

## Appendix 4E

### 1. Company details

Name of entity

**ACTINOGEN MEDICAL LIMITED**

ABN or equivalent company reference

14 086 778 476

Financial year ended ('reporting period')

30 June 2017

Financial year ended ('previous corresponding period')

30 June 2016

### 2. Results for announcement to the market

	30/06/2017	30/06/2016	% Change	Amount change (\$)
Revenues from ordinary activities	155,768	204,491	-24%	(48,723)
Loss from ordinary activities after tax attributable to members	3,190,338	3,633,758	-12%	(443,420)
Net loss for the period attributable to members	3,190,338	3,633,758	-12%	(443,420)
Net tangible asset per share	0.007	0.011	-	-

### 3. Statement of comprehensive income

Refer to attached financial statements.

### 4. Statement of financial position

Refer to attached financial statements.

### 5. Statement of cash flows

Refer to attached financial statements.

### 6. Statement of changes in equity

Refer to attached financial statements.

### 7. Dividends/Distributions

No dividends declared in current or prior year.

### 8. Details of dividend reinvestment plan

Not applicable.

### 9. Details of entities over which control has been gained or lost during the period

Not applicable.

**10. Details of associates and joint venture entities**

Not applicable.

**11. Any other significant information needed by an investor to make an informed assessment of the Company's financial performance and financial position**

Refer to attached financial statements.

**12. Foreign entities**

Not applicable.

**13. Commentary on results and explanatory information**

Actinogen Medical Limited ('the Company') incurred a net loss for the financial year ended 30 June 2017 of \$3,190,338 (2016: \$3,633,758).

The Company recognised \$1,415,486 in revenue and other income which was largely offset by the following expenditure:

- \$3,190,450 on research and development related-costs. This expenditure was in accordance with the proposed use of capital raising funds as disclosed by the Company in various ASX announcements issued during current and previous financial years ended.
- \$578,468 corporate administration expenses;
- \$361,341 business development and investor relation expenses; and
- \$467,033 in non-cash transactions. The non-cash charges are largely made up \$353,501 in amortisation charges and \$106,415 in share-based payment expenses on the loan shares issued to Key Management Personnel and employee options issued to employees and contractors during the year.

In the attached report below, refer to the Directors' Report and the financial statements for further information.

**14. Audit**

This report is based on accounts which have been audited.



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Dr Bill Ketelbey  
Managing Director  
Sydney, New South Wales  
Date: Friday, 18 August 2017

**ACTINOGEN MEDICAL LIMITED**

**ABN 14 086 778 476**

**ANNUAL FINANCIAL STATEMENTS**

**YEAR ENDED 30 JUNE 2017**

# ACTINOGEN MEDICAL LIMITED

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# ACTINOGEN MEDICAL LIMITED CORPORATE DIRECTORY

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## **Board of Directors**

Non- Executive Chairman – Dr Geoffrey Brooke  
Managing Director – Dr Bill Ketelbey  
Non-Executive Director – Dr Jason Loveridge

## **Company Secretary**

Company Secretary - Peter Webse

## **Principal Place of Business / Registered Office**

Level 9, Suite 1, 68 Pitt Street  
Sydney NSW 2000

## **Contact Details**

Telephone: 02 8964 7401

[www.actinogen.com.au](http://www.actinogen.com.au)

ABN 14 086 778 476

## **Share Register**

Link Market Services  
Level 12  
680 George Street  
Sydney NSW 2000

Actinogen Medical Limited shares are listed on  
the Australia Stock Exchange (ASX). ASX Code:  
ACW

## **Auditors**

Ernst & Young  
Ernst & Young Building  
11 Mounts Bay Road  
Perth WA 6000

## **Lawyers**

K&L Gates  
Level 25 South Tower  
525 Collins Street  
Melbourne VIC 3000

GTP Legal  
68 Aberdeen Street  
Northbridge WA 6003

## **Bankers**

National Australia Bank  
1232 Hay Street  
West Perth WA 6005

# ACTINOGEN MEDICAL LIMITED

## CHAIRMAN'S ADDRESS

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### Actinogen Medical Limited 2017 Shareholders' Annual Report Message from the Chairman

Dear Shareholder,

On behalf of Actinogen Medical, I am pleased to present the 2017 annual report to our shareholders.

Before discussing the past year, it is timely to reflect on Actinogen Medical's history. It's been just over 2.5 years since Actinogen Medical was founded, when the Company acquired the rights to Xanamem from Edinburgh University. In that time, the team has significantly accelerated the previous ten years of Xanamem research undertaken at the University, culminating with the successful regulatory approval of, and patient enrollment into, our landmark Alzheimer trial, XanADu. From day one, the goal was always to efficiently complete all the necessary preliminary research on Xanamem, enabling the Company to advance into a Phase II evaluation of the drug in an Alzheimer's population. All the Xanamem research undertaken by Actinogen Medical, including the Phase I human trials, reiterated the Company's belief in the drug and conviction that Xanamem was appropriate to advance into a much larger proof-of-concept Phase II trial.

