exo pharm

Annual Report

2019

Corporate Information

exopharm

ACN 163 765 991

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

Company Secretary
Mr David R Parker

Registered Office
c/o Haines Muir Hill Pty Ltd
Level 1
888 Doncaster Road
DONCASTER EAST
VIC 3109

Principal Place of Business
Level 1
31 Queen Street
MELBOURNE
VIC 3000
Telephone: (03) 9111 0026
Email: info@exopharm.com

Auditors
William Buck
Level 20
181 William Street
MELBOURNE
VIC 3000

Solicitors
Quinert Rodda & Associates
Level 6
400 Collins Street
MELBOURNE
VIC 3000

Share Register
Automic Registry Services Pty Ltd
Level 5
126 Phillip Street
SYDNEY
NSW 2000
Telephone: 1300 288 664
Email: hello@automic.com.au

Contents

Exopharm Snapshot

Exopharm is a global leader in the exosome therapeutics field, with focus on using exosomes as regenerative medicine products for health span related conditions.

- Exopharm is the first company able to mass produce exosomes – also first in clinical trial
- **Interest in exosome technology is exploding, driven by the role exosomes play in communicating biological processes and as vehicles that deliver therapeutic payloads.**
- Exopharm has developed a proprietary purification step in the manufacturing process of exosomes. There is no known apparent comparable competition as a developer of superior, scalable methods for purifying exosomes.
- **Current and future clinical trials in wound healing, dry AMD and osteo-arthritis.**
- One of the most important roles of exosomes is slowing the ageing process which has been shown in various pre-clinical animal studies.
- **Exopharm's investment proposition: an early and leading position in a promising new field of cell free regenerative medicine**
- Listed on ASX Dec '18 @20c, ~40c today. Employee numbers from 3 to 19 over this time.
- **Exopharm's business plan: prove manufacturing leadership and develop prototype products for licensing partners.**

Small Number of people

- Rare conditions e.g. hereditary conditions like cyctic fibrosis

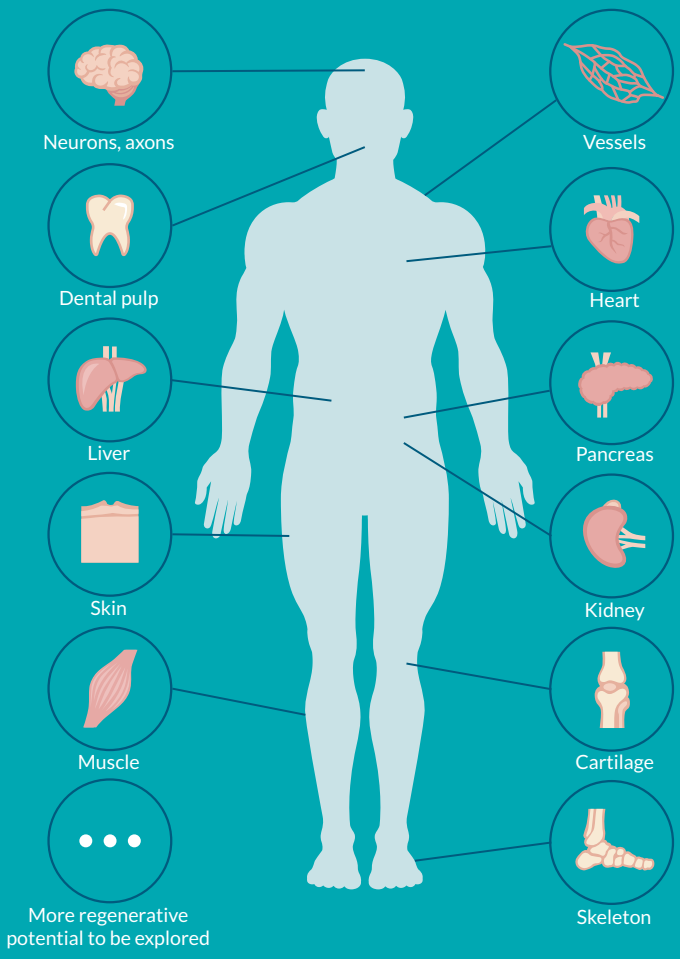
Very Large Numbers

- Common medical ailments e.g. dry AMD

Massive Numbers

- Increasing health span
- Reducing prevalence of most chronic medical problems

Exopharm Snapshot



Exosomal regenerative potential in various tissues and organs

Exopharm's technology enables exosomes to solve a range of medical problems which is being tested by our clinical studies.

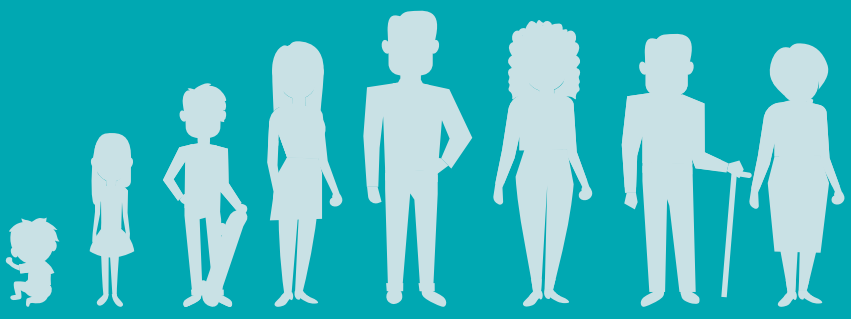
Exosomes could be used to treat many diseases of tissue and organs.

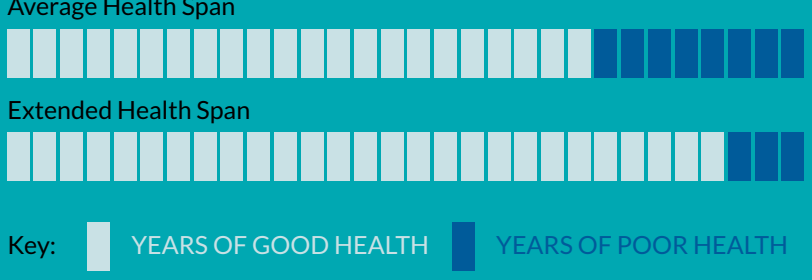
> Exopharm is the first company able to mass produce exosomes – also first in clinical trial

Improving health span and exosomes

Health span is the number of healthy years a person experiences. The average health span is shorter than a person's lifespan, so they have many years of poor health towards the end.

Exopharm and other companies are now looking at the science of health span – treatments that maximise the healthy years. Exopharm is exploring the use of exosomes to extend health span.





Chairman's Letter

It is my pleasure to open the financial year 2019 annual report looking back upon a year of significant achievements for Exopharm.

Pre-clinical study reports that our products have been made in sufficient quantity and quality for animal testing.

Demonstrated the LEAP Technology at increased scale and making clinical-grade material.

Commenced our world-first study using cell free exosomes.

Dear Shareholder

This time last year Exopharm was a small unlisted company embarking on a significant journey.

We now have a team of 19 staff, have tested our products in an animal study and are embarking on our world leading first-in-human PLEXOVAL clinical trial.

We achieved our Initial Public Offering listing in December 2018, raising $7,000,000 at 20 cents, and have recently undertaken a Placement to sophisticated investors and completed a Share Purchase Plan (SPP), both at 37 cents, raising an additional $5.5 million for our important activities. All Directors purchased additional shares through the SPP and we thank our shareholders for their support.

Within less than a year of listing we have:

- Established our Exopharm product manufacturing facility and team, based in Melbourne.
- Undertaken our pre-clinical study, reporting the first time that our products have been made in sufficient quantity and quality (including sterility) for animal testing.
- Demonstrated the LEAP Technology at increased scale and making clinical-grade material.
- Commenced our world-first study using cell free exosome product manufactured using Exopharm's LEAP Technology, with study sites at the Royal Melbourne Hospital and Australian Red Cross Blood Service and results anticipated by mid-2020.

Earlier this year we highlighted recent publications demonstrating the potential benefits of exosomes - how stem cell derived exosomes have been shown to reverse cell senescence and the potential for stem cell derived exosomes to treat aging or age-related conditions. We also explained how Exopharm's proprietary LEAP technology can overcome the current 'purification bottleneck' problem.

