Exopharm Limited (previously Exsome Pty Ltd)

ACN 163 765 991

Annual Financial Report
30 June 2018

Contents

CORPORATE INFORMATION

ACN 163 765 991

Directors
Mr Jason Watson
Dr Ian E Dixon
Mr David R Parker

Company Secretary
Mr David R Parker

Registered Office
C/o Haines Muir Hill Pty Ltd
888 Doncaster Road
Doncaster East Vic 3109

Principal Place of Business
13 Fuchsia Street
Blackburn, VIC 3130
Telephone: (03) 9894 4555
Email: ian.dixon@exopharm.com

Auditors
William Buck
Level 20, 181 William Street
Melbourne VIC 3000

Solicitors
Jackson MacDonald
Level 17, 225 St Georges Terrace
Perth, Western Australia 6000

Share Register
Automic Registry Services Pty Ltd
Suite 310, Level 3, 50 Holt St
Surry Hills NSW 2010
Telephone: 1300 288 664
Email: hello@automic.com.au

DIRECTOR'S REPORT

Your directors submit the annual financial report of Exopharm Limited (previously Exsome Pty Ltd) for the financial year ended 30 June 2018. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

The names of directors who held office during or since the end of the year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Jason M Watson	Non-Executive Chairman	Appointed 10 August 2018
Ian E Dixon	Director	Appointed on registration
	Company Secretary	Appointed on registration, resigned 26 June 2018
David R Parker	Director and Company Secretary	Appointed 26 June 2018

Names, qualifications, experience and special responsibilities

Mr Jason Watson

Non-Executive Chairman

LL.B, B. Comm

Mr Watson graduated from the University of Adelaide in 1998 with a Bachelor of Laws (Honours) and a Bachelor of Commerce, majoring in marketing and accounting. In 2008 Jason completed a Graduate Certificate in Biotechnology Industry at RMIT.

Jason commenced his legal career in 2000 as the sole in-house counsel for the University of South Australia and its commercialisation company.

Jason has extensive experience in corporate and commercial law, intellectual property, licensing, innovation and commercialisation and manages his own firm, Elementary Law.

Jason's clients include research institutes, listed and unlisted companies, with a particular focus on life sciences.

Dr Ian Dixon

Managing Director

PhD, MBA, MAICD

Dr Ian Dixon has a PhD in biomedical engineering from Monash University, an MBA from Swinburne University and professional engineering qualifications.

In 2011 Ian co-founded Cynata Inc, a company that is progressing the commercialisation of what has become the Cymerus technology of ASX-listed Cynata Therapeutics Ltd (ASX-CYP).

Ian is also a non-executive director of Noxopharm Ltd (ASX-NOX), a founder of Nyrada Inc. and a co-inventor of Nyrada drug NYX-330.

Ian is a co-inventor of the LEAP Manufacturing Process licensed to Exopharm by Altnia Operations.

Previously, Ian has worked for Vision Systems Ltd as head of the Product Group and was involved in a range of complex product/technology developments. Ian is also founder of Genscreen Pty Ltd (2003-2018) and was a director of Cell Therapies Pty Ltd (2005-2015).

Ian brings to the Board an extensive entrepreneurial background in founding, building and running public companies, in recognising the potential commercial value of early-stage drug development, and in understanding the challenges involved in drug development.

Ian currently also serves as a part-time executive director of Medigard Ltd (ASX:MGZ).

During the last three years, Dr Dixon has served as a director of the following listed companies: Medigard Ltd (ASX:MGZ); Noxopharm Ltd: ASX:NOX)

DIRECTOR'S REPORT (continued)

Names, qualifications, experience and special responsibilities (continued)

Mr David R Parker

Non-Executive Director and Company Secretary

B.Comm, SAFin

Mr David Parker has over sixteen years' experience as a corporate advisor and investment manager. He has served as a director or company secretary of a number of ASX-listed companies, having taken several companies from private companies to listed entities. David is an employee of Alto Capital, a stockbroking and corporate advisory firm which is licensed to provide financial advice to retail and wholesale investors.

Mr Parker is a Senior Associate (and member since 2001) of the Financial Services Industry of Australian (FINSIA).

