in the number of podocytes lost and an improvement in proteinuria." Furthermore, as stated by the respective regulatory agencies, the orphan designation indicates that "Dimerix has provided sufficient justification that if approved, [DMX-200] is likely to be of significant benefit to those affected by the condition" and that "[DMX-200] would provide a clinically relevant advantage as an alternative to any currently marketed products". Orphan designation also provides regulatory and financial benefits to help bring DMX-200 to market in the US and Europe faster, including reduced fees during the product development phase, protocol assistance from the regulatory authorities, and 7-year (US) and 10-year (Europe) market exclusivity following product approval.

DMX-200 in FSGS Phase 2a Study

Participants will receive 16 weeks propagermanium and 16 weeks placebo, separated by a 6-week washout period, during the double-blind, randomised, placebo-controlled, crossover study evaluating the safety and efficacy of DMX-200 in patients with FSGS who are receiving a stable dose of irbesartan.

FSGS Study Design



The FSGS Phase 2a study completed recruitment in July 2019. The first patient is expected to complete treatment in August 2019 and Dimerix will enable continued access to DMX-200 through their physician via the TGA Special Access Scheme, if requested by the physician. Study results are expected in Q2 2020 calendar year.

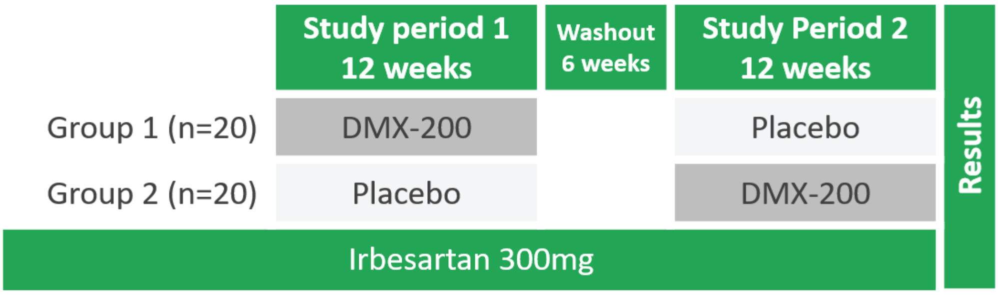
<u>Diabetic Kidney Disease</u>

There were 23 million diagnosed diabetics in the US in 2017, and the incidence of diabetes is estimated to grow by 54% by the year 2040. Approximately 20% of all diabetics suffer from kidney disease, which is a progressive disease leading to kidney failure and dialysis. There is no cure for diabetic kidney disease, and current treatment options are ineffective as the kidneys deteriorate towards failure. The current treatment options include medications to reduce high blood pressure, dialysis or kidney transplant. The progressive nature of kidney disease inevitably results in poor outlook for patients, as it most often results in total kidney failure and a poor quality of life. Dialysis costs are in the region of $100,000 per patient per year and consume about 12 hours per week in regular clinic visits. Alternatively, a kidney transplant costs in the region of $260,000 per patient, with ongoing and expensive anti-rejection drugs also costing thousands of dollars per year. These options are a huge burden on both the patient and the healthcare system. DMX-200 has the potential to significantly increase the life of the kidney, reducing the burden for both the patient and the healthcare system.

DMX-200 in Diabetic Kidney Disease Phase 2 Study

Participants will receive 12 weeks propagermanium and 12 weeks placebo, separated by a 6-week washout period, during the double-blind, randomised, placebo-controlled, crossover study evaluating the safety and efficacy of DMX-200 in patients with diabetic kidney disease who are receiving a stable dose of irbesartan.

Diabetic Kidney Disease Study Design



The first diabetic kidney disease patient completed treatment in June 2019 and Dimerix will also enable continued access to DMX-200 for all patients through their physician via the TGA Special Access Scheme. The study is over 80% recruited, and recruitment is expected to complete Q3 2019, with study results anticipated in Q2 2020 calendar year.

Intellectual Property

Dimerix has multiple granted patents covering DMX-200 in numerous key territories, with additional patent applications underway. The granted US patents cover the use of any CCR2 antagonist (e.g. DMX-200) in patients receiving any angiotensin receptor blocker (e.g. irbesartan), for various indications including kidney disease. As such, the granted patents cover more than just DMX-200, which strengthens the company's competitive position and may be used to block some competitor product development plans. The granted therapeutic use patents are set to expire in 2033, and new patent applications are expected to be filed in due course.

The current intellectual property strategy is aligned with the Dimerix business strategy and objectives. Dimerix continuously monitors the competitive landscape to identify, assess and minimise any IP risks, and to strengthen the Dimerix IP position.

Commercial Manufacturer

The development of Dimerix manufacturing capabilities has significantly progressed throughout the period. Dimerix established the commercial manufacturing process and the development of validated analytical methods for pharmaceutical grade DMX-200, and completed a demonstration batch manufacture, which is an essential component of the product development program and will support global marketing authorisations (including US FDA), commercialisation and partnering activities.

Commercial scale manufacture and product packaging are often components of the product development process that can hold up marketing authorisation, since stability testing of the final product must be completed in real time. By developing robust manufacturing processes and conducting commercial scale batch manufacture at this stage of development, and placing this on stability testing in real-time using FDA validated methods, Dimerix can ensure that the appropriate stability and shelf-life of the product is known at the time of submitting the NDA, thus helping to avoid delays in the marketing authorisation process. The manufacturing package is also likely to add value to any potential partner licensing transaction.

