# Antisense Therapeutics Limited
# Appendix 4D
# For the Half-year ended 31 December 2016

| | |
|---|---|
| **Name of entity** | Antisense Therapeutics Limited |
| **ABN** | 095 060 745 |
| **Half-year ended** | 31 December 2016 (Previous corresponding period: 31 December 2015) |

**Results for Announcement to the Market**

The results of Antisense Therapeutics Limited for the half-year ended 31 December 2016 are as follows:

| | | | | |
|---|---|---|---|---|
| Revenues | down | 39.82% | to | 44,613 |
| Loss after tax attributable to members | down | 22.30% | to | 1,360,183 |
| Net loss for the period attributable to members | down | 22.30% | to | 1,360,183 |

### Explanation of Results

The Company reported a loss for the half year ended 31 December 2016 of $1,360,183 (31 December 2015: $1,750,649). The loss is after fully expensing all research and development costs.

For further details relating to the current period's results, refer to the Results and review of operations contained within this document.

### Dividends

No dividends have been paid or declared by the Company since the beginning of the current reporting period. No dividends were paid for the previous reporting period.

### Net Tangible Assets Per Share

| | 31 December 2016 | 31 December 2015 |
|---|---|---|
| Net tangible assets ($) | 3,263,559 | 5,222,235 |
| Shares (No.) | 161,487,408 | 176,512,483 |
| Net tangible assets per share (cents) | 2.02 | 2.96 |

| | 31 December 2016 | 31 December 2015 |
|---|---|---|
| Basic earnings/ (loss) per share (cents) | (0.79) | (0.99) |
| Diluted earnings/ (loss) per share (cents) | (0.79) | (0.99) |

### Status of Review of Accounts

The Appendix 4D is based on accounts which have been reviewed. The auditors report is included within the financial report which accompanies this Appendix 4D.

# Antisense Therapeutics Limited
**ACN 095 060 745**

Interim financial report for the
half-year ended 31 December 2016

# Contents to financial report

# Corporate information

**ACN 095 060 745**

**Directors**
Mr Robert W Moses
Mr Mark Diamond
Dr Graham Mitchell
Dr Gary Pace
Mr William Goolsbee

## Company Secretary
Mr Phillip Hains

**Registered office**
6-8 Wallace Avenue
Toorak Victoria 3142
Australia
Phone: +61 3 9827 8999

**Principal place of business**
6-8 Wallace Avenue
Toorak Victoria 3142
Australia
Phone: +61 3 9827 8999

**Share register**
Boardroom Pty Ltd
Level 12,
225 George Street,
Sydney NSW 2000
Australia
Phone: 1300 737 760

Antisense Therapeutics Limited Shares are listed on the Australian Securities Exchange (ASX: ANP)

**Solicitors**
Minter Ellison
Rialto Towers, Level 23
525 Collins Street,
Melbourne Victoria 3000

**Bankers**
Commonwealth Bank of Australia
Melbourne Victoria

**Auditors**
Ernst and Young
8 Exhibition Street,
Melbourne Victoria 3000

# Directors' report

The Directors of Antisense Therapeutics Limited ("ANP" or "the Company") provide the following Report in relation to the Company for the half-year ended 31 December 2016.

## Directors

The names and details of the Company's Directors in office during the financial period and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

| | |
|---|---|
| Mr Robert W Moses, Independent Non-Executive Chairman | (Appointed: 23 October 2001) |
| Mr Mark Diamond, Managing Director | (Appointed: 31 October 2001) |
| Dr Graham Mitchell, Independent Non-Executive Director | (Appointed: 24 October 2001) |
| Dr Gary Pace, Independent Non-Executive Director | (Appointed: 9 November 2015) |
| Mr William Goolsbee, Independent Non-Executive Director | (Appointed: 15 October 2015) |

## Results and review of operations

### *Results*

The Company reported a loss for the half-year of $1,360,183 (2015: $1,750,649). This loss is after fully expensing all research and development costs.

### *Review of operations*

Detailed below is an update on the status of the Company's development projects and overall operations for the half-year ended 31 December 2016.

This report should be read in conjunction with the Company's 30 June 2016 Annual Report.

## Capital Management Initiatives

During the period the company initiated the following capital management initiatives.

*Facility for the sale of less than marketable parcels*

The Company gained shareholder approval for the amendment to the Company's Constitution at the Company's Annual General Meeting to implement a facility for the sale of less than marketable parcels (LTMP) of shares in the Company.

By facilitating this sale the Company expects to reduce the administrative costs associated with maintaining a large number of LTMP and also provides an opportunity for investors with small holdings, who would find it difficult or expensive to dispose of those shares through normal means, to dispose of their small holdings in a cost effective manner.

*Cancellation of 8.5% Strongbridge shareholding for no consideration*

At the AGM, the Company received shareholder approval to reduce the share capital of the Company by cancelling all ordinary shares held by the company formerly named Cortendo Cayman Ltd (being 15,025,075 fully paid ordinary shares) for no consideration.