As noted recently by Bioshares (No. 804, 12 August 2019) "The field of exosome research and its potential as a source of new therapies and diagnostic products is growing, with Pubmed citations for the search term 'exosome', increasing from 287 in 2011 to 2,197 in 2018" and "Exopharm's proprietary exosome purification technology has the potential to catalyse the field of exosome therapy, once it validates the technology with several proof-of-technology products. The value creation opportunities may be numerous and significant."

Exopharm's business model is firstly develop our exosome-based products through clinical trials and then to leverage this value by establishing significant licensing transactions.

We expect the upcoming year to continue to deliver further newsflow and progress. It is indeed an exciting time to be a leader in the emerging exosome field.

On behalf of the Board, sincere thanks to all investors who have supported us, and thanks also to our Managing Director Dr Ian Dixon and the Exopharm team for their ongoing efforts and dedication throughout the year.

Yours faithfully,

Jason Watson
Chairman

Managing Directors' Letter

Exopharm has a clear purpose – to bring a new type of potential regenerative medicine into clinical use to treat health span related medical conditions.

Since last year, the Exopharm team has grown to 19 people.

Dear Shareholder

In Exopharm we are harnessing our LEAP Technology to purify exosomes/extracellular vesicles from platelets and adult stem cells to treat conditions such as wound healing, dry age-related macular degeneration and osteoarthritis.

We now have approvals in place to run our first clinical trial – so our company has made the transition into a clinical stage business. This is a big step forward and has taken a lot of hard work.

Since last year, the Exopharm team has grown substantially – now at 19 people. This team is made up of individuals with impressive expertise and capabilities. Together we operate across a broad range of activities and are building know-how and further intellectual property in this emerging field.

Your support has allowed us to progress the Development Program – covering product manufacture, preclinical testing and then clinical use of exosomes purified using LEAP with human patients.

Our activities are all directed at attracting partnerships with larger biopharmaceutical companies and associated financial transactions to benefit shareholders.

Today Exopharm is still the only pure-play exosome company listed on the ASX. Elsewhere in the world transactions have occurred in the exosome field over the past 12 months – highlighting the financial value of our position in this emerging field.

I retain a significant long-term shareholding in the Company and continue to play a key ongoing role in the Company's growth and development through my role as Managing Director.

"We now have approvals in place to run our first clinical trial – so our company has made the transition into a clinical stage business.

The Exopharm board of directors has been working very well together since our IPO in December '18 and have been working proactively to address strategic and other issues that will help the company maximise its leadership position in this field.

We are communicating with shareholders in different ways during the coming year. Our web site contains statutory but also descriptive information and articles we write to keep you informed. We are also sending a Newsletter to shareholders a few times a year.

Many thanks for your ongoing support as a shareholder of Exopharm.

Yours faithfully,

Ian Dixon
Founder and Managing Director

Directors' Report

Your directors submit the annual financial report of Exopharm Limited 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:

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.

Mr Jason M Watson	Non-Executive Chairman	Appointed 10 August 2018
Dr Ian E Dixon	Managing Director	
Mr David R Parker	Non-Executive Director	

Mr David R Parker is also the Company Secretary.

Names, qualifications, experience and special responsibilities

Mr Jason Watson

Non-Executive Chairman

LL.B, B. Comm

Mr Watson has board and advisory experience acting with small and medium-sized enterprises, research institutes and listed companies in the life sciences and other sectors.

In particular, Mr Watson has assisted companies in developing, commercialising and transacting technologies through significant biotechnology licensing deals.

Mr Watson is principal of Elementary Law, a legal practice based in Melbourne, Australia. His practice focuses on assisting clients achieve the best outcomes for their patents and innovations, including through corporate fund raising, protection strategies, licensing and commercialisation.

In this capacity, Mr Watson has been recognised in the Intellectual Asset Magazine Patent 1000 independent list of The World's 1000 Leading Patent Professionals.

Mr Watson has expertise in relation to complex transactions, including establishing multi-party engagements, research and consultancy contracts and negotiating and implementing clinical trial, licensing, assignment, manufacturing, shareholding and other commercial arrangements.

Mr Watson has a Bachelor of Laws with Honours and a Bachelor of Commerce.

Dr Ian Dixon

Founder and Managing Director

PhD, MBA, MAICD

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

In 2011, Dr Dixon 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).

Dr Dixon is a co-inventor of the LEAP Technology owned by Exopharm.

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

Dr Dixon 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.

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)

Directors' Report (continued)

Mr David R Parker

Non-Executive Director and Company Secretary

B.Comm, SAFin

Mr 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. Mr Parker 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 the Sole Director of Cobblestones Corporate Pty Ltd that provides company secretarial services.

Mr Parker is a Senior Associate (and member since 2001) of the Financial Services Institute of Australasia (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
Mr Jason Watson	-	190,000
Dr Ian Dixon	-	27,975,294
Mr David Parker	-	1,092,200
Totals	**-**	**29,257,494**

As at the date of this report, the Company had 95,372,000 fully paid ordinary shares and no options on issue.

Review of Operations

The principal activity of the Company during the year was developing regenerative medicine, primarily being the development and de-risking of exosome technologies, particularly the LEAP manufacturing process and development of the Plexaris™ and Exomere™ products.

The Company has raised equity capital from investors through seed rounds and an IPO.

Exopharm has established a product manufacturing facility and team.

The PLEXOVAL study gained approval during the second half of the year.

Overview

The Company has further progressed its development programs and has increased the scale of operations during the year. The Company has raised equity capital from investors through seed rounds and an IPO. This funding has been used to hire additional employees and consultants and to expand operations.

Importantly, Exopharm has established a product manufacturing facility and team, based in Fitzroy. Further progress has also been made in product analytics and further testing of the products. During the year the Development Program has progressed, through the pre-clinical wound healing study and preparations/approvals for the PLEXOVAL first-in-human study.

During the period our products have been made in sufficient quantity and quality (including sterility) for animal testing – see more details below.

The PLEXOVAL study gained approval during the second half of the year. Since the end of the year, the Company commenced the PLEXOVAL study – see more details below.

The Company has also advanced other research and development activities as part of the development program to exploit the LEAP Technology.

IP & the LEAP Technology

In October 2018, Exopharm acquired all of the intellectual property rights to the LEAP Technology, Plexaris, Exomeres and associated know-how from Altnia Operations Pty Ltd under an IP Assignment Deed. Before that Exopharm had a licence, effective 1 May 2018, to use and commercialise the LEAP Technology pursuant to a patent & know-how licence agreement which was terminated by the IP Assignment Deed.

The LEAP IP is covered by a Patent Cooperation Treaty (PCT) application which will soon enter National Phase in 13 jurisdictions. Exopharm has use of US trademarks Plexaris and Exomere and others are pending.

Manufacture and Analytics

The Exopharm manufacturing team has extra staff and new equipment to support manufacture of product for clinical trials and other development activities.

The Exopharm team has made significant progress in exosome product manufacturing and product analytics over the past 12 months. In-house manufacture of product for the PLEXOVAL study includes stability formulation and sterile manufacture of clinical grade material.

Pre-clinical Wound Healing Study

Exopharm completed its early-stage proof of concept (POC) animal study to investigate the safety, efficacy and biochemistry of treating rodents with either Plexaris or Exomeres in a model of wound healing.

This study tested Exopharm's manufacturing capability and looked at safety and efficacy end-points.

The key outcomes from this study were positive - i.e. manufacturing using LEAP Technology was achieved and the exosome products demonstrated safety with no adverse events.

Details of the Study

The study used a total of 20 rodents, including one rat that had treatment with formulation buffer alone (no exosomes) and one rat that had no treatment.

All animals were treated under Animal Ethics Committee oversight and in conformance with the Australian Code for the care and use of animals for scientific purposes. At the conclusion of the 7-day study the animals were euthanised. 7 days was chosen to allow histological analysis of resolving wounds.

Treatments involved single dosing of three concentrations of the exosome product – either Plexaris or Exomeres - and a 7-day period for incision healing.

Dosing was well tolerated at each of the concentration levels with no study mortalities or adverse effects detected.