Mr Parker has a Bachelor of Commerce from Curtin University and has completed a Graduate Diploma of Applied Corporate Governance from the Governance Institute.

During the last three years, Mr Parker was a non-executive director and company secretary of Aurora Labs Ltd (ASX:A3D).

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

The following relevant interests in shares and options of the Company or a related body corporate were held by the directors as at the date of this report:

Directors	Number of options over ordinary shares	Number of fully paid ordinary shares
Jason Watson	-	-
Ian Dixon	-	27,935,294
David Parker[1]	-	822,200
Totals	**-**	**28,757,494**

[1] David Parker holds 810,000 shares either directly or through wholly controlled entities and 12,200 shares held indirectly, given David Parker holds a 2% interest in 610,000 shares held by ACNS Capital Markets Pty Ltd.

As at the date of this report, the Company had 45,500,000 fully paid ordinary shares and no options on issue.

Dividends

No dividends have been paid or declared since the start of the financial period and the Board does not recommend the payment of a dividend in respect of the financial period.

Review of Operations

Principal Activities

The principal activity of the Company during the year was regenerative medicine, primarily monitoring the development and de-risking of exosome technologies, namely the LEAP manufacturing process, which was being developed by Altnia Operations Pty Ltd, pursuant to a Research Agreement that the Company has entered into with Altnia Operations Pty Ltd.

Significant events during the year

On 20 April 2018, 29,900,000 fully paid ordinary shares amounting to $2,990 were issued at $0.0001 per share.

On 21 May 2018, 2,500,000 fully paid ordinary shares amounting to $25,000 were issued at $0.01 per share.

On 8 June 2018, 3,000,000 fully paid ordinary shares amounting to $150,000 were issued at $0.05 per share.

DIRECTOR'S REPORT (continued)

Significant events during the year (continued)

On 26 June 2018, the Company held a shareholder meeting, which approved, among other items, the change of business type, from a private limited company to a public company limited by shares.

On 26 June 2018, Mr Parker was appointed Director and Company Secretary of the Company, while Dr Dixon resigned as Company Secretary.

Significant events after balance date

On 23 July 2018, 6,934,167 fully paid ordinary shares at $0.12 per share and on 10 August 2018, 3,065,833 fully paid ordinary shares at $0.12 per share to raise $1,200,000 in total.

On 10 August 2018 the company type was changed to a public limited company, and the name of the Company was amended to Exopharm Limited.

On 10 August 2018, the Company appointed Jason Watson as a director or the Company in the position of Non-Executive Chairman.

Operating results for the year

The comprehensive loss of the Company for the financial year, after providing for income tax amounted to 174,597..

Review of financial conditions

The Company has cash in bank of $52,401 as at 30 June 2018 and raised $1,200,000 (pre-costs) following the balance date.

The Directors are of the opinion that the Company is a going concern.

Likely developments and expected results

Disclosure of information regarding likely developments in the operations of the Company in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Company. Therefore, this information has not been presented in this report.

Options

No options over issued shares or interests in the company were granted during or since the end of the financial year.

Environmental legislation

The Company is not subject to any environmental legislation requirements.

Indemnification and insurance of Directors and officers:

The company has agreed to indemnify all the directors of the company for any liabilities (other than the company or related body corporate) that may arise from their position as directors of the company, except where the liability arises out of conduct involving a lack of good faith.

The company has not paid any premium for contract of insuring the directors and officers of the company against any liability incurred in the course of their duties to the extent permitted by the Corporations Act 2001.

DIRECTORS' REPORT (continued)

Director's Meetings

The number of resolutions passed by the sole director during the year as shown by the number of meetings attended was as follows:

Director	Director / Board Meetings Attended	Director / Board Meetings Eligible to Attend
Jason Watson	0	0
Ian E Dixon	5	5
David R Parker	0	0

In addition to the above board meetings, a 1 circular resolution of directors was passed.

Company Secretary

The registered Company Secretary during the year was Dr Ian E Dixon. Dr Dixon resigned as Company Secretary and was replaced by Mr Parker on 26 June 2018 and has not resigned from this position.

Proceedings on behalf of the Company

There are no proceedings on behalf of the Company.