Receptor-HIT Assay Technology

Dimerix licensed its proprietary Receptor-HIT assay to Excellerate Bioscience, a UK-based pharmacological assay service provider. Under the non-exclusive Agreement, Excellerate will offer Receptor-HIT to leading pharmaceutical and biotechnology companies, as well as academic institutes, as part of its world-class expertise in assay technology on which Dimerix will receive an undisclosed royalty on gross revenues of the service fee. Both companies will market the Receptor-HIT offering and Excellerate Bioscience will run the assay service from its new facility in BioCity, Nottingham UK.

The licensing of Receptor-HIT to Excellerate Bioscience further commercialises the technology on which Dimerix was originally founded, whilst Dimerix continues to concentrate on its core business of developing innovative new therapies in areas with unmet medical needs.

Liquidity and capital resources

Dimerix ended the financial year with cash of $3,563,286, and expects to receive a Research and Development tax incentive refund of $1,180,759 following 30 June 2019, further boosting capital resources.

Financial position

	30 June 2019	30 June 2018
Cash and cash equivalents	3,563,286	6,284,322
Net assets / total equity	4,202,877	6,857,955
Contributed equity	20,474,930	20,287,429
Accumulated losses	(16,941,680)	(14,055,459)

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 2019.

Events after the reporting period

- DMX-200 Phase 2 Clinical Trial in FSGS Fully Recruited
  On 10th July 2019, Dimerix announced that the ACTION for FSGS was fully recruited, with 10 patients enrolled. The trial is expected to complete in Q2 2020 calendar year.

- First DMX-200 Patents to Grant in Europe and Canada
  On 11th July 2019, Dimerix announced it has received a granted patent by the Canadian Intellectual Property Office, as well as a Notice of Intention to Grant a European patent by the European Patent Office, both patents covering the use of Dimerix' clinical stage candidate, DMX 200.
  The grant of Canadian patent CA2821985 and the notice of intention to grant European patent EP2663304 demonstrates that global patent offices continue to recognise and provide protections for the Dimerix novel pharmaceutical products. These patents will join corresponding granted patents in numerous key territories including the United States of America (US), with additional patent applications underway.

Future developments, prospects and business strategies
Dimerix continues with its two Phase 2 clinical studies, with the studies both expected to complete in Q2 2020 calendar year.

Dimerix has continued to progress its commercial manufacturing capabilities through an FDA approved contract manufacturing organisation based in the US. The US FDA regulates the manufacturing and quality of pharmaceuticals. The main regulatory standard for ensuring pharmaceutical quality is the Good Manufacturing Practice (GMP) regulation for human pharmaceuticals. Patients expect that each batch of medicines they take will meet quality standards so that they will be safe and effective. A commercial scale DMX-200 GMP batch manufacture is currently scheduled during the next period.

Dimerix plans on communicating with the FDA during the period to clarify the remaining development steps towards market authorization for DMX-200.

Dimerix has initiated partnering discussions for DMX-200. In parallel, Dimerix will prepare strategies and activities to enter pivotal studies for the FSGS program following positive current study data, either alone or with a partner.

The Company will provide updates on its pipeline program expansion and any further commercial applications of its Receptor HIT platform technology during the coming financial year.

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 2019. 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	Non-executive Chairman
Mr David Franklyn	Non-executive director
Dr Sonia Maria Poli	Non-executive director
Mr Hugh Alsop	Non-executive director
Executive Employees	**Position**
Dr Nina Webster (employment commenced 27 August 2018)	Chief Executive Officer/Managing Director
Kathy Harrison (employment ceased 9 November 2018)	Chief Operating Officer

With the exception of Nina Webster and Kathy Harrison, 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 in the process of DMX-200 Phase 2 trials as outlined in the directors' report.

Remuneration of key management personnel

2019	Short-term employee benefits			Post-employment benefits	Share-based payment		Performance related %
	Salary & fees[4] $	Bonus[2] $	Other[1] $	Superannuation $	Options $	Total $	
Non-executive directors							
Sonia Poli	45,000	-	-	-	-	45,000	0%
David Franklyn	41,096	-	-	3,904	-	45,000	0%
Hugh Alsop	41,096	-	-	3,904	-	45,000	0%
James Williams	93,265	-	-	8,860	-	102,125	0%
Executive Employees							
Nina Webster[5] (CEO)	221,192	63,000	7,592	17,023	137,912	446,719	45%
Kathy Harrison[3] (COO)	150,710	9,132	-	12,131	55,392	227,365	28%
Total	**592,359**	**72,132**	**7,592**	**45,822**	**193,304**	**911,209**	

[1] *Other comprises annual leave expense for the year*
[2] *Performance bonus for the year based on agreed criteria*
[3] *Employment ceased 9 November 2018*
[4] *Salary & fees includes Employment Termination Payment made to Kathy Harrison*
[5] *Appointed 27 August 2018*

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%
James Williams	100,000		-	9,500	21,887	131,387	17%
Executive Employees	-		-	-	-	-	
Kathy Harrison (CEO)	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

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 $9,132 during the financial year (2018: $30,000) which forms part of salary and fees. Kathy Harrison ceased employment on 9 November 2018.

Nina Webster achieved the milestones for a performance bonus of $63,000 during the financial year which forms part of salary and fees. Nina Webster commenced employment on 27 August 2018.

Incentive share-based payments arrangements

During the financial year, the following share-based payment arrangements were granted to key management personnel:

No. of options.	Grant date	Expiry date	Grant date fair value	Vesting date
2,117,325	30 October 2018	30 October 2023	$0.051	1/3 vest on 30 October 2019 1/6 vest on 31 January 2020 1/6 vest on 30 April 2020 1/6 vest on 31 July 2020 1/6 vest on 30 October 2020
2,117,325	30 October 2018	30 October 2023	$0.042	1/3 vest on 30 October 2019 1/6 vest on 31 January 2020 1/6 vest on 30 April 2020 1/6 vest on 31 July 2020 1/6 vest on 30 October 2020
2,117,325	30 October 2018	30 October 2023	$0.036	1/3 vest on 30 October 2019 1/6 vest on 31 January 2020 1/6 vest on 30 April 2020 1/6 vest on 31 July 2020 1/6 vest on 30 October 2020

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

2,329,948 options previously issued to Kathy Harrison were cancelled as follows:

- 1,829,948 options were cancelled on 14 January 2019.
- 500,000 options were cancelled on 29 January 2019.