Comments

This study reported for the first time that Exopharm's Plexaris and Exomere products had been made in sufficient quantity and quality (including sterility) for animal testing. Making these materials has demonstrated the LEAP Technology and the upstream and downstream process equipment and protocols used by the Exopharm team to make the Plexaris and Exomeres products.

The Pre-clinical Wound Healing Study supported the proposed PLEXOVAL study.

PLEXOVAL Study

During the year, Exopharm received approval from Melbourne Health Human Research Ethics Committee to commence the PLEXOVAL wound healing study with its Plexaris™ product under the Australian Clinical Trials Notification (CTN) arrangement.

This FIH study is an important step forward, making Exopharm a clinical stage company and a world leader in exosome therapeutics.

The PLEXOVAL study is a Prospective open-Label, single dose proof of concept study to Evaluate the safety, tolerability and biological activity of Platelet-derived Extracellular Vesicles, on the augmentation of wound healing and is defined as a Phase I study.

The main readouts of the PLEXOVAL study will be safety, wound closure and scarring. The PLEXOVAL study involves two sites; the Royal Melbourne Hospital and the Australian Red Cross Blood Service.

This first-in-human clinical trial will investigate autologous (from the same person) Plexaris (exosomes from blood platelets and purified with LEAP Technology) administered once and will track participants over 42 days from dosing. Cohort 1 involves up to 15 participants and Cohort 2 involves up to 5 participants.

The principal investigator of the study is Associate Professor Johannes Kern MD, PhD, FEBDV, FACD of the Dermatology Department, Royal Melbourne Hospital. The principal investigator is a practicing dermatologist and dermatopathologist and a Fellow of Australasian College of Dermatologists.

The study is being facilitated by Accelagen, a Melbourne based Contract Research Organisation (CRO).

Review of Operations (continued)

Following the end of the year, the Company announced that the two enabling contracts had been executed and the PLEXOVAL study had started. At the time or writing site initiation visits had commenced and recruitment was likely to start within a month or so.

Other Core Activities

Exopharm's core strategy is to develop products made using the LEAP Technology and then partner these products and technologies through licenses and associated financial transactions.

To support that strategy, Exopharm is progressing a wider testing program of its Plexaris and Exomere products – including non-clinical, pre-clinical and clinical testing of its exosome products for other medical conditions e.g. dry age-related macular degeneration (AMD) and osteoarthritis (OA).

Exopharm is undertaking this Development Program with the ultimate aim to establish both Plexaris and Exomeres as leading regenerative medicines to treat a broad range of health span related medical conditions.

Other Research and Development Activities

'Engineered exosomes' are exosomes that have been modified (in one or more ways) to deliver an active 'cargo' as a therapeutic.

The field of engineered exosomes has also attracted recent commercial interest and delivered some significant financial transactions. Exopharm has some experimental programs underway in the engineered exosome/extracellular vesicle (EV) field.

The field of exosomes as diagnostics has also attracted recent commercial interest and some notable financial transactions. Exopharm has some experimental programs underway in the exosome diagnostic field.

Exopharm is accelerating development activities in areas where its LEAP Technology has likely particular potential, with the aim to add value and then seek partners for these non-core applications of the LEAP Technology.

Initial Public Offering

The Company engaged Alto Capital to manage an IPO of the Company in 2018. The Company was successful in raising $7,000,000 and listing on the ASX in December 2018.

Operating results for the year

The comprehensive loss of the Company for the financial year, after providing for income tax amounted to $2,282,874 (2018: $174,597).

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.

Options

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

Review of financial conditions

The Company has cash in bank of $4,418,955 as at 30 June 2019. The Directors are of the opinion that the Company is a going concern.

Significant events during the year

23 July

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.

10 August

The company type was changed to a public limited company, and the name of the Company was amended to Exopharm Limited.

10 December

The Company issued and allotted 35,000,000 shares at $0.20 to raise $7,000,000 and was admitted to the Official List of the ASX.

2018

10 August

The Company appointed Mr Jason Watson as a Director of the Company.

6 November

The Company lodged a Prospectus for an Initial Public Offering of securities on the Australian Securities Exchange (ASX), to raise up to $7,000,000 via the issue of 35,000,000 shares at $0.20.

Review of Operations (continued)

Significant events after balance date

On 1 August 2019, the Company issued 11,900,000 fully paid ordinary shares at $0.37 each pursuant to the Share Placement as announced on 24 July 2019 to raise $4,403,000 before costs.

On 19 August 2019, the Company issued 2,972,000 fully paid ordinary shares at $0.37 each through a Share Purchase Plan to raise $1,099,640 before costs.

Employees

The Company had 18 employees as at 30 June 2019 (2018: 3 employees).

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.

Environmental legislation

The Company is not subject to any environmental legislation requirements other than statutory legislation.

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.

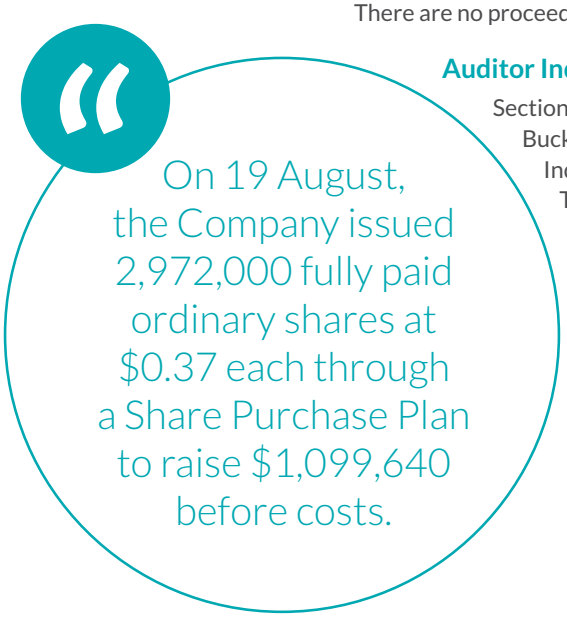
The Company has paid a premium for contract of insuring the directors and officers of the Company against any liability incurred in the course of their duties to the extent permitted by the Corporations Act 2001.

Company Secretary

Mr David Parker is the registered Company Secretary and has been in office for the full year.

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 2019.

Remuneration Report (Audited)

A. Introduction

This report, which form part of the Directors' report, outlines the remuneration arrangements in place for the key management personnel ("KMP") of Exopharm Limited for the financial year ended 30 June 2019. The information provided in this remuneration report has been audited as required by Section 308(3C) of the Corporations Act of 2001.

The remuneration report details the remuneration arrangements for KMP who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

Key Management Personnel

The KMP of the Company during or since the end of the financial year were as follows:

Directors	Position	Period of Employment (to present)
Dr Ian Dixon	Managing Director & CEO	1 May 2018
Mr David Parker	Non-Executive Director, Company Secretary and acting CFO	26 June 2018
Mr Jason Watson	Non-Executive Chairman	10 August 2018

Executives	Position	Period of Employment (to present)
Dr Gregory Lichtfuss	Chief Operating Officer	1 May 2018

Comments on Remuneration Report at Exopharm's most recent AGM

This is the first Remuneration Report for Exopharm.

B. Remuneration Policy

The Board of Directors is committed to transparent disclosure of its remuneration strategy and this report details the Company's remuneration objectives, practices and outcomes for KMP, which includes Directors and senior executives, for the year ended 30 June 2019. Any reference to "Executives" in this report refers to KMPs who are not Non-Executive Directors.

B.1 Remuneration Policy Framework

The Company's remuneration policy is to assist the Company to attract and retain key people to assist the development of its products and entering into partnership transactions. It has been designed to reward key management and employees fairly and responsibly in accordance with the market in which the Company operates, and to ensure that Exopharm:

- Provides competitive remuneration that attracts, retains and motivates executives and employees;
- Benchmarks remuneration against appropriate peer groups;
- Provides a level of remuneration structure to reflect each executive's respective duties and responsibilities;
- Aligns executive incentive rewards with the creation of value for shareholders; and
- Complies with legal requirements and appropriate standards of governance.

B.2 Remuneration Committee

The Board has not implemented a separate Remuneration Committee during the year. Due to the size of the Company and the fact there are only three directors on the board, this has been the responsibility of the whole Board.