Throughout 2016, the team at Actinogen Medical, along with their expert advisors, worked diligently to gain regulatory approval for XanADu in all three regions participating in the study – the USA, the UK and Australia. Achieving these significant milestones involved numerous interactions with the US Food and Drug Administration (FDA) and the UK's Medicines and Healthcare products Regulatory Agency (MHRA) over many months, and the generation and submission of numerous volumes of supporting data. The first regulatory approval in January from the FDA in the USA, arguably one of the most demanding regulatory authorities globally, led to a succession of trial approvals from the MHRA in the UK, the Therapeutic Goods Administration (TGA) in Australia and numerous ethics committees, and ultimately the successful enrolment of the first patient into XanADu in May 2017. The Company is delighted to have since enrolled and treated a number of patients in XanADu, and expects to complete the study as planned by early 2019.

Over the 2017 financial year, significant progress was made in raising global awareness of Actinogen Medical and Xanamem within the Alzheimer's research and biotech communities. Until July 2016 very little had been published or presented on Xanamem, while all the developmental research was underway. Starting with the AAIC (Alzheimer's Association International Congress) in Toronto in July 2016, the Company began presenting data at major international conferences, including CTAD (Clinical Trials in Alzheimer's disease) and ICE (International Congress on Endocrinology), culminating in the publication of the first human research data in the British Journal of Pharmacology in February this year. Additionally, Xanamem, and the cortisol hypothesis that underpins the development of the drug, gained further visibility through a raft of recent publications supporting the association between raised cortisol and the development of Alzheimer's disease. One in particular, published by the Australian Imaging, Biomarker and Lifestyle (AIBL) research consortium in Australia, demonstrated a clear association between raised cortisol and the risk of developing Alzheimer's in the healthy elderly. The study concluded that therapies designed to lower cortisol may be beneficial in the management of the disease. This study provides further strong endorsement for the trial of Xanamem in XanADu.

The cortisol hypothesis underpinning the development of Xanamem proposes that persistently raised cortisol in the brain is associated with the development of Alzheimer's disease, and that inhibition of this excess cortisol presents a promising way to treat the disease. Raised cortisol has however been associated with a number of diseases, offering the potential for Xanamem to provide benefit in treating other conditions apart from Alzheimer's. Given this opportunity, Actinogen Medical is working with Edinburgh University on a proposal to study Xanamem in diabetes cognitive impairment, and discussions continue with various research units on testing Xanamem in other diseases. The Company hopes to ultimately demonstrate Xanamem's potential across a range of diseases, mitigating the risk of a binary outcome in one disease area.

## **ACTINOGEN MEDICAL LIMITED CHAIRMAN'S ADDRESS**

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Since joining ACW in March 2017, I've been impressed with the progress made in the Xanamem research programs, and XanADu in particular. Equally, it has become even more apparent to me just how great the potential is for Xanamem. Alzheimer's disease doesn't discriminate – it's a cruel and callous disease. Over 400,000 Australians are affected by Alzheimer's and the few available medicines to treat the disease provide limited benefit. It is incumbent on us all to redouble our efforts to find new effective drugs to treat the disease, and I thank all of our committed shareholders for their ongoing support for Actinogen Medical in the hope that Xanamem proves its value as a treatment for Alzheimer's.

We have a very exciting year ahead of us as we ramp up the patient enrolment in XanADu and hopefully initiate Xanamem studies in other diseases. The hard work over the past few years is now beginning to bear fruit and in a year from now we hope to be close to full enrolment in XanADu, and the demonstration of the true value of Xanamem. I would like to thank my fellow board members and the entire Actinogen Medical team for their dedication and achievements over the past few years. I look forward to the next exciting and hopefully rewarding chapter leading up to the completion of XanADu.

Yours faithfully,

Dr Geoffrey Brooke  
Chairman

# ACTINOGEN MEDICAL LIMITED

## CORPORATE GOVERNANCE STATEMENT

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This Corporate Governance Statement ("Statement") outlines the key aspects of Actinogen Medical Limited's ('Actinogen Medical' or 'the Company') governance framework and main governance practices. The Company's charters, policies, and procedures are regularly reviewed and updated to comply with law and best practice. These charters and policies can be viewed on Actinogen Medical's website located at [www.actinogen.com.au](http://www.actinogen.com.au).

This Statement is structured with reference to the Australian Securities Exchange Corporate Governance Council's ("the Council's") "Corporate Governance Principles and Recommendations 3<sup>rd</sup> Edition" ("the Recommendations").

The Board of Directors has adopted the Recommendations to the extent that is deemed appropriate considering current the size and operations of the Company. Therefore, considering the size and financial position of the Company, where the Board considers that the cost of implementing a recommendation outweighs any potential benefits, those recommendations have not been adopted.

This Statement was approved by the Board of Directors and is current as at 17 August 2017.

### **Principle 1: Lay solid foundations for management and oversight**

#### ***Roles of the Board & Management***

The Board is responsible for evaluating and setting the strategic direction for the Company, establishing goals for management and monitoring the achievement of these goals. The Managing Director is responsible to the Board for the day-to-day management of the Company.