Share options issued to key management personnel as remuneration during the year are set out below (2018: 2,379,948). No share options were exercised by key management personnel during the year (2018: nil).

6,351,975 options were granted to the Chief Executive Officer in accordance with the Company's ESOP during the period. The Options were issued in three equal tranches, comprising 2,117,325 options each with an exercise price of $0.18 per share, $0.27 and $0.36. The grant date fair value of the options issued were $0.051, $0.042 and $0.036 respectively. The Options expire five years from the date of issue and vest 1/3 after 12 months, then in equal quarterly amounts.

Key terms of employment contracts

Dr James Williams

On 1 August 2017, Dr James Williams transitioned to Non-Executive Chairman and his remuneration and 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
- Remuneration of $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, 1 May 2018, 1 August 2018, 1 November 2018 and 1 February 2019 for an additional three months at the time of each extension for $10,000 plus superannuation.

On 1 April 2019 Dr James Williams terms as Non-Executive Chairman were reconfirmed and his remuneration and other terms of appointment were formalised in a revised 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
- Remuneration of $80,000 per annum inclusive of superannuation.

Dr Sonia Poli

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.
- Remuneration of $45,000 per annum (plus GST if applicable).

Mr David Franklyn

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 of $45,000 per annum (inclusive of superannuation).

Mr Hugh Alsop

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 of $45,000 per annum (inclusive of superannuation).

Ms Kathy Harrison

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 months' notice.
- Remuneration of $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 months' 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 9 November 2018 Kathy Harrison resigned as Chief Operating Officer.

Dr Nina Webster

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 exclusive 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 months' 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

2019	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]	2,131,339	-	121,016	-	-	2,252,355
Sonia Poli[1]	130,000	-	-	-	-	130,000
David Franklyn[2]	448,359	-	13,798	-	-	462,157
Hugh Alsop[3]	-	-	-	-	-	-
Kathy Harrison[4]	333,333	-	-	-	333,333	-
Nina Webster[5]	-	-	-	45,000	-	45,000

2018	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]	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[3]	-	-	-	-	-	-
Kathy Harrison[4]	3,333,334	-	-	(3,000,001)	-	333,333

[1] *Appointed 3 July 2015*

[2] *Appointed 23 November 2015*

[3] *Appointed 1 May 2017*

[4] *Employment ceased 9 November 2018*

[5] *Appointed 27 August 2018*

Share options of Dimerix Limited

2019	Balance at 1 July No.	Granted as compens-ation No.	Exercised / Cancelled 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	-
Sonia Poli	125,000		-	125,000	125,000	125,000	-
David Franklyn	125,000		-	125,000	125,000	125,000	-
Hugh Alsop	125,000		-	125,000	125,000	125,000	-
Kathy Harrison	2,329,948		2,329,948[1]	-	-	-	-
Nina Webster	-	6,351,975	-	6,351,975	-	-	-

[1] *2,329,948 options previously issued to Kathy Harrison (500,000 options issued in 2017 financial year & 1,829,948 options issued in 2018 financial year) were cancelled. 1,829,948 options were cancelled on 14 January 2019 and 500,000 options were cancelled on 29 January 2019.*

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	-	125,000	-	125,000	125,000	125,000	125,000
David Franklyn	-	125,000	-	125,000	125,000	125,000	125,000
Hugh Alsop	-	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

Key management personnel equity holdings

Performance shares of Dimerix Limited

2019	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	121,016	-	-	(121,106)	-	-
Sonia Poli	-	-	-	-	-	-
David Franklyn	13,798	-	-	(13,798)	-	-
Hugh Alsop	-	-	-	-	-	-
Kathy Harrison	-	-	-	-	-	-

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	2,420,283	-	(2,299,267)	-	-	121,016
Sonia Poli	-	-	-	-	-	-
David Franklyn	275,954	-	(262,156)	-	-	13,798
Hugh Alsop	-	-	-	-	-	-
Kathy Harrison	-	-	-	-	-	-

Following the conversion of Class C Performance Shares on 18 July 2018, there are no further legacy aspects to the July 2015 acquisition of Dimerix Biosciences Pty Ltd.

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
Melbourne, 29 August 2019

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29 August 2019

Board of Directors
Dimerix Limited
425 Smith St
Fitzroy, Victoria 3065

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 2019, 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
Director

Stantons International Audit and Consulting Pty Ltd
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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 Group), which comprises the consolidated statement of financial position as at 30 June 2019, 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:

the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended; and

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

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group 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 vesting conditions attached to each tranche. The Group has performed calculations to record the related share based payment expense of $231,143 in the consolidated statement of profit or loss and other comprehensive income. Due to the complex nature of transaction 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 expenses recognised for the year ended 30 June 2019 and related disclosures.	For the share options granted, our audit procedures included the following: i. Assessing the assumptions used in the Group's valuation of share options 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 2019 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 Group 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 Group 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 Group'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 Group 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 Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group 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 20 to 27 of the directors' report for the year ended 30 June 2019. 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 2019 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
Director

West Perth, Western Australia
29 August 2019

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
29 August 2019
Melbourne, Victoria

Consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2019

	Note	30 June 2019 $	30 June 2018 $
Continuing operations			
Revenue	6	18,108	20,184
Other income	7	1,429,282	825,104
Research and development expenses	27	(2,837,027)	(2,445,350)
Corporate administration expenses	8 & 27	(1,265,441)	(1,418,810)
Share based payments	17 &19	(231,143)	(300,854)
Loss before income tax		**(2,886,221)**	**(3,319,726)**
Income tax expense	9	-	-
Loss for the year from continuing operations		**(2,886,221)**	**(3,319,726)**
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		**(2,886,221)**	**(3,319,726)**
Loss and total comprehensive loss attributable to:			
Owners of Dimerix Limited		**(2,886,221)**	**(3,319,726)**
Loss per share:			
Basic and diluted (cents per share)	10	(1.82)	(2.88)

Condensed notes to the financial statements are included on pages 38 to 68.

Consolidated statement of financial position as at 30 June 2019

	Note	30 June 2019 $	30 Jun 2018 $
Current assets			
Cash and cash equivalents	22	3,563,286	6,284,322
Trade, other receivables and prepayments	11	1,374,739	979,986
Total current assets		**4,938,025**	**7,264,308**
Non-current assets			
Property, plant and equipment	12	2,620	391
Total non-current assets		**2,620**	**391**
Total assets		**4,940,645**	**7,264,699**
Current liabilities			
Trade and other payables	13	719,379	364,443
Provisions	14	18,389	42,301
Total current liabilities		**737,768**	**406,744**
Total liabilities		**737,768**	**406,744**
Net assets		**4,202,877**	**6,857,955**
Equity			
Issued capital	16	20,474,930	20,287,429
Reserves	17	669,627	625,985
Accumulated losses		(16,941,680)	(14,055,459)
Total equity		**4,202,877**	**6,857,955**

Condensed notes to the financial statements are included on pages 38 to 68.

Consolidated statement of changes in equity for the year ended 30 June 2019

	Issued capital $	Reserves $	Accumulated losses $	Total $
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**

Balance at 1 July 2018	**20,287,429**	**625,985**	**(14,055,459)**	**6,857,955**
Loss for the year	-	-	(2,886,221)	(2,886,221)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	-	-	(2,886,221)	(2,886,221)
Issue of ordinary shares	-	-	-	-
Conversion of options to shares	-	-	-	-
Conversion of performance C shares	187,501	(187,501)	-	-
Share issue costs	-	-	-	-
Recognition of share based payments	-	231,143	-	231,143
Balance at 30 June 2019	**20,474,930**	**669,627**	**(16,941,680)**	**4,202,877**

Condensed notes to the financial statements are included on pages 38 to 68.

Consolidated statement of cash flows for the year ended 30 June 2019

	Note	30 June 2019 $	30 June 2018 $
Cash flows from operating activities			
Receipt of Research and Development tax refund		1,073,628	545,771
Payments to suppliers and employees		(3,842,537)	(3,791,385)
Interest received		18,107	20,182
Net cash used in operating activities	22	(2,750,802)	(3,225,432)
Cash flows from investing activities			
Payments for property, plant and equipment	12	(6,906)	(3,543)
Net cash used in investing activities		(6,906)	(3,543)
Cash flows from financing activities			
Proceeds from issue of shares		-	7,556,116
Proceeds from options exercised		-	62,500
Payment for share issue costs		-	(371,464)
Net cash provided by financing activities		-	7,247,152
Net (decrease)/increase in cash and cash equivalents		(2,757,708)	4,018,177
Cash and cash equivalents at the beginning of the year		6,284,322	2,244,500
Effects of exchange rate changes on cash and cash equivalents		36,672	21,645
Cash and cash equivalents at the end of the year	22	**3,563,286**	**6,284,322**

Condensed notes to the financial statements are included on pages 38 to 68.

Notes to the financial statements for the year ended 30 June 2019

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. New and Revised Accounting Standards Adopted by the Group

The Group has adopted AASB 15 Revenue from Contracts with Customers and AASB 9 Financial Instruments which became effective for financial reporting periods commencing on or after 1 January 2018.

2.1 AASB 15 Revenue from contracts with customers

AASB 15 replaces AASB 118 Revenue, AASB 111 Construction Contracts and several revenue-related Interpretations. AASB 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue to be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The adoption of AASB 15 does not have a significant impact on the Group as the Group does not currently have any revenue from customers.

2.2 AASB 9 Financial Instruments

AASB 9 Financial Instruments replaces AASB 139 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment, and hedge accounting.

As a result of adopting AASB 9 Financial Instruments, the Group has amended its financial instruments accounting policies to align with AASB 9. AASB 9 makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for impairment of financial assets.

There were no financial instruments which the Group designated at fair value through profit or loss under AASB 139 that were subject to reclassification. The Board assessed the Group's financial assets and determined the application of AASB 9 does not result in a change in the classification of the financial instruments.

The adoption of AASB 9 does not have a significant impact on the financial report.

New and revised Accounting Standards for Application in Future Periods

2.3 **AASB 16: Leases applies to annual reporting periods beginning on or after 1 January 2019.**

This Standard supersedes AASB 117 Leases, Interpretation 4 Determining whether an Arrangement contains a Lease, AASB interpretation 115 Operating Leases-Incentives and AASB interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of lease. AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under AASB 117.

The key features of AASB 16 are as follows:

- Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

- A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities.

- Assets and Liabilities arising from the lease are initially measured on a present value basis.

The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend to lease, or not to exercise an option to terminate the lease.

- AASB 16 contains disclosure requirements for leases.

Lessor accounting

- AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

- AASB 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk.