Auditor Independence

Section 307C of the Corporations Act 2001 requires our auditors, William Buck Audit (Vic) Pty Ltd, to provide the directors of the Company with an Independence Declaration in relation to the audit of the annual report. This Independence Declaration is set out on page 7 and forms part of this directors' report for the year ended 30 June 2018.

Signed in accordance with a resolution of the directors.

Dr Ian E Dixon
Director
Dated this 6th day of September 2018

William Buck

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF EXOPHARM LIMITED (PREVIOUSLY EXSOME PTY LTD)

I declare that, to the best of my knowledge and belief during the year ended 30 June 2018 there have been:

— no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

— no contraventions of any applicable code of professional conduct in relation to the audit.

William Buck Audit (Vic) Pty Ltd
ABN 59 116 151 136

J.C. Luckins
Director

Dated this 6th day of September, 2018

CHARTERED ACCOUNTANTS & ADVISORS
Level 20, 181 William Street
Melbourne VIC 3000
Telephone: +61 3 9824 8555
williambuck.com

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 $	2017 $
Revenue			
Other Income (Research and development refund claim)	2	43,919	
Interest income		70	-
Expenses			
Research and development	3	(79,164)	-
Corporate expenses		(66,908)	(565)
Employee costs		(56,165)	-
Depreciation		(518)	-
Other administrative expenses		(15,831)	-
Loss before income tax expense		**(174,597)**	**(565)**
Income tax expense	4	-	-
Loss for the year		**(174,597)**	**(565)**
Other comprehensive income, net of income tax		**-**	**-**
Total comprehensive loss for the year		**(174,597)**	**(565)**

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	Note	2018 $	2017 $
Assets			
Current Assets			
Cash and cash equivalents	6	52,401	-
Other current assets	7	60,380	-
Total Current Assets		**112,781**	**-**
Non-current Assets			
Fixed assets	8	20,478	-
Intangible assets	9	175,000	-
Total Non-current Assets		**195,478**	**-**
Total Assets		**308,259**	**-**
Liabilities			
Current Liabilities			
Accounts payable and other current liabilities	10 & 12	(215,527)	-
Loan from shareholders	11	-	(761)
Total Current Liabilities		**(215,527)**	**(761)**
Non-current Liabilities			
Other non-current liabilities	12	(100,000)	-
Total Non-current Liabilities		**(100,000)**	**-**
Total Liabilities		**(315,527)**	**(761)**
Net Assets / (Liabilities)		**(7,268)**	**(761)**
Equity			
Issued capital	5(a)	169,090	1,000
Accumulated losses		(176,358)	(1,761)
Total Equity		**(7,268)**	**(761)**

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018

	Issued Capital	Accumulated Losses	Total Equity
	$	$	$
Balance as at 1 July 2016	1,000	(1,196)	(196)
Loss for the year	-	(565)	(565)
Other comprehensive income, net of income tax	-	-	-
Total comprehensive loss for the year	-	(565)	(565)
Balance as at 30 June 2017	**1,000**	**(1,761)**	**(761)**

	Issued Capital	Accumulated Losses	Total Equity
	$	$	$
Balance as at 1 July 2017	1,000	(1,761)	(761)
Loss for the year	-	(174,597)	(174,597)
Other comprehensive income, net of income tax	-	-	-
Total comprehensive loss for the year	-	(174,597)	(174,597)
Shares issued during the year (net of share issue costs)	168,090	-	168,090
Balance as at 30 June 2018	**169,090**	**(176,358)**	**(7,268)**

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 $	2017 $
Cash flows from operating activities			
Payments to suppliers and employees		(94,002)	(565)
Interest received		70	-
Net cash (used in) operating activities	5	(93,932)	(565)
Cash flows from investing activities			
Purchase of fixed assets		(20,996)	-
Net cash (used in) investing activities		(20,996)	-
Cash flows from financing activities			
Proceeds from issue of shares – net of issue costs		168,090	-
Proceeds from loan from shareholders		-	565
Repayment of funds loaned by a shareholder		(761)	-
Net cash provided by financing activities		167,329	565
Net increase in cash and cash equivalents		52,401	-
Cash and cash equivalents at the beginning of the year		-	-
Cash and cash equivalents at the end of the year	**5**	**52,401**	**-**
Non-cash investing activities			
Addition to intangible assets		175,000	-

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial report is a special purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standards and Interpretations and complies with other requirements of the law.