The principal functions and responsibilities of the Board include, but are not limited to, the following:

- Appointment, evaluation and, if necessary, removal of the Managing Director, any other executive directors, the Company Secretary and the Chief Financial Officer (if applicable) and approval of their remuneration;
- Determining, in conjunction with management, corporate strategy, objectives, operations, plans and approving and appropriately monitoring plans, new investments, major capital and operating expenditures, capital management, acquisitions, divestitures and major funding activities;
- Establishing appropriate levels of delegation to the Managing Director to allow the business to be managed efficiently;
- Approval of remuneration methodologies and systems;
- Monitoring actual performance against planned performance expectations and reviewing operating information at a requisite level to understand at all times the financial and operating conditions of the Company;
- Monitoring the performance of senior management, including the implementation of strategy and ensuring appropriate resources are available;
- Identifying areas of significant business risk and ensure that the Company is appropriately positioned to manage those risks;
- Overseeing the management of safety, occupational health and environmental issues;
- Satisfying itself that the financial statements of the Company fairly and accurately set out the financial position and financial performance of the Company for the period under review;
- Satisfying itself that there are appropriate reporting systems and controls in place to assure the Board that proper operational, financial, compliance, risk management and internal control processes are in place and functioning appropriately;
- Ensuring that appropriate internal and external audit arrangements are in place and operating effectively;
- Authorising the issue of any shares, options, equity instruments or other securities within the constraints of the Corporations Act and the ASX Listing Rules; and
- Ensuring that the Company acts legally and responsibly on all matters and assuring itself that the Company has adopted, and that its practice is consistent with, a number of guidelines including:



# ACTINOGEN MEDICAL LIMITED

## CORPORATE GOVERNANCE STATEMENT

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- Code of Conduct;
- Continuous Disclosure Policy;
- Diversity Policy;
- Performance Evaluation Policy;
- Procedures for Selection and Appointment of Directors;
- Remuneration Policy;
- Risk Management and Internal Compliance and Control Policy.
- Securities Trading Policy; and
- Shareholder Communications Policy.

Subject to the specific authorities reserved to the Board under the Board Charter, the Board has delegated to the Managing Director responsibility for the management and operation of Actinogen Medical. The Managing Director is responsible for the day-to-day operations, financial performance and administration of Actinogen Medical within the powers authorised to him from time-to-time by the Board. The Managing Director may make further delegation within the delegations specified by the Board and is accountable to the Board for the exercise of those delegated powers.

Further details of Board responsibilities, objectives and structure are set out in the Board Charter on the Actinogen Medical Website.

### **Board Committees**

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the formation of separate committees at this time, including audit, risk, remuneration or nomination committees, preferring at this stage, to manage the Company through the full Board of Directors. The Board assumes the responsibilities normally delegated to the Audit, Risk, Remuneration and Nomination Committees. If the Company's activities increase, in size, scope and nature, the appointment of separate committees will be reviewed by the Board and implemented if appropriate.

### **Board Appointments**

The Company undertakes comprehensive reference checks prior to appointing a director, or putting that person forward as a candidate to ensure that person is competent, experienced, and would not be impaired in any way from undertaking the duties of director. The Company provides relevant information to shareholders for their consideration about the attributes of candidates together with whether the Board supports the appointment or re-election.

The terms of the appointment of a non-executive director, executive directors and senior executives are agreed upon and set out in writing at the time of appointment.

### **The Company Secretary**

The Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board, including agendas, Board papers and minutes, advising the Board and its Committees (as applicable) on governance matters, monitoring that the Board and Committee policies and procedures are followed, communication with regulatory bodies and the ASX and statutory and other filings.

### **Diversity**

The Company has adopted a formal Diversity Policy and is committed to workplace diversity, with a particular focus on supporting the representation of women at the senior level of the Company and on the Company Board.

The Company is currently in an early stage of its development and given that it currently has a limited number of employees, the application of measurable objectives in relation to gender diversity, at various levels of the Company's business, is not considered to be appropriate nor practical.

The Board will review this position on an annual basis and will implement measurable objectives as and when they deem the Company to require them.

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# ACTINOGEN MEDICAL LIMITED

## CORPORATE GOVERNANCE STATEMENT

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The proportion of women in the entity as at 17 August 2017 is as follows:

Women on the board: 0 of 3 (0%)

Women in senior executive positions: 0 of 2 (0%)

Women in the organisation: 4 of 9 (44%)

The Company's Diversity Policy is available on its website.

### **Board & Management Performance Review**

On an annual basis, the Board conducts a review of its structure, composition and performance.

The annual review includes consideration of the following measures:

- comparing the performance of the Board against the requirements of its Charter;
- assessing the performance of the Board over the previous 12 months having regard to the corporate strategies, operating plans and the annual budget;
- reviewing the Board's interaction with management;
- reviewing the type and timing of information provided to the Board by management;
- reviewing management's performance in assisting the Board to meet its objectives; and
- identifying any necessary or desirable improvements to the Board Charter.

The method and scope of the performance evaluation will be set by the Board and may include a Board self-assessment checklist to be completed by each Director. The Board may also use an independent adviser to assist in the review.

The Chairman has primary responsibility for conducting performance appraisals of Non-Executive Directors, in conjunction with them, having particular regard to:

- contribution to Board discussion and function;
- degree of independence including relevance of any conflicts of interest;
- availability for and attendance at Board meetings and other relevant events;
- contribution to Company strategy;
- membership of and contribution to any Board committees; and
- suitability to Board structure and composition.

The Board conducts an annual performance assessment of the Managing Director against agreed key performance indicators. Board and management performance reviews were conducted during the year in accordance with the above processes.