B.3 Remuneration Structure

In accordance with best practice corporate governance, the structure of non-executive Director and executive remuneration is separate and distinct.

B.4 Policy for Executive Remuneration

The Company maintains its existing performance management procedures for key management personnel by having each key manager undertake an annual performance appraisal with the Managing Director based on individual and business performance expectations and other circumstances. The Chief Executive Officer's performance is in turn reviewed by the Board of Directors.

The Company's remuneration policy is to provide a fixed remuneration component and a short-term and long-term performance based component. The Board believes that this remuneration policy is appropriate in aligning executives' objectives with shareholder and business objectives.

Executive Remuneration consisted of only Fixed Remuneration during the year.

C. Remuneration Components

C.1 Fixed Remuneration

Fixed remuneration consists of based salaries, as well as employer contributions to superannuation funds and other non-cash benefits. Fixed remuneration was reviewed by Board of Directors having regard to remuneration paid to executives of relevant comparable peer group of companies taking into account company and individual performance. The Company sought to position its fixed remuneration in line with comparably sized ASX listed companies within the same sector. Size is determined by market capitalisation at the time of comparison.

Executives receive an employer superannuation contribution made into a complying superannuation fund at the required Superannuation Guarantee rate (Currently 9.5%) of base salary. Executives may receive other benefits including vehicle benefits and provision of a mobile telephone. During the year no vehicle benefits were provided.

C.2 Variable Remuneration

There was no variable remuneration for the Executives during the year.

Variable remuneration includes cash bonus' which are linked to Key Performance Indicators. As at 30 June 2019, only the COO had a cash bonus structure incorporated into his employment contract.

C.3 Policy for and Components of Non-Executive Remuneration During the Reporting Period

Remuneration Policy

Non-Executive Director Fees

The overall level of annual Non-Executive Director fees was approved by shareholders in accordance with the requirements of the Company's Constitution and the Corporation Act. The maximum aggregate pool of Directors' fees payable to all of the Company's Non-Executive Directors is $350,000 per annum. This aggregate amount was approved by shareholders at a General Meeting of Shareholders 26 June 2018.

Equity Compensation

In accordance with Australian Practice and shareholder preference, the Company's current policy is not to grant any further equity-based compensation to Non-Executive Directors. Accordingly, no equity incentives were offered ton Non-Executive Directors in the reporting period to 30 June 2019.

Remuneration Structure

Non-Executive Directors receive a fixed remuneration of base fees plus statutory superannuation. The Chairman receives $96,000 per annum and the only non-executive Director receives $30,000 per annum, which includes statutory superannuation. These fees cover main board activities only. Non-Executive Directors may receive additional remuneration for other services provided to the Company. In addition to these fees, Non-Executive Directors are entitled to reimbursement of reasonable travel, accommodation and other expenses incurred in attending meetings of the Board, committee or shareholder meetings whilst engaged by Exopharm. Non-Executive Directors do not earn retirement benefits other than superannuation and are not entitled to any compensation on termination of their directorships.

The annual Board and committee fees were reviewed during the reporting period to 30 June 2019 and have remained unchanged since this review. A further review will be conducted in the next financial period in accordance with the annual review of salaries performed by the Board of Directors.

The current Board and additional committee fee structure for Non-Executive Directors is as per the table below:

Board		Remuneration Committee	
Chair	Member	Chair	Member
96,000	30,000	-	-

Fees for Non-Executive Directors are not linked to the performance of the Company, however, to align directors' interests with shareholder interests, the directors may hold shares in the Company as governed by the Company's Securities Trading Policy.

C.4 Remuneration Governance Including Use of Remuneration Consultants

The Board is responsible for ensuring Exopharm's remuneration strategy is aligned with Company's performance and shareholder interests and is equitable for participants. The Board is responsible for reviewing and making decisions on remunerations matters.

Employment Contracts

As of the date of this report, remuneration and other terms of employment of Directors and Other Key Management Personnel are formalised in employment contracts and service agreements. The major provisions of the agreements related to remuneration are set out below (amounts below include statutory superannuation):

Remuneration Report (continued)

	Base salary/fee	Terms of agreement	Notice period
Executive Directors			
Dr Ian Dixon	$220,000 per annum from 1 November 2018 (including Super) ($150,000 per annum from 1 May 2018 to 31 October 2018)	Commencement date – 1 May 2018 for a maximum term of 2 years unless extended by mutual agreement	6 months in writing by either party
Non-Executive Directors			
Mr David Parker	$30,000 per annum (inc Super)	Commencement date – 26 June 2018	Upon written advice of intention or in accordance with the Constitution of the Company or the Corporations Act 2001
Mr Jason Watson	$96,000 per annum (inc Super)	Commencement date – 10 August 2018	Upon written advice of intention or in accordance with the Constitution of the Company or the Corporations Act 2001
Other KMP			
Dr Gregor Lichtfuss	$159,432 per annum from 1 July 2019 (inc Super); $155,000 per annum from 1 April 2019 – 30 June 2018 (inc Super); $144,000 per annum from 1 July 2018 to 31 March 2019 (inc Super).	Commencement date – 1 May 2018	3 months in writing by either party

Remuneration Report (continued)

E.1 Remuneration of Key Management Personnel

Details of the nature and amount of each element of the emoluments received by or payable to each of the Key Management Personnel (KMP) of Exopharm Limited for the financial years specified are as follows:

2019	Short-term benefits			Share-based payments $	Total $
	Salary & fees $	Bonus Payments $	Super-annuation $		
Directors					
Mr Jason Watson	78,244	-	7,433	-	85,677
Dr Ian Dixon	180,764	-	17,173	-	197,937
Mr David Parker	27,397	-	2,603	-	30,000
Other KMP					
Dr Gregor Lichtfuss	135,164	-	12,841	-	148,005
	421,570	**-**	**40,049**	**-**	**461,619**

2018	Short-term benefits			Share-based payments $	Total $
	Salary & fees $	Bonus Payments $	Super-annuation S		
Directors					
Mr Jason Watson	-	-	-	-	-
Dr Ian Dixon	22,831	-	2,169	-	25,000
Mr David R Parker	-	-	-	-	-
Other KMP					
Dr Gregor Lichtfuss	20,092	-	954	-	21,046
	42,923	**-**	**3,123**	**-**	**46,046**

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

Remuneration Report (continued)

Key Management Personnel Equity Holdings

Fully paid ordinary shares

30 June 2019	Balance at beginning of year Number	Granted as compensation Number	Received on exercise of options Number	Net change – other Number	Balance at end of year Number	Balance held nominally Number
Directors						
Dr Ian Dixon	27,935,294	-	-	-	27,935,294	27,935,294
Mr David Parker	390,000	-	-	682,200	1,072,200	1,072,200
Mr Jason Watson	-	-	-	150,000	150,000	150,000
Other KMP						
Dr Gregor Lichtfuss	588,235	-	-	-	588,235	588,235

30 June 2018	Balance at beginning of year Number	Granted as compensation Number	Received on exercise of options Number	Net change – other Number	Balance at end of year Number	Balance held nominally Number
Directors						
Dr Ian Dixon	96,000	-	-	27,839,294	27,935,294	27,935,294
Mr David Parker	-	-	-	390,000	390,000	390,000
Mr Jason Watson	-	-	-	-	-	-
Other KMP						
Dr Gregor Lichtfuss	-	-	-	588,235	588,235	588,235

Remuneration Report (continued)

Directors' Meetings

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

Director	Director / Board Meetings	
	Attended	Eligible to Attend
Mr Jason Watson	9	9
Dr Ian Dixon	9	9
Mr David Parker	9	9

In addition to the above board meetings, 11 circular resolutions of the Board of Directors were passed.

Signed in accordance with a resolution of the directors.

Dr Ian Dixon
Managing Director
Exopharm Limited

Dated 30th August 2019

Auditor's Independence Declaration

William Buck

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF EXOPHARM LIMITED

I declare that, to the best of my knowledge and belief during the year ended 30 June 2019 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.