The financial report has also been prepared on a historical cost basis. Cost is based on the fair values of the consideration given in exchange for assets.

The financial report is presented in Australian dollars.

The Company is an unlisted private company, incorporated in Australia and operating in Australia. The principal activity of the Company during the year was investment in Biotechnology.

(b) Adoption of new and revised standards
Changes in accounting policies on initial application of Accounting Standards

In the year ended 30 June 2018, the Board has reviewed all new and revised standards and interpretations issued by the AASB that are relevant to the Company and effective for the current annual reporting period.

As a result of this review, the Board has determined that there is no material impact of the new and revised standards and interpretations on the Company and, therefore, no material change is necessary to the Company accounting policies.

The Board has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the period ended 30 June 2018. As a result of this review the Board has determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Company accounting policies.

(c) Statement of compliance

The financial report was authorised for issue on the date of the signed Directors Declaration. The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

(d) Critical accounting judgements and key sources of estimation uncertainty

The application of accounting policies requires the use of judgements, estimates and assumptions about carrying values 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.

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets.

Impairment

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

(f) Cash and cash equivalents

Cash comprises cash at bank and on hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(g) Trade and other receivables

Trade receivables are measured on initial recognition at fair value. Trade receivables are generally due for settlement within periods ranging from 15 days to 30 days.

Impairment of trade receivables is continually reviewed and those that are considered to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Company will not be able to collect all amounts due according to the original contractual terms. Factors considered by the Company in making this determination include known significant financial difficulties of the debtor, review of financial information and significant delinquency in making contractual payments to the Company.

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

(h) Income tax

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary difference and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Income tax (continued)

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(i) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

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

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

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Impairment of tangible nad intangible assets other than goodwill

The Company assesses at each balance date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

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. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each balance date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(k) Intangible assets

Intangible assets acquired separately
Intangible assets acquired separately are recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period, with any changes in these accounting estimates being accounted for on a prospective basis.

Internally generated intangible assets – research and development expenditure
Expenditure on research activities is recognised as an expense in the period in which it is incurred. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period as incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Intangible assets

The following useful lives are used in the calculation of amortisation:

License asset	8 years following grant of patent

(m) Trade and other payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services. Trade and other payables are presented as current liabilities unless payment is not due within 12 months.

(n) Provisions

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

When the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate assets but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

(o) Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

NOTE 2: REVENUE

	2018 $	2017 $
Research and Development grant	43,919	-
Interest Income	70	-
	43,983	**-**

NOTE 3: EXPENSES

	2018 $	2017 $
Research and development		
Consumables	45,343	-
Consulting	4,095	-
Other	29,726	-
	79,164	**-**

NOTE 4: INCOME TAX

	2018 $	2017 $
(a) Income tax expense	-	-
(b) Numerical reconciliation between tax-expense and pre-tax net loss		
(Loss) from ordinary activities	(174,597)	(565)
Income tax (benefit) using the Company's domestic tax rate of 27.5% (2017: 30%)	(48,014)	(170)
Temporary differences not recognised	-	-
Current period (loss) for which no deferred tax asset was recognised	48,014	170
Income tax benefit attributable to entity	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

NOTE 5: ISSUED CAPITAL

	2018 $	2017 $
(a) Ordinary shares		
Balance at beginning of year	1,000	1,000
Shares issued	177,990	-
Less share issue costs	(9,900)	-
Balance at end of year	**169,090**	**1,000**
Movements in ordinary shares on issue	No.	No.
Balance at beginning of year	100,000	100,000
Shares issued	35,400,000	-
Balance at end of year	**35,500,000**	**100,000**

Ordinary shareholders entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

NOTE 6: CASH AND CASH EQUIVALENTS

Reconciliation to the Statement of Cash Flows:
For the purposes of the statement of cash flows, cash and cash equivalents comprise cash at bank. Cash and cash equivalents as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	2018 $	2017 $
Cash in bank	52,267	-
Cash in bank – subscription account	134	-
	52,401	**-**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

NOTE 6: CASH AND CASH EQUIVALENTS (continued)

Reconciliation of loss after tax to net cash outflow from operating activities:

	2018	2017
	$	**$**
Loss for the year	**(174,597)**	**(565)**
Adjustment for non-cash income and expense items		
Depreciation and amortisation	518	-
Research and development refund claim	(43,919)	-
Changes in assets and liabilities		
Other current assets	(16,461)	-
Accounts payable and accruals	140,527	-
Loan from shareholders	-	565
Net cash outflow from operating activities	**(93,932)**	**-**

NOTE 7: OTHER CURRENT ASSETS

	2018	2017
	$	**$**
GST receivable	16,461	-
Research and development refund claim receivable	43,919	-
	60,380	**-**

NOTE 8: FIXED ASSETS

	Plant and equipment $
Balance at 1 July 2017	-
Additions	20,996
Depreciation charge for the year	(518)
Balance at 30 June 2018	**20,478**

NOTE 9: INTANGIBLE ASSETS

	License asset $
Balance at 1 July 2017	-
Additions	175,000
Balance at 30 June 2018	**175,000**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

NOTE 10: ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

	2018	2017
	$	$
Accounts payable	63,452	-
Accruals	66,945	-
Superannuation payable	2,704	-
PAYG payable	7,426	-
Other current liabilities	75,000	-
	215,527	**-**

NOTE 11: LOAN FROM SHAREHOLDERS

	2018	2017
	$	$
Loan from shareholders	-	761
Balance at end of year	**-**	**761**

The loan from sharehoders is unsecured and non-interest bearing.

NOTE 12: NON-CURRENT LIABILITIES

	2018	2017
	$	$
Liability for license asset	175,000	-
Less classified as current liabilities	(75,000)	-
Classified as non-current liabilities	**100,000**	**-**

NOTE 13: FINANCIAL INSTRUMENTS

	2018	2017
	$	$
Financial liabilities		
Accounts payable and other current liabilities	215,527	-
Loan from shareholders	-	761
Other non-current liabilities	100,000	-
	315,527	**761**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

NOTE 13: FINANCIAL INSTRUMENTS (continued)

The following tables detail the Company's remaining contractual maturities for its non-derivative financial liabilities. These are based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate	Less than 1 month	1 – 3 Months	3 months – 1 year	1 – 5 years	5+ years
	%	$	$	$	$	$
2018						
Non-interest bearing	-	-	140,527	75,000	100,000	-
Variable interest rate instruments	-	-	-	-	-	-
Fixed interest rate instruments	-	-	-	-	-	-
		-	**140,527**	**75,000**	**100,000**	**-**
2017						
Non-interest bearing	-	761	-	-	-	-
Variable interest rate instruments	-	-	-	-	-	-
Fixed interest rate instruments	-	-	-	-	-	-
		761	**-**	**-**	**-**	**-**

Financial risk management objectives and policies:

The Company has exposure to the following risks from their use of financial instruments:

- Credit risk
- Liquidity risk
- Interest rate risk
- Market risk
- Capital risk

This note presents information about the Company's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. The Board has overall responsibility for the establishment and oversight of the risk management framework. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

The Company's principal financial instruments comprise loan from shareholders and other current/non-current liabilities. The main purpose of the financial instruments is to provide working capital for the operations of the business. The Company also has other financial instruments such as trade creditors which arise directly from its operations. For the period under review, it has been the Company's policy not to trade in financial instruments.

(a) Credit risk management

Credit risk refers to the risk that a counter-party will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company 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 Company uses publicly available financial information and its own trading record to rate its major customers and suppliers.

The Company's exposure and the credit ratings of its counter-parties are continuously monitored. Credit exposure is controlled by counterparty limits that are reviewed and approved by the Board annually.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 13: FINANCIAL INSTRUMENTS (continued)

(a) Credit risk management (continued)

The Company does not have any significant credit risk exposure. The carrying amount of financial assets recorded in the financial statements, net of any allowance for losses, represents the Company's maximum exposure to credit risk without taking account of the value of any collateral obtained.

(b) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board, who have built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves and banking facilities and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Company did not have any undrawn facilities at its disposal as at balance date.

(c) Interest rate risk management

The Company is not exposed to significant interest rate risk.

(d) Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The Company is not exposed to market risk as at reporting date.