### **Independent Advice**

Directors have a right of access to all Company information and executives. Directors are entitled, in fulfilling their duties and responsibilities, to obtain independent professional advice on any matter connected with the discharge of their responsibilities, with prior notice to the Chairman, at Actinogen Medical's expense.

### **Principle 2: Structure the board to add value**

#### **Board Composition**

During the financial year and to the date of this report the Board was comprised of the following members:

Dr Geoffrey Brooke	Non-Executive Chairman (appointed 1 March 2017);
Dr Bill Ketelbey	Managing Director (appointed 18 December 2014);
Dr Jason Loveridge	Non-Executive Director (appointed 1 December 2014, Interim Chairman from 30 November 2016 to 1 March 2017);
Dr Anton Uvarov	Non-Executive Director (appointed 16 December 2013, resigned 14 August 2017); and
Mr Martin Rogers	Non-Executive Chairman (appointed 1 December 2014, resigned 30 November 2016).

# ACTINOGEN MEDICAL LIMITED

## CORPORATE GOVERNANCE STATEMENT

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The Company currently has one executive Director, the Managing Director, and two Non-Executive Directors.

The Board is currently comprised of a majority of independent Directors, being Dr Geoffrey Brooke (the Company's Non-Executive Chairman), and Dr Jason Loveridge. Dr Anton Uvarov, a former Non-Executive Director of the Company, was also deemed an independent Director for the entire financial year up until his resignation date on 14 August 2017. Mr Martin Rogers, a former Chairman of the Company during the financial year up until his resignation date on 30 November 2016, was not considered to be independent as he was at one stage an Executive Chairman of the Company.

Actinogen Medical has adopted a definition of 'independence' for Directors that is consistent with the Recommendations.

### **Board Selection Process**

The Board considers that a diverse range of skills, backgrounds, knowledge and experience is required in order to effectively govern Actinogen Medical. The Board believes that orderly succession and renewal contributes to strong corporate governance and is achieved by careful planning and continual review.

The Board is responsible for the nomination and selection of directors. The Directors review the size and composition of the Board regularly and at least once a year as part of the Board evaluation process. The Board has a skills matrix covering the competencies and experience of each member. When the need for a new director is identified, the required experience and competencies of the new director are defined in the context of this matrix and any gaps that may exist.

Generally a list of potential candidates is identified based on these skills required and other issues such as geographic location and diversity criteria. Candidates are assessed against the required skills and on their qualifications, backgrounds and personal qualities. In addition, candidates are sought who have a proven track record in creating security holder value and the required time to commit to the position.

### **Induction of New Directors and Ongoing Development**

New Directors are issued with a formal Letter of Appointment that sets out the key terms and conditions of their appointment, including Director's duties, rights and responsibilities, the time commitment envisaged, and the Board's expectations regarding involvement with any Committee work. An induction program is in place and new Directors are encouraged to engage in professional development activities to develop and maintain the skills and knowledge needed to perform their role as Directors effectively.

### **Principle 3: Act ethically and responsibly**

The Company has implemented a Code of Conduct, which provides guidelines aimed at maintaining high ethical standards, corporate behaviour and accountability within the Company.

All employees and Directors are expected to:

- respect the law and act in accordance with it;
  - maintain high levels of professional conduct;
  - respect confidentiality and not misuse Company information, assets or facilities;
  - avoid real or perceived conflicts of interest;
  - act in the best interests of shareholders;
  - by their actions contribute to the Company's reputation as a good corporate citizen which seeks the respect of the community and environment in which it operates;
  - perform their duties in ways that minimise environmental impacts and maximise workplace safety;
  - exercise fairness, courtesy, respect, consideration and sensitivity in all dealings within their workplace and with customers, suppliers and the public generally; and
  - act with honesty, integrity, decency and responsibility at all times.
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# ACTINOGEN MEDICAL LIMITED

## CORPORATE GOVERNANCE STATEMENT

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An employee that breaches the Code of Conduct may face disciplinary action including, in the cases of serious breaches, dismissal. If an employee suspects that a breach of the Code of Conduct has occurred or will occur, he or she must report that breach to the Company Secretary. No employee will be disadvantaged or prejudiced if he or she reports in good faith a suspected breach. All reports will be acted upon and kept confidential.

### **Principle 4: Safeguard integrity in corporate reporting**

The Board as a whole fulfills the functions normally delegated to the Audit Committee as detailed in the Audit Committee Charter.

The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises. Candidates for the position of external auditor must demonstrate complete independence from the Company through the engagement period. The Board may otherwise select an external auditor based on criteria relevant to the Company's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the Board.

The Board receives regular reports from management and from external auditors. It also meets with the external auditors as and when required.

The external auditors attend Actinogen Medical's AGM and are available to answer questions from security holders relevant to the audit.

Prior approval of the Board must be gained for non-audit work to be performed by the external auditor. There are qualitative limits on this non-audit work to ensure that the independence of the auditor is maintained.

There is also a requirement that the audit partner responsible for the audit not perform in that role for more than five years.

### **CEO & CFO Certifications**

The Board has received certifications from the CEO and CFO Equivalent in connection with the financial statements for Actinogen Medical for the Reporting Period. The certifications state that the declaration provided in accordance with Section 295A of the Corporations Act as to the integrity of the financial statements is founded on a sound system of risk management and internal control which is operating effectively.