Estimated impact of AASB 16 on the Group when the standard is applied

There will be no material impact on the Group's operating profit as a result of the adoption of AASB 16.

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 2019.

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 9, 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 2019 the Group incurred a loss after tax of $2,886,221 (2018: $3,319,726) and a net cash outflow from operations of $2,750,802 (2018: $3,225,432). At 30 June 2019, the Group had current assets of $4,938,025 (2018: $7,264,308), current liabilities of $737,768 (2018: $406,744) and current cash holding was $3,563,286 (2018: $6,284,322). 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

The Group has applied AASB Revenue from Contracts with Customers using the cumulative effective method. Therefore, the comparative information has not been restated and continues to be presented under AASB 118: Revenue and AASB 111: Construction Contracts.

The adoption of AASB 15 does not have a significant impact on the Group as the Group does not currently have any revenue from customers.

The details of accounting policies under AASB 118 and AASB 111 are disclosed separately since they are different from those under AASB 15.

<u>Interest income</u>

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

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 <u>Intangible assets acquired in a business combination</u>

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 <u>Derecognition of intangible assets</u>

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

3.16.1 Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument. Financial instruments (except for trade receivables) are measured initially at fair value adjusted by transactions costs, except for those carried "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss. Where available, quoted prices in an active market are used to determine the fair value. In other circumstances, valuation techniques are adopted. Subsequent measurement of financial assets and financial liabilities are described below.

Trade receivables are initially measured at the transaction price if the receivables do not contain a significant financing component in accordance with AASB 15.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

3.16.2 *Classification and subsequent measurement*

Financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments, are classified into the following categories upon initial recognition:

- amortised cost;
- fair value through other comprehensive income (FVOCI); and
- fair value through profit or loss (FVPL).

Classifications are determined by both:

- The contractual cash flow characteristics of the financial assets; and
- The entities business model for managing the financial asset.

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Financial assets at fair value through other comprehensive income (Equity instruments)

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

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

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI.

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under AASB 132 Financial Instruments: Presentation and are not held for trading.

Financial assets at fair value through profit or loss (FVPL)
Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Financial liabilities
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

All interest-related charges and, if applicable, gains and losses arising on changes in fair value are recognised in profit or loss.

3.16.3 Impairment
From 1 July 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by AASB, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

3.16.4 Comparative information

The Group has applied AASB 9 Financial Instruments retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Company's previous accounting policy.

Classification

Until 30 June 2018, the Group classified its financial assets in the following categories:

- financial assets at fair value through profit or loss;
- loans and receivables;
- held-to-maturity investments; and
- available-for-sale financial assets.

The classification depended on the purpose for which the investments were acquired. Management determined the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluated this designation at the end of each reporting period.

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

	2019 $	2018 $
Interest received	18,108	20,184

7. Other income

	2019 $	2018 $
Research and development tax incentive*	1,429,282	825,104

*$248,523 relates to an additional amount received as a result of a successful Overseas Finding Application submitted to AusIndustry for eligible expenditure relating to the 2017/2018 financial year.

8. Loss for the year

Loss for the year has been arrived at after charging the following items of expenses:	**2019 $**	**2018[1] $**
Corporate administration expenses		
Company secretary fees	20,449	44,600
Directors remuneration	232,536	213,275
Salary and wages	356,095	181,576
Rental expense	56,254	20,586
Legal and professional fees	7,285	8,793
Share registry fees	9,395	28,686
Insurance expenses	112,579	68,443
Other administration expenses	470,848	852,851
	1,265,441	1,418,810

[1] Refer to Note 27 for details

9. Income taxes relating to continuing operations

9.1 Income tax recognized in profit and loss

	2019 $	**2018 $**
Current tax benefit	(378,949)	(612,531)
Deferred tax expense	2,619	71,544
Tax losses not recognised	376,330	540,987
Total Tax expense/(benefit)	-	-

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

	2019 $	**2018 $**
Loss before tax from continuing operations	(2,886,221)	(3,319,726)
Income tax expense/(revenue) calculated at 27.5% (2018:27.5%)	(793,711)	(912,925)
Effect of items that are not assessable/deductible in determining taxable loss:		
Non-deductible expenses	810,434	598,841
Non-assessable income	(393,053)	(226,903)
Effect of unused tax losses not recognised as deferred tax assets	376,330	540,987
	-	-

The tax rate used for the reconciliation above is the corporate tax rate of 27.5% (2018:27.50%) 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

	2019 $	2018 $
Current tax		
Share issue costs	37,009	70,697
Deferred tax		
Share issue costs deductible over 5 years	-	81,722
	37,009	**152,419**

9.3 Unrecognised deferred tax assets

	2019 $	2018 $
Unused tax losses (revenue) for which no deferred tax assets have been recognised	3,111,618	2,829,521
Temporary differences	185,425	185,689

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

	2019	2018
Basic and diluted loss per share (cents per share)	(1.82)	(2.88)

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:

	2019 $	2018 $
Loss for the year attributable to owners of the Company	(2,886,221)	(3,319,726)

	2019 No.	2018 No.
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	158,613,995	115,416,006

11. Trade and other receivables and Prepayments

	2019 $	2018 $
Other receivables	1,274,966	903,495
Prepayments	99,773	76,491
	1,374,739	979,986

The other receivables at the reporting date include Research and Development tax incentive of $1,180,759. Note this amount is based on criteria of eligible expenditure set out by AusIndustry.