The reduction of capital represented a reduction of 8.5% of the issued capital in the Company. Existing shareholder's ownership in ANP increased proportionally upon cancellation of the Shares held by Strongbridge. Importantly the cancellation of these shares also removed the overhang of an investor (being Strongbridge) who is now no longer a strategic or long term investor in the Company.

# Directors' report (continued)

## Results and review of operations (continued)

### Capital Management Initiatives (continued)

*Bonus and New Option issues*
As a reward regime for its shareholders and as a way of distributing part of the value regained by the Company through its settlement with former licensing partner Strongbridge BioPharma, the Company issued free bonus options (Bonus Options) to all of its ordinary shareholders on a pro rata basis.

The Company also made an offer of new options (New Options), to current option holders, with the issue price of A$0.002 per New Option and an expiry date of 19 December 2019.

The Company lodged and despatched the Prospectus in respect of the Bonus Options and New Options on 29th November 2016. A total of 36,584,664 New Options with an exercise price of $0.08 and a three year expiry date have now been issued under the New Options offer.

## ATL1103 for Acromegaly, Diabetic Retinopathy and Nephropathy and Cancer

ATL1103 is a second generation antisense drug designed to block growth hormone receptor (GHr) expression thereby reducing levels of the hormone insulin-like growth factor-I (IGF-I) in the blood and is a potential treatment for diseases associated with excessive growth hormone action. By inhibiting GHr production, ATL1103 in turn reduces IGF-I levels in the blood (serum). There are a number of diseases that are associated with excess GH and IGF-I action. These diseases include acromegaly, an abnormal growth disorder of organs, face, hands and feet; diabetic retinopathy, a common disease of the eye and a major cause of blindness; diabetic nephropathy, a common disease of the kidney and major cause of kidney failure, and certain forms of cancer.

ATL1103 is in clinical development as a treatment for acromegaly. Normalizing serum IGF-I levels is the therapeutic goal in the treatment of acromegaly and reducing the effects of IGF-I has a potential role in the treatment of diabetic retinopathy, nephropathy and certain forms of cancer. The Company conducted a successful Phase II trial of ATL1103 with the trial having met its primary efficacy endpoint by showing a statistically significant average reduction in sIGF-1 levels. The Company also announced that it was conducting a high dose study of ATL1103 in adult patients with acromegaly in Australia. Certain toxicology studies to support longer term clinical trials initiated by the former licensing partner have also been completed or are nearing completion.

### *What is Acromegaly?*
*Acromegaly is a serious chronic life threatening disease triggered by excess secretion of growth hormone (GH) by benign pituitary tumours. Oversupply of GH over stimulates liver, fat and kidney cells, through their GH receptors, to produce excess levels of Insulin-Like Growth Factor-I (IGF-I) in the blood manifesting in abnormal growth of the face, hands and feet, and enlargement of body organs including liver, kidney and heart. The primary treatments for acromegaly are to surgically remove the pituitary gland and/or drug therapy to normalize GH and serum IGF-I levels. In North America and Europe there are approximately 85,000 diagnosed acromegaly patients with about half requiring drug therapy.*

### *Progress*
On 13th July the Company reported certain advancements that had been made in expanding the intellectual property (IP) portfolio protecting ATL1103. These advancements included both the grant of US patent 9,371,350 (14/137,852) entitled “Modulation of Growth Hormone Receptor Expression and insulin like growth factor expression” and NZ patent 629004 entitled “Combination Therapy comprising a growth hormone variant and an oligonucleotide targeted to the growth hormone receptor.

On 27th July the Company announced positive results from the Interim Analysis of ATL1103 Higher Dose Study. The higher dose study was an open-label study of the safety, tolerability, pharmacokinetics and efficacy of ATL1103 in acromegaly patients. The primary efficacy endpoint of the trial was the reduction in sIGF-I levels in acromegaly patients as they have significantly higher levels than healthy individuals and sIGF-I normalisation is accepted by authorities as the therapeutic goal for the treatment of acromegaly.

# Directors' report (continued)

### ATL1103 for Acromegaly, Diabetic Retinopathy and Nephropathy and Cancer (continued)

***Progress (continued)***

Three patients were enrolled in the study and dosed with ATL1103 at 300 mg twice weekly (2 patients), capped at a weekly dose of 6 mg/kg (1 patient). All 3 patients were dosed for 13 weeks, with one patient at the request of the Principal Investigator receiving an extended dosing period of an additional 12 weeks. There was a follow-up period of 2 months for all patients.