### **Principle 5: Make timely and balanced disclosure**

The Company has a Continuous Disclosure Policy which outlines the disclosure obligations of the Company as required under the ASX Listing Rules and Corporations Act. The policy is designed to ensure that procedures are in place so that the market is properly informed of matters which may have a material impact on the price at which Company securities are traded.

The Board considers whether there are any matters requiring disclosure in respect of each and every item of business that it considers in its meetings. Individual Directors are required to make such a consideration when they become aware of any information in the course of their duties as a Director of the Company.

The Company is committed to ensuring all investors have equal and timely access to material information concerning the Company.

The Board has designated the Company Secretary as the person responsible for communicating with the ASX. The Chairman, Managing Director and the Company Secretary are responsible for ensuring that:

# ACTINOGEN MEDICAL LIMITED

## CORPORATE GOVERNANCE STATEMENT

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- a) Company announcements are made in a timely manner, that announcements are factual and do not omit any material information required to be disclosed under the ASX Listing Rules and Corporations Act; and
- b) Company announcements are expressed in a clear and objective manner that allows investors to assess the impact of the information when making investment decisions.

### **Principle 6: Respect the rights of security holders**

The Company recognises the value of providing current and relevant information to its shareholders.

The Company respects the rights of its shareholders and to facilitate the effective exercise of those rights the Company is committed to:

- communicating effectively with shareholders through releases to the market via ASX, the company website, information emailed or mailed to shareholders and the general meetings of the Company;
- giving shareholders ready access to clear and understandable information about the Company; and
- making it easy for shareholders to participate in general meetings of the Company.

The Company also makes available a telephone number and email address for shareholders to make enquiries of the Company. These contact details are available on the "contact us" page of the Company's website.

Shareholders may elect to, and are encouraged to, receive communications from Actinogen Medical and Actinogen Medical's securities registry electronically.

The Company maintains information in relation to its Constitution, governance documents, Directors and senior executives, Board and committee charters, annual reports and ASX announcements on the Company's website.

### **Principle 7: Recognise and manage risk**

The Board is committed to the identification, assessment and management of risk throughout Actinogen Medical's business activities.

The Board is responsible for the oversight of the Company's risk management and internal compliance and control framework. Responsibility for control and risk management is delegated to the appropriate level of management within the Company with the Managing Director having ultimate responsibility to the Board for the risk management and internal compliance and control framework. Actinogen Medical has established policies for the oversight and management of material business risks.

Actinogen Medical's Risk Management and Internal Compliance and Control Policy recognises that risk management is an essential element of good corporate governance and fundamental in achieving its strategic and operational objectives. Risk management improves decision making, defines opportunities and mitigates material events that may impact security holder value.

Actinogen Medical believes that explicit and effective risk management is a source of insight and competitive advantage. To this end, Actinogen Medical is committed to the ongoing development of a strategic and consistent enterprise wide risk management program, underpinned by a risk conscious culture.

Actinogen Medical accepts that risk is a part of doing business. Therefore, the Company's Risk Management and Internal Compliance and Control Policy is not designed to promote risk avoidance. Rather Actinogen Medical's approach is to create a risk conscious culture that encourages the systematic identification, management and control of risks whilst ensuring we do not enter into unnecessary risks or enter into risks unknowingly.

# ACTINOGEN MEDICAL LIMITED

## CORPORATE GOVERNANCE STATEMENT

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Actinogen Medical assesses its risks on a residual basis; that is it evaluates the level of risk remaining and considering all the mitigation practices and controls. Depending on the materiality of the risks, Actinogen Medical applies varying levels of management plans.

The Board has required management to design and implement a risk management and internal compliance and control system to manage Actinogen Medical's material business risks. It receives regular reports on specific business areas where there may exist significant business risk or exposure. The Company faces risks inherent to its business, including economic risks, which may materially impact the Company's ability to create or preserve value for security holders over the short, medium or long term. The Company has in place policies and procedures, including a risk management framework (as described in the Company's Risk Management and Internal Compliance and Control Policy), which is developed and updated to help manage these risks. The Board does not consider that the Company currently has any material exposure to environmental or social sustainability risks.

The Company's process of risk management and internal compliance and control includes:

- identifying and measuring risks that might impact upon the achievement of the Company's goals and objectives, and monitoring the environment for emerging factors and trends that affect those risks.
- formulating risk management strategies to manage identified risks, and designing and implementing appropriate risk management policies and internal controls.
- monitoring the performance of, and improving the effectiveness of, risk management systems and internal compliance and controls, including regular assessment of the effectiveness of risk management and internal compliance and control.

The Board review's the Company's risk management framework at least annually to ensure that it continues to effectively manage risk.

Management reports to the Board as to the effectiveness of Actinogen Medical's management of its material business risks at each meeting.

### **Principle 8: Remunerate fairly and responsibly**

Actinogen Medical's Remuneration Policy was designed to recognise the competitive environment within which Actinogen Medical operates and also emphasise the requirement to attract and retain high caliber talent in order to achieve sustained improvement in Actinogen Medical's performance. The overriding objective of the Remuneration Policy is to ensure that an individual's remuneration package accurately reflects their experience, level of responsibility, individual performance and the performance of Actinogen Medical.