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

12. Property, plant and equipment

	2019 $	2018 $
Carrying amounts of		
Computer Equipment	2,620	391

Cost or Valuation

	2019 $	2018 $
Balance at 1 July	10,807	7,264
Additions	6,906	3,543
Disposals	-	-

Balance at 30 June	17,713	10,807

Accumulated depreciation

	2019 $	2018 $
Balance at 1 July	10,416	3,994
Accumulated depreciation acquired through the Acquisition	-	-
Depreciation expense	4,677	6,422
Disposals	-	-
Balance at 30 June	15,093	10,416
Net book value	2,620	391

13. Trade and other payable

	2019 $	2018 $
Trade creditors	416,821	269,262
Accruals and other payables	302,558	95,181
	719,379	364,443

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

14. Provisions

	2019 $	2018 $
Provision for employee entitlements	18,389	42,301

15. Subsidiaries

		2019	2018
Dimerix Bioscience Pty Ltd	Australia	100%	100%

16. Issued capital

	2019 $	2018 $
158,799,437 fully paid ordinary shares (2018: 155,049,393)	20,474,930	20,287,429

	30 June 2019		30 June 2018	
	No.	$	No.	$
Balance at beginning of the balance year	155,049,393	20,287,429	1,829,949,652	13,012,842
Consolidation (1:20)*	-	-	(1,738,451,496)	-
Issue of ordinary shares	-	-	62,967,633	7,556,116
Conversion of performance C shares	3,750,044	187,501		
Conversion of options to shares	-	-	446,429	62,500
Shares issued in lieu of cash for services	-	-	137,175	27,435
Capital raising costs/(refund)	-	-	-	(371,464)
Balance at end of the end of the year	**158,799,437**	**20,474,930**	**155,049,393**	**20,287,429**

*A share consolidation of 1:20 occurred on 13 September 2017.

Fully paid ordinary shares carry one vote per share and carry the right to dividends. Ordinary shares participate in the proceeds on winding up of the Company in proportion to the number of shares held.

17. Reserves

	2019	2018
	$	$
Performance shares reserve	-	187,501
Share based payment reserve	669,627	438,484
Total reserves at end of year	669,627	625,985

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.

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 triggered 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 were converted to 75,000,040 ordinary shares (3,750,002 post-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 Glomerulosclerosis (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 were converted to 75,000,040 ordinary shares (3,750,002 post consolidation).

On 18 July 2018, ethics approval was granted for DMX-200 Phase 2 clinical efficacy trials, triggering Milestone C of the Class C Performance Shares which were issued to Dimerix Bioscience shareholder vendors on 3 July 2015. As a result, 3,750,044 Class C Performance Shares were converted to 3,750,044 ordinary shares. This allocation represents the last tranche of Performance Shares associated with the 2015 transaction.

Following the conversion of Class C Performance Shares, there are no further legacy aspects to the July 2015 acquisition of Dimerix Biosciences Pty Ltd.

Performance share reserve movement

	2019 $	2018 $
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	(187,501)	-
Balance at end of the end of the balance year	-	**187,501**

Share- based payments Reserve

	2019 $	2018 $
Balance at beginning of year	438,484	165,065
Arising on share-based payments	231,143	273,419
Balance at end of year	**669,627**	**438,484**

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 2018.

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*

	2019	2018
Financial assets	**$**	**$**
Cash and cash equivalents	3,563,286	6,284,322
Trade and other receivables	1,274,966	903,495
	4,838,252	7,187,817
Financial liabilities		
Trade and other payables	719,379	364,443
	719,379	364,443

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 2019 would increase/decrease by $27,902.04 (2018: $56,053.98).

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 ***Foreign currency risk management***

The Group undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. At 30 June 2019, the Company has cash denominated in US dollars (US$499,980 (2018: US$499,980)). The A$ equivalent at 30 June 2019 is $711,887 (2018: $675,214). A 5% movement in foreign exchange rates would increase or decrease the Group's loss before tax by approximately $33,899 (2018: $31,038).

18.8 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 $
2019						
Trade and other payables	719,379	525,406	139,761	54,212	-	719,379
2018						
Trade and other payables	364,443	364,443	-	-	-	364,443

19. Share-based payments

Share-based payments	2019 $	2018 $
Arising on issuance of shares for no consideration	-	27,435
Arising on issuance of options	231,143	273,419
	231,143	300,854

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.

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.

During the period, 2,000,000 options were granted to corporate advisors Westar Capital. Under the corporate advisor agreement and as part of Westar's performance driven remuneration, 500,000 unlisted options were issued at an exercise price of 25 cents per shares, expiring two years from the date of issue and 1,500,000 unlisted options were issued at an exercise price of 50 cents per shares, expiring two years from the date of issue. The vesting date of the options is the issue date. The fair value of the options at grant date were 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:

Item	**Inputs - $0.25**	**Inputs - $0.50**
Volatility (%)	76.55%	76.55%
Risk free interest rate (%)	1.50%	1.50%
Expected life of option (years)	2.0	2.0
Exercise price per terms and conditions	$0.25	$0.50
Underlying security price at grant date	$0.110	$0.110
Expiry date	24 September 2020	24 September 2020
Value per option	$0.022	$0.009

6,351,975 options were granted to the Chief Executive Officer in accordance with the Company's ESOP during the period. The Options were issued in three equal tranches, comprising 2,117,325 options each with an exercise price of $0.18 per share, $0.27 and $0.36 (705,775 options). The Options expire five years from the date of issue and vest 1/3 after 12 months, then in equal quarterly amounts. 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:

Item	**Inputs - $0.36**	**Inputs - $0.27**	**Inputs - $0.18**
Volatility (%)	73.22%	73.22%	73.22%
Risk free interest rate (%)	1.50%	1.50%	1.50%
Expected life of option (years)	5.0	5.0	5.0
Exercise price per terms and conditions	$0.360	$0.270	$0.180
Underlying security price at grant date	$0.105	$0.105	$0.105
Expiry date	30 October 2023	30 October 2023	30 October 2023
Value per option	$0.036	$0.042	$0.051