The Company reported that sIGF-I levels were reduced in all 3 patients by an average of 18.6% (P = 0.06) at week 14 (one week past the last dose which is the primary efficacy endpoint in the trial) and an average of 26.7% at week 13 being the last week of dosing (P = 0.04). Normalisation of sIGF-I was achieved in one patient who received the highest weekly dose per kg of bodyweight (6 mg/kg/week). This was consistent with results observed in the previous Phase II study of ATL1103 where patients who received more drug per kg of bodyweight had greater reductions in their sIGF-I. Reductions of sIGF-I to < 1.3 X ULN was achieved in the other two patients who had larger body weights (over 100kgs) and therefore received relatively lower doses of ATL1103 on a mg per kg basis (5.5 and 5.8 mg/kg/week) suggesting a therapeutic benefit in these 2 patients.

ATL1103 appeared to be well-tolerated at the higher mg doses tested in the trial. No patient withdrew from the study and there were no serious adverse events reported. Mild injection site reactions (ISRs) were the most common adverse event reported, though these ISRs were of lesser severity and incidence when compared to the previous Phase II trial following the use of ISR mitigation strategies (e.g. icing of the injection site pre and post dosing and use of nanoneedles) recommended by technology partner Ionis. An elevated creatine kinase level had also been reported as adverse without apparent clinical sequelae.

On 11th October the Company reported the completion of the Higher Dose clinical trial of ATL1103 in acromegaly patients.

As noted in the 27th July 2016 announcement, at that time two patients had completed the study and one patient was still being dosed in the extended dosing period.

In the 11th October announcement, the Company reported that the 3rd patient's IGF-I level had been normalised during the extended dosing period. Maximal suppression of IGF-I in that patient was 44% from baseline at week 26 (vs 33% at week 13). This is higher than the mean reduction reported in the interim analysis (26.7% at week 13 and 18.6% at week 14) was consistent with ATL1103 dose modelling predictions that greater effects in reducing sIGF-1 are achievable with longer ATL1103 dosing regimens.

As reported previously, the dosing frequency was reduced in this patient to 300 mg once weekly during the extending dosing due to mild/grade 1 thrombocytopenia (low platelet counts). Platelet counts stabilised at this reduced dosing frequency, and returned to normal levels during the follow-up period. As reported above, IGF-I levels normalised during the extended dosing period despite this reduction in dosing frequency.

There were no new significant adverse safety findings beyond those reported on 27 July 2016. ATL1103 appeared to be well-tolerated at the higher mg doses tested in the trial. No patient withdrew from the study and no serious adverse events reported.

In the period the US Food and Drug Administration (FDA) and European Commission granted Orphan Drug designation to ATL1103 for treatment of Acromegaly. Orphan Drug designation provides important incentives for continued drug development including market exclusivity, reduced fees, and potential access to grants and tax credits towards trial costs

### ATL1102 for Multiple Sclerosis (MS)

ATL1102 is a second generation antisense inhibitor of CD49d, the alpha subunit of VLA-4 (Very Late Antigen-4). In inflammation, white blood cells (leukocytes) move out of the bloodstream into the inflamed tissue, for example, the Central Nervous System (CNS) in MS, and the lung airways in asthma. In MS, the inhibition of VLA-4 prevents white blood cells from entering the CNS, thereby reducing the severity of the disease and slowing its progression. VLA-4 is a clinically validated target in the treatment of MS. Antisense inhibition of VLA-4 has demonstrated positive effects in a number of animal models of inflammatory disease including MS. ATL1102 was shown to be highly effective in reducing MS lesions in a 77 patient double-blind placebo conrolled Phase IIa clinical trial in MS patients. The Phase IIa clinical trial data on ATL1102 has been published in the medical Journal ***Neurology*** (*Limmroth et al,* Neurology, 2014 Nov 11: 83(20: 1780-8)

# Directors' report (continued)

The Company previously reported that the US Food and Drug Administration (FDA) had responded affirmatively to the Company's plan to submit a U.S. Investigational New Drug (IND) application for initiation of longer term Phase IIb human trials of ATL1102 for the treatment of MS and that supportive guidance had been obtained from the agency's Pre-IND assessment of the development strategy for ATL1102, including potential design(s) for a Phase IIb study in MS patients.

**Progress**

On 4th November the Company reported that it was continuing to interact with potential partners regarding the ongoing development of ATL1102 for Multiple Sclerosis. The Company advised that in parallel with the partnering interactions, it was looking to seek to add value and move the ATL1102 for MS program forward by preparing an Investigational New Drug (IND) submission to the US Food and Drug Administration (FDA), while pursuing other development opportunities including progressing non-dilutive funding initiatives for the conduct of the Phase IIb trial.

*Phase IIb Investigational New Drug (IND) submission and non-dilutive funding*

The Company advised that the IND application for a Phase IIb trial in 195 MS patients was in its final stages of preparation and that submission to the FDA was forecast for early 2017.

The Company also noted that with the assistance of consulting firm FreeMind who specialise in helping life science organisations secure non-dilutive funding from US Federal Agencies and Private Foundations, it anticipated making an application after IND clearance for an appropriate award grant to fund the conduct of the Phase IIb trial.