The key principles are to:

- link executive reward with strategic goals and sustainable performance of Actinogen Medical;
- apply challenging corporate and individual key performance indicators that focus on both short-term and long-term outcomes;
- motivate and recognise superior performers with fair, consistent and competitive rewards;
- remunerate fairly and competitively in order to attract and retain top talent;
- recognise capabilities and promote opportunities for career and professional development; and
- through employee ownership of Actinogen Medical shares, foster a partnership between employees and other security holders.

The Board determines the Company's remuneration policies and practices and assesses the necessary and desirable competencies of Board members. The Board is responsible for evaluating Board performance, reviewing Board and management succession plans and determines remuneration packages for the CEO, Non-Executive Directors and senior management based on an annual review.

Actinogen Medical's executive remuneration policies and structures and details of remuneration paid to directors and senior managers are set out in the Remuneration Report.

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# **ACTINOGEN MEDICAL LIMITED**

## **CORPORATE GOVERNANCE STATEMENT**

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Non-Executive Directors receive fees (including statutory superannuation where applicable) for their services, the reimbursement of reasonable expenses and, in certain circumstances options. They do not receive any termination or retirement benefits, other than statutory superannuation.

The maximum aggregate remuneration approved by shareholders for Non-Executive Directors is \$500,000 per annum. The Directors set the individual Non-Executive Directors fees within the limit approved by shareholders.

The total fees paid to Non-Executive Directors during the reporting period were \$210,366.

Executive Directors and other senior executives are remunerated using combinations of fixed and performance based remuneration. Fees and salaries are set at levels reflecting market rates and performance based remuneration is linked directly to specific performance targets that are aligned to both short and long term objectives.

In accordance with the Company's Securities Trading Policy, participants in an equity based incentive scheme are prohibited from entering into any transaction that would have the effect of hedging or otherwise transferring the risk of any fluctuation in the value of any unvested entitlement in the Company's securities to any other person.

Further details in relation to the company's remuneration policies are contained in the Remuneration Report, within the Directors' Report.

# ACTINOGEN MEDICAL LIMITED

## DIRECTORS' REPORT

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Your Directors present their report pertaining to Actinogen Medical Limited ("the Company" or "Actinogen") for the year ended 30 June 2017.

### ➤ INFORMATION ON DIRECTORS

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#### 1. BOARD OF DIRECTORS

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

Name	Position	Appointed	Resigned
Dr Bill Ketelbey	Managing Director / Chief Executive Officer	18/12/2014	Current
Dr Geoffrey Brooke	Non-Executive Chairman	1/03/2017	Current
Dr Jason Loveridge	Non-Executive Director	1/12/2014	Current
Dr Anton Uvarov	Non-Executive Director	16/12/2013	14/08/2017
Mr Martin Rogers	Executive Chairman Non-Executive Chairman	1/12/2014 7/7/2016	7/07/2016 30/11/2016

**Dr Bill Ketelbey (appointed 18 December 2014)**  
**MBBCh, FFPM, MBA, GAICD**  
**Managing Director and Chief Executive Officer**

Dr Ketelbey is a highly experienced and successful healthcare and pharmaceutical sector professional, with 30 years' experience in the industry, including senior medical and management roles with global pharmaceutical giant, Pfizer. Dr Ketelbey has a Medical degree from the University of the Witwatersrand, South Africa, is a Fellow of the Faculty of Pharmaceutical Medicine with the Royal College of Physicians, UK, has an MBA from Macquarie University and is a Graduate of the Australia Institute of Company Directors.

Prior to joining Actinogen Medical, Dr Ketelbey was the APAC Regional Vice President of Medical Affairs for Pfizer's Primary Care Business Unit and Country Medical Director for Pfizer Australia and New Zealand. At Pfizer, Dr Ketelbey was responsible for leading the development of numerous medicines across a broad range of therapeutic areas, including Aricept, the market leading therapy for Alzheimer's Disease.

Dr Ketelbey has held no other directorships during the past three years.

**Dr Geoffrey Brooke (appointed 1 March 2017)**  
**MBBS, MBA**  
**Non-Executive Chairman**

Dr Geoff Brooke is a healthcare industry and venture capital veteran with over 30 years' international experience as the founder, lead investor and/or Chairman/Director of numerous healthcare companies with a realised value of more than \$1.5 billion. Most notably, he was the Managing Director and Founder of leading life sciences venture capital firm, GBS Ventures - one of Asia Pacific's premier investors in the healthcare space. There, Dr Brooke was responsible for GBS's healthcare venture activity in the region and raised \$450 million in venture and private equity funds, focused on biopharmaceuticals, medical devices and services.

Dr Brooke was also responsible for numerous investments and exits via NASDAQ and ASX public listings and trade sales, as well as being lead investor in numerous investments syndicated in multiple rounds with premier US venture firms.



# ACTINOGEN MEDICAL LIMITED

## DIRECTORS' REPORT

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Dr Brooke was also President and Founder of US-based seed healthcare venture capital firm, Medvest Inc, with investors including the venture capital arm of leading global multinational medical devices, pharmaceutical and consumer packaged goods manufacturer, Johnson & Johnson. Medvest was focused on founding companies based upon health care-related technology, including pharmaceuticals, biotechnology, therapeutic devices, medical services and information systems.

Dr Brooke now acts a private investor in, and independent director for, a number of small to medium-sized Australian and US private and public companies. He holds a Bachelor of Medicine and a Bachelor of Surgery from Melbourne University and a Masters of Business Administration from IMEDE Switzerland (now IMD).