750,000 options were granted to the Research & Development Director in accordance with the Company's ESOP during the period. The Options were issued in two equal tranches, comprising 375,000 options each with an exercise price of $0.18 per share and $0.27. The Options expire on 31 January 2024 and vest according to certain performance conditions. 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:

Item	Inputs - $0.27	Inputs - $0.18
Volatility (%)	55.95%	55.95%
Risk free interest rate (%)	1.50%	1.50%
Expected life of option (years)	4.88	4.88
Exercise price per terms and conditions	$0.27	$0.18
Underlying security price at grant date	$0.087	$0.087
Expiry date	31 January 2024	31 January 2024
Value per option	$0.018	$0.026

500,000 options were granted to the Chief Medical Officer in accordance with the Company's ESOP during the period. The Options were issued in two equal tranches, comprising 250,000 options each with an exercise price of $0.18 per share and $0.27. The Options expire on 31 January 2024 and vest according to certain performance conditions. 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:

Item	Inputs - $0.27	Inputs - $0.18
Volatility (%)	55.95%	55.95%
Risk free interest rate (%)	1.50%	1.50%
Expected life of option (years)	4.88	4.88
Exercise price per terms and conditions	$0.27	$0.18
Underlying security price at grant date	$0.087	$0.087
Expiry date	31 January 2024	31 January 2024
Value per option	$0.018	$0.026

19.2 Options on Issue

The following share-based payment arrangements were in existence at the end of the current reporting period:

No. of options.	Grant date	Expiry date	Grant date fair value	Vesting date/Expected Vesting Date	Exercise Price
500,000	27 March 2017	31 March 2020	\$0.038*	½ vest on 31 March 2018 ½ vest on 31 March 2019	\$0.40
550,000	19 October 2017	20 April 2021	\$0.125	20 February 2018	\$0.40
90,515	17 November 2017	13 November 2020	\$0.108	17 November 2017	\$0.286
500,000	24 September 2018	24 September 2020	\$0.022	24 September 2018	\$0.25
1,500,000	24 September 2018	24 September 2020	\$0.009	24 September 2018	\$0.50
2,117,325	30 October 2018	30 October 2023	\$0.051	1/3 vest on 30 October 2019 1/6 vest on 31 January 2020 1/6 vest on 30 April 2020 1/6 vest on 31 July 2020 1/6 vest on 30 October 2020	\$0.18
2,117,325	30 October 2018	30 October 2023	\$0.042	1/3 vest on 30 October 2019 1/6 vest on 31 January 2020 1/6 vest on 30 April 2020 1/6 vest on 31 July 2020 1/6 vest on 30 October 2020	\$0.27
2,117,325	30 October 2018	30 October 2023	\$0.036	1/3 vest on 30 October 2019 1/6 vest on 31 January 2020 1/6 vest on 30 April 2020 1/6 vest on 31 July 2020 1/6 vest on 30 October 2020	\$0.36
625,000	15 March 2019	31 January 2024	\$0.026	1/2 expected to vest on 30 September 2019 1/2 expected to vest on 31 August 2020	\$0.18
625,000	15 March 2019	31 January 2024	\$0.018	1/2 expected to vest on 30 September 2019 1/2 expected to vest on 31 August 2020	\$0.27

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

2,329,948 options previously issued to Kathy Harrison were cancelled as follows:

- 1,829,948 options were cancelled on 14 January 2019.
- 500,000 options were cancelled on 29 January 2019.

19.3 *Fair value of share options granted in the year*

The deemed fair value of options granted during the year is $325,594 (2018: $363,922).

19.4 *Performance shares on issue*

Following the conversion of Class C Performance Shares on 18 July 2018, there are no further legacy aspects to the July 2015 acquisition of Dimerix Biosciences Pty Ltd.

19.5 *Movements in share options during the year*

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

	2019		2018	
	Number of options No.	Weighted average exercise price $	Number of options No.	Weighted average exercise price $
Balance at beginning of the year	3,470,463	0.397	37,880,953	0.0139
Consolidation (1:20)	-	-	(35,986,904)	-
Granted during the year	9,601,975	0.299	2,470,463	0.3958
Cancelled during the year	(2,329,948)	0.400	-	-
Exercised during the year	-	-	(446,429)	0.14
Expired during the year	-	-	(447,620)	0.14
Balance at end of year	10,742,490	0.3089	3,470,463	0.397
Exercisable at end of year	3,140,515	0.4206	1,695,506	0.3939

19.6 *Share options exercises during the year*

There were no share options exercised during the year (2018: 446,429).

19.7 *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 $0.3089 and a weighted average remaining contractual life of 1,266 days (2018: 1,022 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:

	2019 $	2018 $
Short-term employee benefits	672,083	486,885
Post-employment benefits	45,822	38,683
Share-based payments	193,304	251,850
	911,209	**777,418**

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:

	2019 $	2018 $
Cash and bank balances	3,563,286	6,284,322

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

	2019 $	2018 $
Cash flow from operating activities		
Loss for the year	(2,886,221)	(3,319,726)
Adjustments for:		
Depreciation	4,677	6,422
Share based payments	231,143	300,854
Effects of exchange rate changes on cash and cash equivalents	(36,672)	(21,645)
Movements in working capital		
(Increase)/decrease in other receivables	(371,471)	(326,307)
(Increase)/decrease in prepayments	(23,282)	(29,656)
Increase/(decrease) in trade and other payables	354,936	153,986
Increase/(decrease) in provisions	(23,912)	10,640
Net cash outflows from operating activities	(2,750,802)	**(3,225,432)**

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

	2019 $	2018 $
Audit or review of the financial statements	34,551	34,420
Other non-audit services	-	-
	34,551	34,420

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

25. Events after the reporting period

On 9 August 2019 the Company issued 1,000,000 unlisted options in respect of Corporate Advisory fees. The options are exercisable at $0.18 per option and expire on 9 August 2022.