(e) Capital Risk Management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it may continue to provide returns for shareholders and benefits for other stakeholders. The primary source of Company funding is equity raisings. Accordingly, the objective of the Company's capital risk management is to balance the current working capital position against the requirements to meet exploration programmes and corporate overheads. This is achieved by maintaining appropriate liquidity to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required.

NOTE 14: DIRECTORS AND EXECUTIVES DISCLOSURES

(a) Key Management Personnel (KMP)

The following persons were key management personnel of the Company during the financial year:

- Ian E Dixon – Director.

(b) KMP Compensation

There were no KMP compensation paid in 30 June 2018 and 30 June 2017.

(c) Outstanding balances

The Company owed a KMP shareholder $Nil as at the balance date (2017: $761). The Company accrued $25,000 which relates to amounts that is owed to Ian Dixon which was payable following the completion of the $1,200,000 capital raise which occurred in August 2018.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

NOTE 15: EVENTS AFTER THE BALANCE DATE

On 23 July 2018, 6,934,167 fully paid ordinary shares at $0.12 per share and on 10 August 2018, 3,065,833 fully paid ordinary shares at $0.12 per share to raise $1,200,000 in total (pre-costs).

On 10 August 2018 the company type was changed to a public limited company, and the name of the Company was amended to Exopharm Limited.

On 10 August 2018, the Company appointed Jason Watson as a director or the Company in the position of Non-Executive Chairman.

NOTE 16: DIVIDENDS

The directors of the Company have not declared any dividend for the year ended 30 June 2018.

NOTE 17: COMMITTEMENTS AND CONTINGENCIES

As at 30 June 2018, the Company has no other commitments except as disclosed below:

The Company is a party to a Patent & Know-How License Agreement (the “Agreement”) with Altnia Operations Pty Ltd (the “Licensor”) (a company owned by a KMP). The Licensor has rights to certain patents (the “Technology”). The Licensor has agreed to license the Technology to the Company. As at 30 June 2018, the Company has the following financial commitments:

1. Reimbursement of fees - $175,000 representing a portion of development fees incurred by the Licensor. This amount is recorded as current liability of $75,000 and non-current liability of $100,000 in the balance sheet;
2. Initial Annual fee - $50,000 due on the third anniversary of the Commencement Date;
3. Annual fee - $100,000 annually commencing on the fourth year from the Commencement Date;
4. Milestone payments - $100,000 each upon achievement of Milestone 1 and Milestone 2;
5. Royalties on net sales – 2.5% of net sales;
6. Sublicense revenue – 8% of sublicense revenue.

As at 30 June 2018, the Company has no contingent liabilities.

NOTE 18: AUDITORS REMUNERATION

	2018	2017
	$	$
Fees paid to the Company Auditor – William Buck		
Audit Services	6,500	3,500
	6,500	**3,500**

No non- audit services were provided during the financial year.

DIRECTOR'S DECLARATION

In the opinion of the Board of Exopharm Limited ('the Company'):

1. The financial statements and notes thereto, are in accordance with the Corporations Act 2001 including:

    a. giving a true and fair view of the Company's financial position as at 30 June 2018 and its performance for the year then ended; and

    a. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

2. There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Board of Directors made pursuant to s.303(5) of the Corporations Act 2001.

Dr Ian E Dixon
Director
Dated this 6th day of September 2018

William Buck

Exopharm Limited (previously Exsome Pty Ltd)

Independent auditor's report to members

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Exopharm Limited (the Company), which comprises the statement of financial position as at 30 June 2018, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Company, is in accordance with the *Corporations Act 2001*, including:
(i) giving a true and fair view of the Company's financial position as at 30 June 2018 and of its financial performance for the year ended on that date; 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 Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

CHARTERED ACCOUNTANTS & ADVISORS
Level 20, 181 William Street
Melbourne VIC 3000
Telephone: +61 3 9824 8555
williambuck.com

Praxity

William Buck

Other Information

The directors are responsible for the other information. The other information comprises the information in the Company's annual report for the year ended 30 June 2018, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and 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 Company 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 Company 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 the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Company 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.

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.

William Buck

William Buck Audit (Vic) Pty Ltd
ABN 59 116 151 136

J. C. Luckins
Director

Melbourne, 6 September 2018