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

J.C. Luckins
Director

Dated 30 August 2019

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 2019

	Notes	2019 $	2018 $
Other Income			
Research and development refund claim		-	43,919
Interest income		28,789	70
Expenses			
Research and development	3	(496,688)	(79,164)
Corporate expenses		(315,022)	(66,908)
Employee costs		(1,048,672)	(56,165)
Other expenses		(451,281)	(16,349)
Loss before income tax expense		**(2,282,874)**	**(174,597)**
Income tax expense	4	-	-
Loss for the year		**(2,282,874)**	**(174,597)**
Other comprehensive income, net of income tax		**-**	**-**
Total comprehensive loss for the year		**(2,282,874)**	**(174,597)**
Loss attributable to members of the Company		(2,282,874)	(174,597)
Basic and diluted loss per share (cents per share)	6	(4.03)	(1.40)

The accompanying notes form part of these financial statements.

Statement Of Financial Position

As At 30 June 2019

	Notes	2019 $	2018 $
Assets			
Current Assets			
Cash and cash equivalents	7	4,418,955	52,401
Other current assets	8	162,508	60,380
Total Current Assets		**4,581,463**	**112,781**
Non-current Assets			
Plant and Equipment	9	494,122	20,478
Intangible assets	10	325,000	175,000
Total Non-current Assets		**819,122**	**195,478**
Total Assets		**5,400,585**	**308,259**
Liabilities			
Current Liabilities			
Accounts payable and other current liabilities	11	281,002	215,527
Total Current Liabilities		**281,002**	**215,527**
Non-current Liabilities			
Other non-current liabilities	12	-	100,000
Total Non-current Liabilities		**-**	**100,000**
Total Liabilities		**281,002**	**315,527**
Net Assets / (Liabilities)		**5,119,583**	**(7,268)**
Equity			
Issued capital	5	7,578,815	169,090
Accumulated losses		(2,459,232)	(176,358)
Total Equity		**5,119,583**	**(7,268)**

The accompanying notes form part of these financial statements.

Statement Of Changes In Equity

For The Year Ended 30 June 2019

	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	-	(176,358)	(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)**

	Issued Capital $	Accumulated Losses $	Total Equity $
Balance as at 1 July 2018	169,090	(176,358)	(7,268)
Loss for the year	-	(2,282,874)	(2,282,874)
Other comprehensive income, net of income tax	-	-	-
Total comprehensive loss for the year	-	(2,282,874)	(2,282,874)
Shares issued during the year (net of share issue costs)	7,409,725	-	7,409,725
Balance as at 30 June 2019	**7,578,815**	**(2,549,232)**	**5,119,583**

The accompanying notes form part of these financial statements.

Statement Of Cash Flows

For The Year Ended 30 June 2019

	Notes	2019 $	2018 $
Cash flows from operating activities			
Payments to suppliers and employees		(2,213,308)	(94,002)
Interest received		28,789	70
Net cash (used in) operating activities	7	(2,184,519)	(93,932)
Cash flows from investing activities			
Purchase of plant and equipment		(533,652)	(20,996)
Additions to intangible asset		(325,000)	-
Net cash (used in) investing activities		(858,652)	(20,996)
Cash flows from financing activities			
Proceeds from issue of shares – net of issue costs		7,409,725	168,090
Repayment of funds loaned by a shareholder		-	(761)
Net cash provided by financing activities		7,409,725	167,329
Net increase in cash and cash equivalents		4,366,554	52,401
Cash and cash equivalents at the beginning of the year		52,401	-
Cash and cash equivalents at the end of the year	**7**	**4,418,955**	**52,401**

The accompanying notes form part of these financial statements.

Notes To The Financial Statements

For The Year Ended 30 June 2019

Note 1: Statement Of Significant Accounting Policies

a. Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

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

The accounting policies detailed below have been consistently applied to all of the years presented unless otherwise stated. The financial statements are for Exopharm Limited. Exopharm Limited does not have any subsidiaries.

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

The financial report is presented in Australian dollars.

The Company is a listed public company, incorporated in and operating in Australia. The principal activity of the Company during the year was investment in biopharmaceutical drug development.

b. Adoption of new and revised standards

Changes in accounting policies on initial application of Accounting Standards

In the year ended 30 June 2019, 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 2019. 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 30 August 2019. 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.

Note 1: Statement Of Significant Accounting Policies Cont.

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 of plant and equipment of intangible assets

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.

e. Segment reporting

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

h. Foreign currency translation

Both the functional and presentation currency of Exopharm is Australian dollars.

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance date. All exchange differences in the financial report are taken to profit or loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss.

Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

g. Other Income

Interest income

Interest income is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Research and Development Refund

Income from a research and development refund as a financial asset is recognised when it is probable that the grant will be received, which is determined in reference to when a refund has been verified by a suitably qualified third party and lodged with the Australian Taxation Office. No estimates of any potential research and development refunds or grants are recognised until such time as they are probable.

Note 1: Statement Of Significant Accounting Policies Cont.

h. Leases

Operating lease payments are recognised as an expense on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

i. 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 tax assets and deferred tax liabilities are 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 tax liabilities are recognised for all taxable temporary differences except:

- when the deferred 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.

Deferred 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 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

Note 1: Statement Of Significant Accounting Policies Cont.

- 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 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 tax asset to be utilised.

Unrecognised deferred 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 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.

j. 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.

k. Impairment of tangible and 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.

Note 1: Statement Of Significant Accounting Policies Cont.

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.

l. 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.

m. Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provisions for impairment, doubtful debts and rebates. Trade receivables are generally due for settlement within 30 – 90 days.

In relation to the financial assets carried at amortised cost, AASB 9 requires an expected credit loss model to be applied as opposed to an incurred credit loss model under AASB 139. The expected credit loss model requires the Company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial asset. AASB 9 requires the Company to measure the loss allowance at an amount equal to lifetime expected credit loss ("ECL") if the credit risk on the instrument has increased significantly since initial recognition. If the credit risk on the financial instrument has not increased significantly since initial recognition the Company is required to measure the loss allowance for that financial instrument at an amount equal to the ECL within the next 12 months.

The amount of the impairment loss is recognised in the Statement of Profit or Loss and Other 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 Profit or Loss and Other Comprehensive Income.

Note 1: Statement Of Significant Accounting Policies Cont.

n. Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation.

Depreciation is calculated on diminishing value basis using the following useful lives:

Plant equipment	3 to 10 years
Office equipment	3 years
Computer equipment	3 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

Impairment

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired. The recoverable amount of plant and equipment is the higher of fair value less costs to sell 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 an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to approximate fair value. An impairment exists when the carrying value of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount. For plant and equipment, impairment losses are recognised in the statement of comprehensive income in the cost of sales line item. However, because land and buildings are measured at revalued amounts, impairment losses on land and buildings are treated as a revaluation decrement.

Derecognition and disposal

An item of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

o. 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. Amortisation starts following the grant of a patent and assets are held at cost until such time as the patent has been granted or impaired. 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.

Note 1: Statement Of Significant Accounting Policies Cont.

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.

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

IP asset	8 years following grant of patent

p. 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.

q. 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.

Note 1: Statement Of Significant Accounting Policies Cont.

r. 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.

s. Loss per share

Basic loss per share is calculated as net loss attributable to members of the Company, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted loss per share is calculated as net loss attributable to members of the Company, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

t. New Standard adopted

AASB 9 Financial Instruments ('AASB 9')

The entity has adopted AASB 9 as issued in July 2014 with the date of initial application being 1 July 2018. In accordance with the transitional provisions in AASB 9, comparative figures have not been restated. *AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement ('AASB 139')*, bringing together all three aspects of the accounting for financial instruments: clarification and measurement; impairment; and hedge accounting. The accounting policies have been updated to reflect the application of AASB 9 below.

Measurement and classification

At the date of initial application, existing financial assets and liabilities of the entity were assessed in terms of the requirements of AASB 9. The assessment was conducted on instruments that had not been de-recognised as at 1 July 2018. In this regard the entity has determined that the adoption of AASB 9 has impacted the classification of financial instruments at 1 July 2018 as follows:

Class of financial instrument presented in the statement of financial position	Original measurement category under AASB 139 (i.e. prior to 1 July 2018)	New Measurement category under AASB 9 (i.e. from 1 July 2018)
Cash and cash equivalents	Loans and receivables	Financial asset at amortised cost
Trade and other receivables	Loans and receivables	Financial asset at amortised cost
Trade and other payables	Financial liability at amortised cost	Financial liability at amortised cost

The change in classification has not resulted in any re-measurement adjustments at 1 July 2018.