26. Parent entity information

The accounting policies of the parent entity, which have been applied in determining the 2019 and 2018 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)

	2019 $	2018 $
Assets		
Current assets	2,148,636	5,557,078
Non-current assets	-	-
Total assets	**2,148,636**	**5,557,078**
Liabilities		
Current liabilities	149,594	110,815
Provisions	7,592	35,313
Non-current liabilities	-	-
Total liabilities	**157,186**	**146,128**
Net assets	1,991,450	5,410,950
Equity		
Issued capital	50,417,841	50,230,340
Reserves	833,605	789,964
Accumulated losses	(49,259,996)	(45,609,354)
Total equity	**1,991,450**	**5,410,950**

Financial performance

Loss for the year	**(3,650,642)**	**(3,631,675)**

27. Reclassifications and comparative figures

Certain reclassifications have been made to the prior year's statement of profit or loss and other comprehensive income to ensure comparability with the current year.

In the current financial year research and development expenses include salary and wages incurred in relation to conducting R&D activities.

Prior year items were reclassified as follows:

	2018 Previously Reported $	2018 Re-classification $	2018 $
Research and development expenses	(2,051,282)	(394,068)	(2,445,350)
Corporate administration expenses	(1,812,878)	394,068	(1,418,810)

ASX Additional Information as at 1st August 2019

Corporate Governance Statement

The Company's corporate governance statement is located at the Company's website: https://investors.dimerix.com/investor-centre/?page=corporate-governance.

Ordinary share capital

Holding Ranges	Holders	Total Units	% Issued Share Capital
1 - 1,000	102	17,469	0.01%
1,001 - 5,000	174	692,122	0.44%
5,001 - 10,000	193	1,461,124	0.92%
10,001 - 100,000	621	27,808,780	17.51%
100,001 - 9,999,999,999	272	128,819,942	81.12%
Totals	**1,362**	**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 (as at 1st August 2019)

- 500,000 unlisted $0.4 expiring 31 March 2020 are held by one individual ESOP holder;
- 90,515 unlisted $0.286 expiring 13 November 2020 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 these options are:

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

- 500,000 unlisted $0.25 expiring 24 September 2020 are held by three individual option holders. Unlisted option holders holding more that 20% of these options are:

Mr. Rohan & Mrs. Fionnuala Edmondson	212,500
Ice Lake Investments Pty Ltd	212,500
Mintaka Nominees Pty Ltd	75,000

- 1,500,000 unlisted $0.50 expiring 24 September 2020 are held by three individual option holders. Unlisted option holders holding more than 20% of these options are:

Mr. Rohan & Mrs. Fionnuala Edmondson	552,500
Ice Lake Investments Pty Ltd	552,500
Mintaka Nominees Pty Ltd	395,000

- 2,117,325 unlisted $0.18 expiring 30 October 2023 are held by Nina Webster;
- 2,117,325 unlisted $0.27 expiring 30 October 2023 are held by Nina Webster;
- 2,117,325 unlisted $0.36 expiring 30 October 2023 are held by Nina Webster;

- 625,000 unlisted $0.18 expiring 31 January 2024 are held by two individual ESOP holders;
- 625,000 unlisted $0.27 expiring 31 January 2024 are held by two individual ESOP holders.

Options do not carry a right to vote.

Unmarketable parcels

There are 221 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	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	1,854,052	1.17%
6	JAMPASO PTY LTD <WILLIAMS FAMILY A/C>	1,778,742	1.12%
7	BOND STREET CUSTODIANS LIMITED <VVALLE - D42570 A/C>	1,750,000	1.10%
8	DJEE SUPER PTY LTD <DJEE SF A/C>	1,500,000	0.94%
9	TT NICHOLLS PTY LTD <NICHOLLS SUPER FUND A/C>	1,450,000	0.91%
10	SOLEQUEST PTY LTD	1,250,000	0.79%
11	TOLTEC HOLDINGS PTY LTD	1,214,372	0.76%
12	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,141,452	0.72%
13	MRS FIONNUALA CATHERINE EDMONDSON	1,108,334	0.70%
14	NOOKAMKA HOLDINGS PTY LTD <SUPERANNUATION FUND A/C>	1,103,540	0.69%
15	MR ROHAN EDMONDSON & MRS FIONNUALA EDMONDSON <R F EDMONDSON SUPERFUND A/C>	1,100,000	0.69%
16	JGC SUPER PTY LTD <JGC FAMILY SUPER FUND A/C>	1,072,000	0.68%
17	DR DAVID KENNETH PACKHAM <PACKHAM & DAUGHTERS A/C>	1,054,391	0.66%
18	NULLAKI SERVICES PTY LTD <ANVIL BAY A/C>	1,049,881	0.66%
19	BLAKE NOMINEES PTY LTD <M AND T SUPER FUND A/C>	1,000,001	0.63%
20	ENERVIEW PTY LTD	1,000,000	0.63%
20	YELWAC PTY LTD <THE CAWLEY SUPERFUND NO2 A/C>	1,000,000	0.63%
20	MR BRENDAN PAUL COOPER	1,000,000	0.63%
20	OSIRIS CAPITAL INVESTMENTS PTY LTD	1,000,000	0.63%
	Total	**58,852,454**	**37.06%**
	Total issued capital - selected security class(es)	**158,799,437**	**100.00%**

Dimerix

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