During the past three years Dr Brooke has served as a director of the following ASX-listed companies:

- Non-Executive Director for ASX-listed company, Acrux Limited (ASX:ACR). Appointed 1 June, 2016 – Current.

### **Dr Jason Loveridge (appointed 1 December 2014)**

**BSc PhD FRSM**

**Non-Executive Director**

Dr Loveridge has been working in the biotech and medtech industries for over 25 years and brings extensive experience in the commercialisation of medical research to the Board of Actinogen. As a venture investor with JAFCO Nomura. Dr Loveridge invested in over 28 companies in Europe, the US and Israel and has been directly involved in the management of a number of innovative companies in the medical arena.

During the past three years Dr Loveridge has served as a director of the following ASX-listed companies:

- Non-Executive Director of Resonance Health Limited (ASX: RHT) – Appointed February 2013 – Resigned 30 June 2017.

### **Dr Anton Uvarov (appointed 16 December 2013; resigned 14 August 2017)**

**PhD BioChem.Med.Gen, MBA**

**Non-Executive Director**

Dr Uvarov has significant experience as an equity analyst in the healthcare industry with a focus on biotechnology sector, both domestically and internationally. Prior to moving to Australia he was with Citigroup Global Markets where he spent two years as a member of New York based biotechnology team that has been continuously ranked top 4 for Biotechnology in the All-America Institutional Investor survey.

Dr Uvarov's scientific expertise and company knowledge spreads across variety of therapeutic areas and spectrum of market capitalisations with his particular interest in early stage biotechnology companies. Dr Uvarov holds a PhD degree in Biochemistry and Medical Genetics from the University of Manitoba, Canada and an MBA degree from the University of Calgary, Canada.

During the past three years Dr Uvarov has also served as a Director of the following listed companies:

- Executive Director of Dimerix Ltd formerly Sun Biomedical Limited (ASX: DXB, formerly SBN) – appointed 20 November 2013; resigned – 23 November 2015;
- Non-Executive Director of Acuvax Limited (ASX: ACU) – appointed: 10 October 2013; resigned 14 March 2014; and
- Non-Executive Director of Imugene Limited (ASX: IMU) appointed 5 January 2016 – Current.

# ACTINOGEN MEDICAL LIMITED

## DIRECTORS' REPORT

The following Director resigned during the year ended 30 June 2017:

**Mr Martin Rogers (appointed 1 December 2014; resigned 30 November 2016)**  
**B.Eng (Chem), B. Sc.**  
**Non-Executive Chairman**

A well-recognized Australian biotechnology entrepreneur and executive, Mr Rogers has a depth of experience in incubating companies and publicly listed organisations, with degrees in Chemical Engineering and Science. Experienced in all aspects of financial, strategic and operational management, he has helped raise over \$100m cash equity. Both an investor and senior executive in a privately funded advisory business, he was instrumental in significantly increasing the value of investments in the science and biotechnology sectors.

Mr Rogers resigned on 30 November 2016.

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

As at the date of this report, the interests of the Directors in the shares of the Company were as follows:

Name	Fully paid ordinary shares	Loan shares (a)	Movement (b)	Total Shares	Total Options
Dr Bill Ketelbey	353,803	12,000,000	-	12,353,803	-
Dr Geoffrey Brooke	400,000	-	-	400,000	5,000,000
Dr Jason Loveridge	21,875,078	6,000,000	-	27,875,078	-
Dr Anton Uvarov	4,187,244	-	(4,187,244)	-	-
Mr Martin Rogers	11,407,894	20,000,000	(31,407,894)	-	-
<b>Total</b>	<b>38,224,019</b>	<b>38,000,000</b>	<b>(35,595,138)</b>	<b>40,628,881</b>	<b>5,000,000</b>

- (a) During the prior year ended 30 June 2015, 43 million Loan Shares were issued to Directors. Of these Loan Shares, 5 million Class F shares, previously issued to Martin Rogers, lapsed on the date of his resignation (30 November 2016) as they had not vested. As at 30 June 2017, 26 million Loan Shares have vested.
- (b) Martin Rogers resigned from the Company on 30 November 2016. Of the 25 million Loan Shares previously issued to Martin Rogers, 5 million Class F Loan Shares had not vested by the time he had resigned. Therefore, these Loan Shares lapsed. Anton Uvarov resigned from the Company on 14 August 2017.

## 2. DIRECTORS' MEETINGS

The following table sets out the number of meetings of the Company's Directors held while each Director was in the office and the number of meetings attended by each Director.

Director	Number of meetings available to attend	Number of meetings attended
Dr Bill Ketelbey	11	11
Dr Geoffrey Brooke	4	4
Dr Jason Loveridge	11	11
Dr Anton Uvarov	11	11
Mr Martin Rogers	5	5

Due to size and scale of the Company, there is no Remuneration, Nomination or Audit Committee at present. Matters typically dealt with by these Committees are, for the time being, reverted to the Board of Directors. For details of the function of the Board please refer to the Corporate Governance Statement which is included as part of this financial report.

# ACTINOGEN MEDICAL LIMITED

## DIRECTORS' REPORT

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### 3. CORPORATE GOVERNANCE

The Board recognises the recommendations of the Australian Securities Exchange Corporate Governance Council, and has disclosed its level of compliance with those guidelines within the Corporate Governance Statement which is included as part of this financial report.