Notes To The Financial Statements

For The Year Ended 30 June 2019

Note 1: Statement Of Significant Accounting Policies Cont.

Impairment of financial assets

In relation to the financial assets carried at amortised cost, AASB 9 requires an expected credit loss model to be applied as opposed to an incurred credit loss model under AASB 139. The expected credit loss model requires the entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial asset. AASB 9 requires the entity to measure the loss allowance at an amount equal to lifetime expected credit loss ('ECL') if the credit risk on the instrument has increased significantly since initial recognition. If the credit risk on the financial instrument has not increased significantly since initial recognition the entity is required to measure the loss allowance for that financial instrument at an amount equal to the ECL within the next 12 months.

At 1 July 2018, the entity reviewed and assessed the existing financial assets for impairment using reasonable and supportable information. In accordance with AASB 9, where the entity concluded that it would require undue cost and effort to determine the credit risk of a financial asset on initial recognition, the entity recognises lifetime ECL. The result of the assessment is as follows;

Items existing at 1 July 2018 that are subject to the impairment provisions of AASB 9	Credit risk attributes	Cumulative additional loss allowance required on 1 July 2018
Cash and cash equivalents	All bank balances are assessed to have low credit risk at each reporting date as they are held with reputable financial institutions.	-
Trade receivables	The entity applied the simplified approach and concluded that the lifetime ECL would be negligible on receivable balances not already provided for and therefore no loss allowance was required at 1 July 2018.	-

Note 2: Segment Reporting

The Company only operated in one segment, being investment in research and development of biopharmaceutical drugs.

Notes To The Financial Statements

For The Year Ended 30 June 2019

Note 3: Expenses

	2019 $	2018 $
Research and development		
Consumables	313,369	45,343
Consulting	115,229	4,095
Others	68,090	29,726
	496,688	**79,164**

Note 4: Income Tax

	2019 $	2018 $
a. Income tax benefit	-	-
b. Numerical reconciliation between tax-expense and pre-tax net loss		
(Loss) from ordinary activities	(2,282,874)	(174,597)
Income tax (benefit) using the Company's domestic tax rate of 27.5% (2018: 27.5%)	(627,790)	(48,014)
Temporary differences not recognised	-	-
Current period (loss) for which no deferred tax asset was recognised	627,790	48,014
Income tax benefit attributable to entity	**-**	**-**

c. Unrecognised deferred tax

Tax losses for which no deferred tax asset has been recognised

	2019 $	2018 $
Losses available for offset against future taxable income	2,457,471	174,597
Total	2,457,471	174,597
Potential tax benefits at 27.5%	**675,804**	**48,014**

The benefit of deferred tax assets not brought to account will only be brought to account if:

- future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- the conditions for deductibility imposed by tax legislation continue to be complied with; and
- no changes in tax legislation adversely affect the Company in realising the benefit.

Note 5: Issued Capital

	2019 $	2018 $
Ordinary shares		
Balance at beginning of year	169,090	1,000
Shares issued	8,200,000	177,990
Less share issue costs	(790,275)	(9,900)
Balance at end of year	**7,578,815**	**169,090**
Movements in ordinary shares on issue	**No.**	**No.**
Balance at beginning of year	35,500,000	100,000
Shares issued	45,000,000	35,400,000
Balance at end of year	**80,500,000**	**35,500,000**

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: Loss Per Share

Basic and diluted loss per share

	30 June 2019 Cents per share	30 June 2018 Cents per share
Basic loss per share (cents per share)	**(4.03)**	**(1.40)**

Loss

Losses used in the calculation of basic and diluted loss per share is as follows:

	30 June 2019 $	30 June 2018 $
Losses	**(2,282,874)**	**(174,597)**

Note 6: Loss Per Share Cont.

Weighted average number of ordinary shares

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

	30 June 2019 Number	30 June 2018 Number
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**56,710,951**	**12,439,674**

Note 7: 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:

	2019 $	2018 $
Cash in bank	1,918,955	52,401
Short term deposit	2,500,000	-
	4,418,955	**52,401**

Term deposits are taken for periods between one and three months, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates.

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

	2019 $	2018 $
Loss for the year	**(2,282,874)**	**(174,597)**
Adjustment for non-cash income and expense items		
Depreciation and amortisation	60,008	518
Research and development refund claim	-	(43,919)
Changes in assets and liabilities		
Other current assets	(27,128)	(16,461)
Accounts payable and accruals	65,475	140,527
Net cash outflow from operating activities	**(2,184,519)**	**(93,932)**

Notes To The Financial Statements

For The Year Ended 30 June 2019

Note 8: Other Current Assets

	2019 $	2018 $
GST receivable	36,209	16,461
Research and development refund claim	-	43,919
Other receivables	14,925	-
Prepayments	111,374	-
	162,508	**60,380**

Note 9: Plant And Equipment

	Plant equipment $	Computer equipment $	Office equipment $	Total $
Balance at 1 July 2018	20,478	-	-	20,478
Additions	470,078	49,962	13,612	533,652
Depreciation charge for the year	(52,089)	(6,089)	(1,830)	(60,008)
Balance at 30 June 2019	**438,467**	**43,873**	**11,782**	**494,122**
Balance at 1 July 2017	-	-	-	-
Additions	20,996	-	-	20,996
Depreciation charge for the year	(518)	-	-	(518)
Balance at 30 June 2018	**20,478**	**-**	**-**	**20,478**

Note 10: Intangible Assets

	IP asset	License asset $
Balance at 1 July 2018	-	175,000
Terminated/Cancelled	-	(175,000)
Additions	325,000	-
Balance at 30 June 2019	**325,000**	**-**
Balance at 1 July 2017	-	-
Additions	-	175,000
Balance at 30 June 2018	**-**	**175,000**

Note 10: Intangible Assets Cont.

As at 30 June 2018, the Company is a party to a Patent & Know-How License Agreement (the "License 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. The Company has recognised a Licensed Asset for an amount of $175,000 as at 30 June 2018.

On 5 October 2018, the Company and Altnia (Licensor) signed an Intellectual Property Assignment and License Termination Deed (the "Deed"). Altnia has agreed to assign and the Company agreed to accept the assignment of, all of Altnia's rights, titles, estate and interest in the Assignment Rights. Assignment rights includes patents, documentation, confidential material, know-how, inventions and for avoidance of doubt, all Intellectual Property Rights in the LEAP Technology, including:

a. LEAP Ligand know-how and rights of use;

b. All current and future applications of the LEAP Ligand; and

c. Other technologies and discoveries made that are associated with the LEAP process.

In addition, Altnia and the Company agreed to terminate the License Agreement above subject to and in accordance with the terms and conditions of the Deed.

As consideration for the assignment of the Assignment Rights, Exopharm must:

a. grant royalties to Altnia; and

b. provide the Reimbursement Payments to Altnia in accordance with Clause 7 of the Deed.

Clause 7 of the Deed, mandates that Exopharm must pay to Altnia the Reimbursement Payments, as partial reimbursement of the costs incurred by Altnia in developing and protecting the Assignment Rights, as follows:

a. $75,000 on or before 1 September 2018 (Initial Reimbursement Payment); and

b. $250,000 within 7 business days on which each of the following have been satisfied:

c. ASX notifies Exopharm that it has decided to admit Exopharm to the official list of ASX and to quote its securities, subject to the satisfaction of certain conditions precedent (Decision Letter); and

d. The Exopharm Board resolves to do all things necessary to satisfy the conditions precedent in the Decision Letter, including issuing securities under its initial public offering.

The parties also acknowledged and agree that, prior to the commencement date of the Deed, Exopharm has made full payment of the Initial Reimbursement Payment amounting to $75,000.

The Company has fully paid the $325,000 cost of the IP asset as at 30 June 2019.