*Investigative study and Early Access Program*

In the November 4th Update announcement it was reported that, the Company was continuing its planning to undertake a smaller investigative study of ATL1102 in relapsing SP-MS patients in Germany with Professor Volker Limmroth (Cologne City Hospital, Department of Neurology, Germany), the Principal Investigator of the previous Phase IIa study and that an application had been submitted to the National Multiple Sclerosis Society in the US for grant funding to conduct this study.

This investigative study would be expected to generate important and supportive data on the use of ATL1102 in the SP-MS patient population that could allow for the potential treatment under an Early Access Program (EAP). of SP-MS patients not responding or tolerating other therapies.

### *What is Multiple Sclerosis?*

*Multiple Sclerosis (MS) is a life-long, chronic disease that progressively destroys the central nervous system (CNS). It affects approximately 400,000 people in North America and more than 1 million worldwide and the current market for MS drugs is estimated at more than USD$20 billion. It is a disease that affects more women than men, with onset typically occurring between 20 and 40 years of age. Symptoms of MS may include vision problems, loss of balance, numbness, difficulty walking and paralysis. In Australia MS affects over 15,000 people and worldwide MS may affect more than one million people.*

### New Growth Opportunities

During the period the Company reported that it was continuing to look to identify new attractive growth opportunities that would complement the Company's existing product pipeline and its core expertise in drug development.

# Directors' report (continued)

## R&D tax incentives

During the period the Company received from the Australian Taxation Office an R&D Tax Incentive payment of $395,597 in relation to expenditure incurred on eligible R&D activities for the 2016 financial year.

## Financial position

At 31 December 2016, the Company had cash reserves of $3,552,083 (30 June 2016:$4,800,718)

## Events after balance sheet date

No matters or circumstances have arisen since the end of the reporting period, not otherwise disclosed in this report, which significantly affected, or may significantly affect, the operations of the Company, the result of those operations, or the state of affairs of the Company in subsequent financial periods.

## Biotechnology companies – Inherent risks

### *Pharmaceutical research and development (R&D)*

Pharmaceutical R&D involves scientific uncertainty and long lead times. Risks inherent in these activities include uncertainty of the outcome of the Company's research results; difficulties or delays in development of any of the Company's drug candidates; and general uncertainty related to the scientific development of a new medical therapy.

The Company's drug compounds require significant pre-clinical and human clinical development prior to commercialisation, which is uncertain, expensive and time consuming. There may be adverse side effects or inadequate therapeutic efficacy of the Company's drug candidates which would prevent further commercialisation. There may be difficulties or delays in testing any of the Company's drug candidates. There may also be adverse outcomes with the broader clinical application of the antisense technology platform which could have a negative impact on the Company's specific drug development and commercialisation plans.

No assurance can be given that the Company's product development efforts will be successful, that any potential product will be safe and efficacious, that required regulatory approvals will be obtained, that the Company's products will be capable of being produced in commercial quantities at an acceptable cost or at all, that the Company will have access to sufficient capital to successfully advance the products through development or to find suitable development or commercial partners for the development and or commercialisation of the products and that any products, if introduced, will achieve market acceptance.

### *Partnering and licensing*

Due to the significant costs in drug discovery and development it is common for biotechnology companies to partner with larger biotechnology or pharmaceutical companies to help progress drug development. While the Company has previously entered into such licensing agreements with pharmaceutical partners, there is no guarantee that the Company will be able to maintain such partnerships or license its products in the future. There is also no guarantee that the Company will receive back all the data generated by or related intellectual property from its licensing partners. In the event that the Company does license or partner the drugs in its pipeline, there is no assurance as to the attractiveness of the commercial terms nor any guarantee that the agreements will generate a material commercial return for the Company.

### *Regulatory approvals*

Complex government health regulations, which are subject to change, add uncertainty to obtaining approval to undertake clinical development and obtain marketing approval for pharmaceutical products.

Delays may be experienced in obtaining such approvals, or the regulatory authorities may require repeat of different or expanded animal safety studies or human clinical trials, and these may add to the development cost and delay products from moving into the next phase of drug development and up to the point of entering the market place. This may adversely affect the competitive position of products and the financial value of the drug candidates to the Company.

There can be no assurance that regulatory clearance will be obtained for a product or that the data obtained from clinical trials will not be subject to varying interpretations. There can be no assurance that the regulatory authorities will agree with the Company's assessment of future clinical trial results.

# Directors' report (continued)

## Biotechnology companies – Inherent risks (continued)

### *Competition*

The Company will always remain subject to the material risk arising from the intense competition that exists in the pharmaceutical industry. A material risk therefore exists that one or more competitive products may be in human clinical development now or may enter into human clinical development in the future. Competitive products focusing on or directed at the same diseases or protein targets as those that the Company is working on may be developed by pharmaceutical companies or other antisense drug companies including Ionis or any of its other collaboration partners or licensees. Such products could prove more efficacious, safer, more cost effective or more acceptable to patients than the Company product. It is possible that a competitor may be in that market place sooner than the Company and establish itself as the preferred product.