Notes To The Financial Statements

For The Year Ended 30 June 2019

Note 11: Accounts Payable And Other Current Liabilities

	2019 $	2018 $
Accounts payable	36,527	63,452
Accruals	53,115	66,945
Accrued payroll costs	71,075	-
Superannuation payable	12,628	2,704
PAYG payable	107,657	7,426
Other current liabilities	-	75,000
	281,002	**215,527**

Note 12: Non-Current Liabilities

	2019 $	2018 $
Liability for license asset	-	175,000
Less classified as current liabilities	-	(75,000)
Classified as non-current liabilities	**-**	**100,000**

Note 13: Financial Instruments

	2019 $	2018 $
Financial assets		
Cash in bank	4,418,955	52,401
Other receivables	51,134	60,380
	4,470,089	**112,781**
Financial liabilities		
Accounts payable and other current liabilities	**281,002**	**215,527**
Other non-current liabilities	**-**	**100,000**
	281,002	**315,527**

The Company's principal financial instruments comprise of cash and cash equivalents, payables 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 year ended 30 June 2019, it has been the Company's policy not to trade in financial instruments.

Note 13: Financial Instruments Cont.

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
- Foreign exchange 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.

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.

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.

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.

For The Year Ended 30 June 2019

Note 13: Financial Instruments Cont.

	Weighted average effective interest rate %	Less than 1 month $	1 – 3 Months $	3 months – 1 year $	1 – 5 years $	5+ years $
2019						
Non-interest bearing	-	-	281,002	-	-	-
Variable interest rate instruments	-	-	-	-	-	-
Fixed interest rate instruments	-	-	-	-	-	-
		-	**281,002**	**-**	**-**	**-**
2018						
Non-interest bearing	-	-	140,527	75,000	100,000	-
Variable interest rate instruments	-	-	-	-	-	-
Fixed interest rate instruments	-	-	-	-	-	-
		-	**140,527**	**75,000**	**100,000**	**-**

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. Foreign Exchange Risk

The Company has an exposure to foreign exchange rates fluctuations given that the Company purchases plant equipment, consumables and services from overseas suppliers as part of the research and development activities of the Company. As at 30 June 2019, the Company has no material foreign currency denominated monetary liabilities.

f. 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: Related Party Disclosures

The Company's related parties include Key Management and others as described below:

Transactions with Key Management Personnel (KMP)

The aggregate compensation made to Directors and other Key Management Personnel of the Company is set out below:

	2019 $	2018 $
Short-term employee benefits	461,619	46,046
Total	**461,619**	**46,046**

Transactions with Entities Related to KMP

The aggregate transactions with entities related to KMP are as follows:

	2019 $	2018 $
Corporate and other expenses	101,702	-
Research and development	59,035	57,848
Plant and equipment	-	20,996
Licensed asset terminated/cancelled	(175,000)	-
New IP asset	325,000	175,000
Total	**310,737**	**253,844**

In addition to the above, ACNS Capital Markets Pty Ltd T/A Alto Capital was paid $761,319.75 for services as Lead Manager and Corporate Advisor to the Company during the year. Mr Parker is an employee of Alto Capital.

Note 15: Auditors' Remuneration

The auditor of Exopharm Limited is William Buck

	2019 $	2018 $
Audit or review of the financial statements	30,030	6,500
Total	**30,030**	**6,500**

Note 16: Events After The Balance Date

On 1 August 2019, the Company issued 11,900,000 fully paid ordinary shares at $0.37 each pursuant to the Share Placement as announced on 24 July 2019 to raise $4,403,000 before costs.

On 19 August 2019, the Company issued 2,972,000 fully paid ordinary shares at $0.37 each through a Share Purchase Plan to raise $1,099,640 before costs.

Note 17: Dividends

The directors of the Company have not declared any dividend for the year ended 30 June 2019.

Note 18: Committments And Contingencies

As at 30 June 2019, the Company has no other material commitments except as disclosed below:

Altnia Royalty Deed Commitments

On 5 October 2018, the Company and Altnia Operations Pty Ltd (Altnia or Licensor) signed an Intellectual Property Assignment and License Termination Deed (the "Deed"). As consideration for the assignment of the Assignment Rights, Exopharm must:

a. grant royalties to Altnia; and

b. provide the Reimbursement Payments to Altnia in accordance with Clause 7 of the Deed.

The Reimbursement Payments were fully paid during the year.

As at 30 June 2019, The Company is a party to a Royalty Deed with Altnia Operations Pty Ltd (a company owned by a KMP). As at 30 June 2019, the Company has the following financial commitments pursuant to the Royalty Deed:

1. Royalties on net sales – 3% of net sales;

2. License Royalty – 10% of license revenue.

Lease Commitments

There are no lease commitments as at 30 June 2019.

Employee Commitments

The Company currently has 19 employees and a current annualised total annual remuneration of $1,953,606 including statutory superannuation. The Company pays statutory superannuation on a monthly basis.

Directors' Declaration

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

1. The financial statements and notes thereto, as set out on pages 17 to 36, 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
   b. complying with Australian Accounting Standards, the Corporations Regulations 2001, and International Standards (IFRS) as disclosed in Note 1 of the Financial Statements; 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.295(5) of the Corporations Act 2001. On behalf of the Directors:

Dr Ian E Dixon
Managing Director
Exopharm Limited

Mr Jason Watson
Chairman
Exopharm Limited

Dated this 30th August 2019

Independent Auditor's Report

William Buck

Exopharm Limited

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 2019, 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 2019 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.

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 period. 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.

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

Independent Auditor's Report

William Buck

RELATED PARTY TRANSACTIONS	
Area of focus **Refer also to Remuneration report on pages 14 to 20 and Note 14**	**How our audit addressed it**
The Company conducted material related party transactions with entities where key management personnel have interests and/or are directors. As such, there is a risk that not all related party transactions are disclosed in the financial report or that related party transactions have been made on non-arm's length basis. This could result in insufficient information being provided in order to enable the reader to understand the nature and effect of the various related party relationships and transactions.	Our audit procedures included: — Assessment of the Company's controls to identify and disclose related party transactions and transactions in accordance with the relevant accounting standards and the *Corporations Act 2001*; — Comparing the list of related parties provided by the directors with internal sources; — Conducting an ASIC search for external directorships held by the Board members to evaluate whether all related party relationships and transactions had been appropriately identified and disclosed; and — Assessing whether related party transactions were conducted at arms-length by comparing the basis of the transactions to external sources. For each class of related party transaction, we compared the financial statement disclosures against the underlying transactions and the accounting and *Corporations Act 2001* requirements
CARRYING VALUE OF INTANGIBLES	
Area of focus **Note 10**	**How our audit addressed it**
Valuation, capitalisation and impairment testing of the original licenced asset and the intellectual property asset acquired during the year required critical estimations and judgements of those charged with governance to accurately account for the intangible assets of the company.	Our audit procedures included: — Assessing whether intangible assets were eligible for capitalisation by reviewing the term and condition of the IP contract as well as the nature of the asset and assessing the extent of impairment of intangible assets. We also assessed the adequacy of the Group's financial statement disclosures..

Independent Auditor's Report

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 2019 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.

A further description of our responsibilities for the audit of these financial statements is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf

This description forms part of our independent auditor's report.

Independent Auditor's Report

William Buck

Report on the Remuneration Report

Opinion on the Remuneration Report
We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2019.

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

Responsibilities
The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

William Buck

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

J. C. Luckins
Director

Melbourne, 30 August 2019

Additional Securities Information

Shareholder Information

The security holder information set out below was applicable as at 26 August 2019 unless stated.

There is one class of quoted securities, fully paid ordinary shares.