### *Technology and Intellectual Property Rights*

Securing rights to technology and patents is an integral part of securing potential product value in the outcomes of pharmaceutical R&D. The Company's success depends, in part, on its ability to obtain patents, maintain trade secret protection and operate without infringing the proprietary rights of third parties. There can be no assurance that any patents which the Company may own, access or control will afford the Company commercially significant protection of its technology or its products or have commercial application, or that access to these patents will mean that the Company will be free to commercialise its drug candidates. The granting of a patent does not guarantee that the rights of others are not infringed or that competitors will not develop technology or products to avoid the Company's patented technology or try to invalidate the Company's patents, or that it will be commercially viable for the Company to defend against such potential actions of competitors.

## Auditor independence and non-audit services

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

Signed in accordance with a resolution of the Directors.

Mr Robert W Moses
Independent Non-Executive Chairman

Mr Mark Diamond
Managing Director

Melbourne

Dated: 23 February 2017

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# Auditor's Independence Declaration to the Directors of Antisense Therapeutics Limited

As lead auditor for the review of Antisense Therapeutics Limited for the half-year ended 31 December 2016, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

Ernst & Young

Ernst & Young

Joanne Lonergan
Partner
Melbourne
23 February 2017

# Statement of profit or loss and other comprehensive income

## For the half-year ended 31 December 2016

| | Notes | 31 December 2016 $ | 31 December 2015 $ |
|---|---|---|---|
| Revenue | 3 | 44,613 | 74,133 |
| Other income | 3 | 162,129 | 169,610 |
| | | **206,742** | **243,743** |
| Depreciation expenses | | (1,506) | (3,083) |
| Administrative expenses | 4 | (555,102) | (498,133) |
| Business development expenses | | (432,074) | (376,168) |
| Occupancy expenses | 4 | (58,813) | (58,138) |
| Patent expenses | | (68,048) | (123,284) |
| Research and development expenses | 4 | (446,483) | (948,889) |
| Foreign exchange gains/(losses) | | (4,899) | 13,303 |
| **Loss before tax** | | **(1,360,183)** | **(1,750,649)** |
| Income tax benefit/(expense) | | - | - |
| **Loss for the period** | | **(1,360,183)** | **(1,750,649)** |
| Other comprehensive income/(loss) for the year, net of tax | | **-** | **-** |
| **Total comprehensive loss for the year, net of tax** | | **(1,360,183)** | **(1,750,649)** |
| Earnings/(loss) per share | 7 | | |
| Basic earnings/(loss) per share (cents) | | ($0.79) | ($0.99) |
| Diluted earnings/(loss) per share (cents) | | ($0.79) | ($0.99) |

The accompanying notes form part of these financial statements.

# Statement of financial position

## As at 31 December 2016

| | Notes | 31 December 2016 $ | 30 June 2016 $ |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 5 | 3,552,083 | 4,800,718 |
| Trade and other receivables | 6 | 190,742 | 420,297 |
| Prepayments | | 75,425 | 102,941 |
| | | 3,818,250 | 5,323,956 |
| **Non-current assets** | | | |
| Plant and equipment | | 17,471 | 3,403 |
| | | 17,471 | 3,403 |
| **Total assets** | | **3,835,721** | **5,327,359** |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | | 263,575 | 458,154 |
| Employee benefit liabilities | | 308,587 | 292,050 |
| | | 572,162 | 750,204 |
| **Total liabilities** | | **572,162** | **750,204** |
| **Net Assets** | | **3,263,559** | **4,577,155** |
| **Equity** | | | |
| Contributed equity | 10 | 56,761,312 | 56,714,725 |
| Reserves | 10 | 960,855 | 960,855 |
| Accumulated losses | | (54,458,608) | (53,098,425) |
| **Total equity** | | **3,263,559** | **4,577,155** |

The accompanying notes form part of these financial statements.

# Statement of changes in equity

## For the half-year ended 31 December 2016

| | Contributed equity | Reserve | Accumulated losses | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **As at 1 July 2015** | **56,714,725** | **960,855** | **(50,583,982)** | **7,091,598** |
| Loss for the period | - | - | (1,750,649) | (1,750,649) |
| Total comprehensive loss | - | - | (1,750,649) | (1,750,649) |
| **At 31 December 2015** | **56,714,725** | **960,855** | **(52,334,631)** | **5,340,949** |
| **As at 1 July 2016** | **56,714,725** | **960,855** | **(53,098,425)** | **4,577,155** |
| Loss for the period | - | - | (1,360,183) | (1,360,183) |
| Total comprehensive loss | - | - | (1,360,183) | (1,360,183) |
| Issue of options | 73,169 | - | - | 73,169 |
| Transactions costs on share issues | (26,582) | - | - | (26,582) |
| **At 31 December 2016** | **56,761,312** | **960,855** | **(54,458,608)** | **3,263,559** |

The accompanying notes form part of these financial statements.

# Statement of cash flows

## For the half-year ended 31 December 2016

| | Notes | 31 December 2016 $ | 31 December 2015 $ |
|---|---|---|---|
| **Operating activities** | | | |
| Payments to suppliers and employers | | (1,719,865) | (2,230,103) |
| Interest received | | 44,613 | 74,133 |
| R&D tax concession refund | | 395,595 | 706,328 |
| **Net cash flows used in operating activities** | | **(1,279,657)** | **(1,449,642)** |
| **Investing activities** | | | |
| Purchase of property, plant and equipment | | (15,575) | (3,861) |
| **Net cash flows used in investing activities** | | **(15,575)** | **(3,861)** |
| **Financing activities** | | | |
| Proceeds from issue of securities | | 73,169 | - |
| Capital raising costs | | (26,582) | - |
| **Net cash flows from financing activities** | | **46,587** | **-** |
| Net decrease in cash and cash equivalents | | (1,248,645) | (1,453,503) |
| Cash and cash equivalents at 1 July | | 4,800,718 | 6,829,605 |
| **Cash and cash equivalents at 31 December** | 5 | **3,552,073** | **5,376,102** |

The accompanying notes form part of these financial statements.

# Notes to the financial statements

## For the half-year ended 31 December 2016

### 1. Summary of significant accounting policies

### 1.1 Basis of preparation

The general purpose condensed financial report for the half-year reporting period ended 31 December 2016 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This half-year financial report does not include all notes of the type normally included in an Annual Report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Company as the Annual Report.

Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2016 and any public announcements made by Antisense Therapeutics Limited during the Half Year reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

### 1.2 Changes in accounting policy, disclosures, standards and interpretations

The accounting policies adopted by the Company are consistent with the most recent Annual Report for the year ended 30 June 2016.

***Accounting Standards and Interpretations issued but not yet effective***

Certain Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective and have not been adopted by the Company for the reporting period ended 31 December 2016. The Director have not early adopted any of these new or amended standards or interpretations. The Director have assessed the impact of these new or amended standards (to the extent relevant to the Company) and interpretations and concluded that they did not have any significant impact on the entity.

### 2. Dividends

No dividends have been declared for the period ended 31 December 2016 (31 December 2015: Nil).

### 3 Revenue and other income

| | 31 December 2016 | 31 December 2015 |
|---|---|---|
| | $ | $ |
| **Revenue** | | |
| Interest from external parties | 44,613 | 74,133 |
| **Total revenue** | **44,613** | **74,133** |
| | | |
| **Other income** | | |
| Research and development tax concession | 162,129 | 169,610 |
| **Total other income** | **162,129** | **169,610** |
| | | |
| **Total revenue and other income** | **206,742** | **243,743** |

### a Research and development tax concession

Research and development tax concession for the 31 December 2016 reporting period consists of $162,129 anticipated refund for expenditure incurred in the period (2015: $169,610).

# Notes to the financial statements (continued)

## For the half-year ended 31 December 2016

### 4 Expenses

| | 31 December 2016 | 31 December 2015 |
|---|---|---|
| | $ | $ |
| **Administration expenses** | | |
| Compliance expenses | 143,409 | 113,632 |
| Office expenses | 29,779 | 25,008 |
| Corporate employee expenses | 381,914 | 359,493 |
| | **555,102** | **498,133** |
| **Occupancy expenses** | | |
| Rent | 49,389 | 49,389 |
| Other expenses | 9,424 | 8,749 |
| | **58,813** | **58,138** |
| **Research and development expenses** | | |
| ATL 1102 | 199,071 | 860,959 |
| ATL 1103 | 165,418 | 70,023 |
| R&D Staff Costs | 81,994 | 17,907 |
| | **446,483** | **948,889** |

### 5. Cash and cash equivalents

| | 31 December 2016 | 30 June 2016 |
|---|---|---|
| | $ | $ |
| Cash at bank and on hand | 352,083 | 300,718 |
| Short-term deposits | 3,200,000 | 4,500,000 |
| | **3,552,083** | **4,800,718** |

### 6. Trade and other receivables

| | 31 December 2016 | 30 June 2016 |
|---|---|---|
| | $ | $ |
| Research and development tax concession receivable | 170,427 | 399,610 |
| Interest receivable | 8,664 | 9,839 |
| Australian Tax Office receivable | 3,420 | 2,617 |
| Other receivables | 8,231 | 8,231 |
| | **190,742** | **420,297** |

### 7. Loss per share (EPS)

Basic EPS amounts are calculated by dividing profit for the period attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the period.