1. Quoted Securities – Fully Paid Ordinary Shares

a. Distribution of Security Number

Category	Ordinary Shares	
(Size of holding)	Shareholders	Shares
1 - 1,000	21	14,176
1,001 – 5,000	80	235,647
5,001 – 10,000	125	1,141,899
10,001 – 100,000	549	22,069,489
100,001 and over	166	71,910,789
Total	941	95,372,000

There are 941 holders of ordinary shares. Each shareholder is entitled to one vote per share held.

b. Marketable Parcel

There are 29 shareholders with less than a marketable parcel (basis price $0.40) as at 27 August 2019.

c. Voting Rights

On a show of hands every person present who is a member or proxy, attorney or representative of a member has one vote and upon a poll every person present who is a member or proxy, attorney or representative of a member shall have one vote for each share held.

d. Substantial Shareholders

There was one substantial shareholder listed on the Companies register as at 30 June 2019, being:

Altnia Holdings Pty Ltd <Dixon Family A/C> (a related party of Dr Ian Dixon) held 27,935,294 fully paid ordinary shares, being 29.33% of the fully paid ordinary shares on issue.

e. On-Market Buy-back

There is no on-market buy-back scheme in operation for the Company's quoted shares.

f. Top 20 Security Holders

The names of the twenty largest holders of quoted equity security, being fully paid ordinary shares, the number of equity security each holds and the percentage of capital each holds is as follows:

Additional Securities Information

Number	Holder Name	Holding	% Held
1	ALTNIA HOLDINGS PTY LTD <DIXON FAMILY A/C>	27,975,294	29.33%
2	MR MICHAEL FRANCIS MCMAHON & MRS SUSAN LESLEY MCMAHON <MCMAHON SUPER FUND A/C>	2,310,000	2.42%
3	OLDVIEW ENTERPRISES PTY LTD <THE PRIESTLEY A/C>	1,476,963	1.55%
4	ANTHONY JOHN LOCANTRO	1,330,000	1.39%
5	CARDA PTY LTD <CARDA SUPER FUND A/C>	1,220,000	1.28%
6	PHYTOSE CORPORATION PTY LIMITED <BOUNDARYONE SUPER A/C>	1,176,471	1.23%
7	PABASA PTY LTD <KEHOE FAMILY SUPER FUND A/C>	1,000,000	1.05%
8	MRS ANNA FELICIA BELTON	978,334	1.03%
9	ACNS CAPITAL MARKETS PTY LTD	810,000	0.85%
10	DRP 2006 SUPER PTY LTD <DRP (2006) SUPER FUND A/C>	760,000	0.80%
11	BASAPA PTY LTD <KEHOE FAMILY A/C>	750,000	0.79%
12	KOHEN ENTERPRISES PTY LTD	750,000	0.79%
13	LONHRO (WA) PTY LTD <LONHRO A/C>	736,667	0.74%
14	SAINTLY COMPANY PTY LTD <WALKER INVESTMENT A/C>	670,000	0.70%
15	MR ANDREW STEWART COLES & MS ALEXANDRA CONSTANCE MANOOK <COLES FAMILY SUPER A/C>	615,000	0.64%
16	GREGOR LICHTFUSS	588,235	0.62%
17	MR ANTHONY DE NICOLA & MRS TANYA LOUISE DE NICOLA <DE NICOLA FAMILY S/F A/C>	575,000	0.60%
18	JECCS PTY LTD <BROWN FAMILY NO1 A/C>	547,000	0.57%
19	RINGSFORD PTY LTD <DG & GL WALKER S/F A/C>	500,000	0.52%
20	LABONNE ENTERPRISES PTY LTD <MCINTYRE FAMILY A/C>	500,000	0.52%
	Total	**45,268,964**	**48.46%**
	Total issued capital – Fully paid ordinary shares	**95,372,000**	**100.00%**

Additional Securities Information

Other SX Information

1. Corporate Governance

The Company's Corporate Governance Statement as at 30 June 2019 as approved by the Board can be viewed at www.exopharm.com/investors/corporate-compliance.

2. Stock Exchange on which the Company's Securities are Quoted

The Company's listed equity securities are quoted on the Australian Stock Exchange.

3. Review of Operations

A review of operations is contained in the Directors' Report.

4. Consistency with Business Objectives – ASX Listing Rule 4.10.19

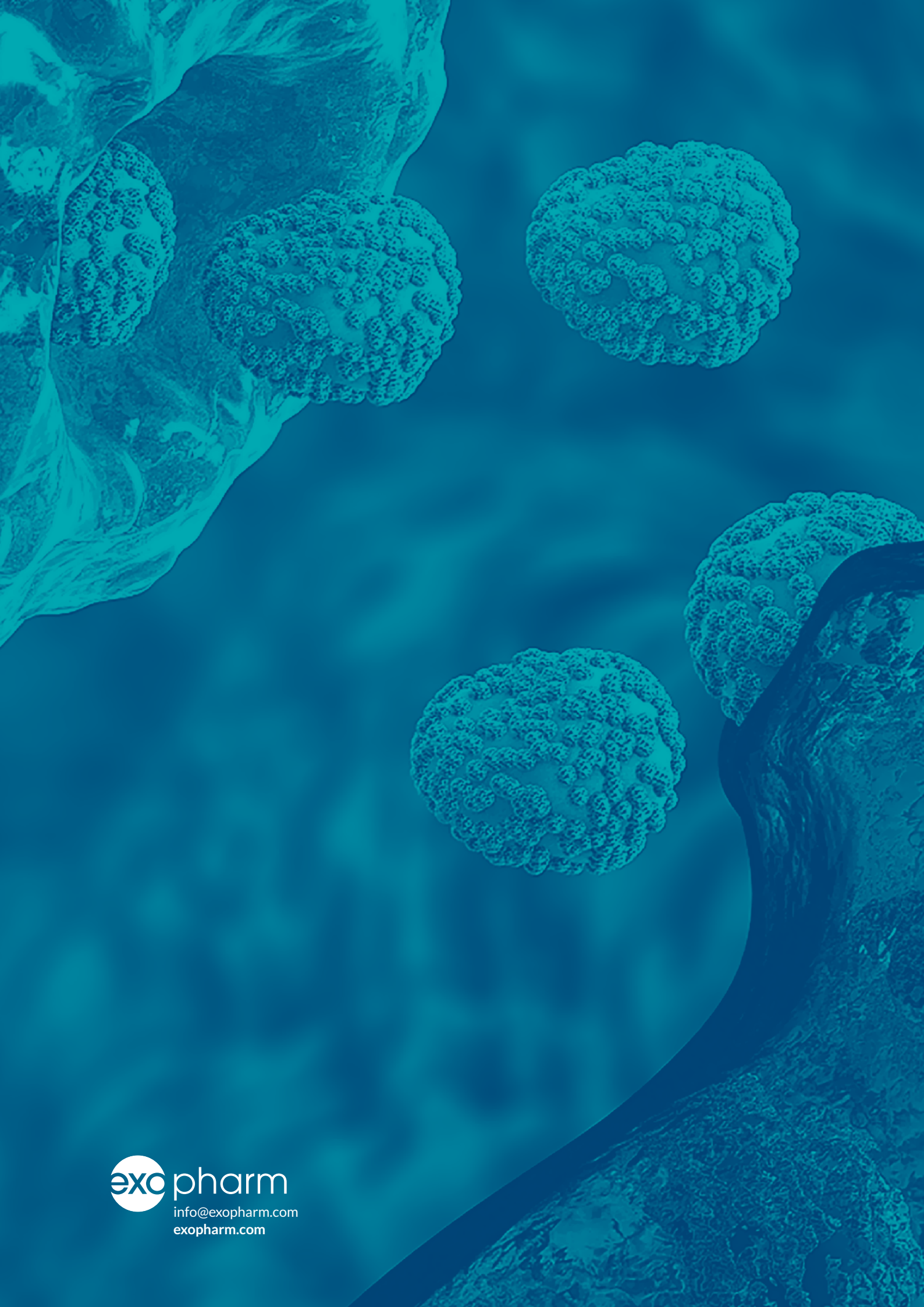
In accordance with Listing Rule 4.10.19, the Company states that it has used the cash and assets in a form readily convertible to cash that it had at the time of admission in a way consistent with its business objectives. The business of objective is primarily research and development of biopharmaceutical drugs.

The Company believes it has used its cash in a consistent manner to which was disclosed under the prospectus dated 6 November 2018.

5. Restricted Securities

As at 20 August 2019, the Company has the following restricted securities:

Class	Number Escrowed	Date Escrow Period Ends
Fully Paid Ordinary Shares (FPOS) comprising:		
35,661,570 FPOS issued on various dates	35,661,570	18 December 2020 (24 months from official quotation)
Total FPOS escrowed	**35,661,570**	



exo pharm

info@exopharm.com
exopharm.com