## For the half-year ended 31 December 2016

### 7. Loss per share (EPS) (continued)

Diluted EPS amounts are calculated by dividing the net profit attributable to ordinary equity holders (after adjusting for dilution factors) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on impact of all the dilutive potential ordinary shares into ordinary shares.

| | 31 December 2016 $ | 31 December 2015 $ |
|---|---|---|
| Loss per share | | |
| Basic earnings/(loss) per share (cents) | ($0.79) | ($0.99) |
| Diluted earnings/(loss) per share (cents) | ($0.79) | ($0.99) |

The following reflects the income and share data used in the basic and diluted EPS computations:

| | 31 December 2016 $ | 31 December 2015 $ |
|---|---|---|
| **Loss attributable to ordinary equity holders of the Parent** | | |
| Net profit/(earnings/(losses)) used in the calculation of basic and diluted earnings/(losses) per share | (1,360,183) | (1,750,649) |
| **Loss attributable to ordinary equity holders of the Parent for basic earnings** | **(1,360,183)** | **(1,750,649)** |
| **Loss attributable to ordinary equity holders of the Parent adjusted for the effect of dilution** | **(1,360,183)** | **(1,750,649)** |

| | 31 December 2016 | 31 December 2015 |
|---|---|---|
| Weighted average number of ordinary shares for basic EPS* | 173,903,731 | 176,512,483 |
| Effect of dilution: | | |
| **Weighted average number of ordinary shares adjusted for the effect of dilution *** | **173,903,731** | **176,512,483** |

** There have been no other conversions to, call of, or subscriptions for ordinary shares, or issues of potential ordinary shares since the reporting date and before the completion of this financial report.*

## For the half-year ended 31 December 2016

### 8. Cash flow reconciliation

| | 31 December 2016 | 31 December 2015 |
|---|---|---|
| | $ | $ |
| **Net loss before tax** | **(1,360,183)** | **(1,750,648)** |
| Depreciation expense | 1,506 | 3,083 |
| Movement in trade and other receivables | 229,554 | 423,942 |
| Movements in prepayments | 27,516 | (53,893) |
| Movements in trade and other payables | (194,577) | (71,523) |
| Movements in provisions | 16,537 | (603) |
| **Net cash flows used in operating activities** | **(1,279,647)** | **(1,449,642)** |

### 9. Commitments and contingencies

**Operating lease commitments**

Future minimum rentals payable under non-cancellable operating leases as at 31 December are as follows:

| | 31 December 2016 | 30 June 2016 |
|---|---|---|
| | $ | $ |
| Within one year | 24,693 | 24,693 |
| | **24,693** | **24,693** |

The lease expenditure commitments relate to the leasing of office premises. The lease is for a term of one year, expiring October 2017.

**Contingencies**

There are no contingencies in the current or preceding year.

### 10. Contributed equity

| | Notes | 31 December 2016 | 30 June 2016 |
|---|---|---|---|
| | | $ | $ |
| Ordinary fully paid shares | 10.1 | 55,505,680 | 55,505,680 |
| Options over ordinary shares | 10.2 | 1,255,632 | 1,209,045 |
| | | **56,761,312** | **56,714,725** |

***10.1 - Ordinary fully paid shares***

| | No. | $ |
|---|---|---|
| **As at 1 July 2015** | **176,512,483** | **55,505,680** |
| Shares issued during the period | - | - |
| **At 31 December 2015** | **176,512,483** | **55,505,680** |

| | No. | $ |
|---|---|---|
| **As at 1 July 2016** | **161,487,408** | **55,505,680** |
| Shares issued during the period | 72,000 | - |
| **At 31 December 2016** | **161,559,408** | **55,505,680** |

## For the half-year ended 31 December 2016

### 10. Contributed equity (continued)

***10.2 - Options over ordinary shares***

| | No. | $ |
|---|---|---|
| **At 1 July 2015** | **46,950,984** | **1,209,045** |
| Options issued during the period | - | - |
| Capital Raising costs associated with option issues | - | - |
| **At 31 December 2015** | **46,950,984** | **1,209,045** |
| | | |
| **At 1 July 2016** | **46,950,984** | **1,209,045** |
| Options issued during the period | 68,713,794 | 73,169 |
| Capital Raising costs associated with option issues | - | (26,582) |
| **At 31 December 2016** | **115,664,778** | **1,255,632** |

### 11. Reserves

The option reserve recognises the proceeds from the issue of options over ordinary shares and the expense recognised in respect of share based payments.

| | 31 December 2016 No. | 31 December 2016 $ | 30 June 2016 No. | 30 June 2016 $ |
|---|---|---|---|---|
| Unlisted options over fully paid | 72,000 | 960,855 | 72,000 | 960,855 |
| Options exercised | (72,000) | - | - | - |
| | - | 960,855 | 72,000 | 960,855 |

### 12. Segment information

The Company has identified its operating segments based on the internal reports that are reviewed and used by the Managing Director (Chief Operating Decision Maker) in assessing performance and determining the allocation of resources.

The operating segments are identified by the Managing Director and his executive management team based on the manner in which the expenses are incurred. Discrete financial information about each of these operating segments is reported by the Managing Director to the Board on a regular basis.

The reportable segments are based on aggregated operating segments determined by similarity of expenses, where expenses in the reportable segments exceed 10% of the total expenses for either the current and/or previous reporting period.

*Operating segments:*

- ATL1102 - Multiple Sclerosis
- ATL1103 - Acromegaly, Diabetic Retinopathy and Nephropathy and Cancer

## For the half-year ended 31 December 2016

### 12. Segment information (continued)

| Year ended 31 December 2016 | ATL1102 Multiple Sclerosis | ATL1103 Growth and sight disorders | Total segments | Unallocated (Note 12.1) | Total segments + Unallocated |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| Revenue | - | - | - | 44,613 | 44,613 |
| Other income | - | - | - | 162,129 | 162,129 |
| | **-** | **-** | **-** | **206,742** | **206,742** |
| Research and development expenses | (199,071) | (165,418) | (364,489) | (81,994) | (446,483) |
| Patent expenses | - | - | - | (68,048) | (68,048) |
| Other operating expenses | - | - | - | (1,052,394) | (1,052,394) |
| | (199,071) | (165,418) | (364,489) | (1,202,436) | (1,566,925) |
| **Segment results** | **(199,071)** | **(165,418)** | **(364,489)** | **(995,694)** | **(1,360,183)** |

| Year ended 31 December 2015 | ATL1102 Multiple Sclerosis | ATL1103 Growth and sight disorders | Total segments | Unallocated (Note 12.1) | Total segments + Unallocated |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| Revenue | - | - | - | 74,133 | 74,133 |
| Other income | - | - | - | 169,610 | 169,610 |
| | **-** | **-** | **-** | **243,743** | **243,743** |
| Research and development expenses | (860,959) | (70,023) | (930,982) | (17,907) | (948,889) |
| Patent expenses | - | - | - | (123,284) | (123,284) |
| Other operating expenses | - | - | - | (922,219) | (922,219) |
| | (860,959) | (70,023) | (930,982) | (1,063,410) | (1,994,392) |
| **Segment results** | **(860,959)** | **(70,023)** | **(930,982)** | **(819,667)** | **(1,750,649)** |

***12.1 - Unallocated breakdown***

| | 31 December 2016 | 31 December 2015 |
|---|---|---|
| | $ | $ |
| **Revenue and other income** | | |
| Interest from external parties | 44,613 | 74,133 |
| R&D tax concession refund | 162,129 | 169,610 |
| | **206,742** | **243,743** |

## For the half-year ended 31 December 2016

### 12. Segment information (continued)

| | 31 December 2016 | 31 December 2015 |
|---|---|---|
| | $ | $ |
| **Expenses** | | |
| Depreciation expenses | (1,506) | (3,083) |
| Administration expenses | (555,102) | (343,401) |
| Business development expenses | (432,074) | (376,168) |
| Occupancy expenses | (58,813) | (58,138) |
| Patent expenses | (68,048) | (123,284) |
| Research and development expenses | (81,994) | (172,638) |
| Foreign exchange gains (losses) | (4,899) | 13,303 |
| | **(1,202,436)** | **(1,063,409)** |

### 13. Events after the reporting period

No matters or circumstances have arisen since the end of the reporting period, not otherwise disclosed in this report, which significantly affected, or may significantly affect the operations of the Company the results of those operations, or the state of affairs of the Company, in future financial years.

# Directors' declaration

In accordance with a resolution of the Directors of Antisense Therapeutics Limited, I state that:

1. In the opinion of the Directors:

   (a) the interim financial statements and notes of Antisense Therapeutics Limited for the financial half-year ended 31 December 2016 are in accordance with the *Corporations Act 2001*, including:

      (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year on that date; and

      (ii) complying with AASB134 Interim Financial Report and the *Corporations Regulations 2001*;

   (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. This declaration has been made after receiving the declarations required to be made to the Directors by the chief executive officer and chief financial officer in accordance with section 295A of the *Corporations Act 2001* for the financial half-year ended 31 December 2016.

On behalf of the board

Mr Robert W Moses
Independent Non-Executive Chairman

Mr Mark Diamond
Managing Director

Dated: This the 23 Day of February 2017.

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To the members of Antisense Therapeutics Limited

## Report on the Half-Year Financial Report

We have reviewed the accompanying half year financial report of Antisense Therapeutics Limited which comprises the condensed statement of financial position as at 31 December 2016, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' Declaration.

## Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Antisense Therapeutics Limited and the entities it controlled during the half year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

## Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half year financial report of Antisense Therapeutics Limited is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst & Young

Joanne Lonergan
Partner
Melbourne
23 February 2017