### 4. COMPANY SECRETARY

The following person held the position of Company Secretary during the financial year.

**Peter Webse (appointed 10 October 2013)**  
**B.Bus, FGIA, FCPA, MAICD**

Mr Webse has over 25 years' company secretarial experience and is managing director of Platinum Corporate Secretariat Pty Ltd, a company specialising in providing company secretarial, corporate governance and corporate advisory services. Mr Webse holds a Bachelor of Business with a double major in Accounting and Finance, is a Fellow of the Governance Institute of Australia, a Fellow Certified Practising Accountant and a Member of the Australian Institute of Company Directors.

### 5. SHARES UNDER OPTION

As at the date of this report, there were 50,310,938 unissued ordinary shares under option:

- 35,000,000 unlisted options with an exercise price of \$0.02 per share and an expiry date of 30 November 2018 (fully vested).
- 5,500,000 unlisted Facilitator options at \$0.02 per share exercisable on or before 30 November 2018 (fully vested).
- 4,393,750 unlisted options with an exercise price of \$0.10 per share exercisable on or before 5 February 2021. These options were issued to employees and contractors of the Company and are subject to vesting conditions.
- 417,188 unlisted options with an exercise price of \$0.10 per share exercisable on or before 5 February 2021. These options were issued to employees of the Company after year end on 12 July 2017. These options are not subject to vesting conditions.
- 5,000,000 unlisted options with an exercise price of \$0.10 per share exercisable on or before 24 March 2025. These options were issued to Geoffrey Brooke (Appointed as Non-Executive Chairman on 1 March 2017) of the Company and are subject to vesting conditions.

During the year the following options lapsed:

- 1,700,000 unlisted options with an exercise price of \$0.103 per share exercisable on or before 7 July 2020. These options were issued to employees of the Company however, lapsed due to the vesting conditions having not been achieved.
- 556,250 unlisted options with an exercise price of \$0.10 per share exercisable on or before 5 February 2021. These options were issued to employees of the Company however, lapsed due to the vesting conditions having not been achieved by 30 June 2017.

No option holder has any right, by virtue of the option, to participate in any share issue of the Company or any related body corporate. For further details of the options outstanding please refer to the Remuneration Report which is included as part of this financial report.

# ACTINOGEN MEDICAL LIMITED

## DIRECTORS' REPORT

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### ➤ OPERATIONS AND FINANCIAL REVIEW

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#### 6. PRINCIPAL ACTIVITIES

The principal activity of the Company during the year was on biotechnology focused on the development of novel treatments for Alzheimer's disease and other major age-related neurodegenerative disorders

#### 7. REVIEW OF OPERATIONS

##### Highlights during the Financial Year

- (i) Progress with XanADu
- (ii) Xanamem and the Cortisol Hypothesis presented to the world
- (iii) Xanamem Pipeline
- (iv) Research and Development Rebate and Commonwealth Grants
- (v) IP Protection and Patent Status
- (vi) Changes to the Actinogen Medical Board
- (vii) Investor Relations
- (viii) Financial Position
- (ix) ACW Management Update

This past year has been particularly productive for Actinogen Medical, focussed on setting the business up to take on the full development of Xanamem™ in Alzheimer's disease and other major indications, with the expectation of major commercial Big Pharma partnerships within the next few years.

##### **(i) Progress with XanADu**

Over the past year Actinogen Medical has made substantial progress with XanADu, the ground-breaking Phase II trial of Xanamem in patients with mild Alzheimer's disease. The first half of the financial year was focused primarily on achieving regulatory approval for the XanADu trial, which involved working closely with the US Food and Drug Administration (FDA) before receiving approval on the trial design. In a significant milestone for the company, the FDA approval was received in early 2017. Similar regulatory approvals from the UK's Medicines and Healthcare products Regulatory Agency (MHRA) and the Therapeutic Goods Administration (TGA) in Australia followed soon thereafter, allowing the Company to start actively recruiting and treating patients in all three countries where the study will be conducted: the US, the UK and Australia. These regulatory approvals, from three key regulatory authorities, underscore the depth and quality of Actinogen's research data on Xanamem.

Concurrent with these regulatory submissions and approvals, a great deal of logistical planning was required to ensure rapid trial site selection and efficient patient enrolment. ICON, a globally deployed Contract Research Organisation was selected to conduct the trial on Actinogen Medicals behalf. All 20 trial sites have been selected, with nearly all of them opened for patient recruitment by the end of the financial year. In another major milestone for the company, the first patients were successfully enrolled and treated, in Australia and the USA in May and June 2017. The first UK patient is expected to be enrolled into the trial early in the 2018 financial year. The trial is planned to enroll the last patient by late 2018, with top-line results expected in Q1 2019.

XanADu represents a landmark in the global search for an effective treatment for Alzheimer's disease and reinforces Australia's role at the forefront of Alzheimer's disease research. Xanamem provides an important new approach to treating the disease at a time when several high-profile drug trials based on more traditional approaches have failed.

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# ACTINOGEN MEDICAL LIMITED

## DIRECTORS' REPORT

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The drug's novel mechanism of action differentiates it from other Alzheimer's drugs currently available or under development. It has been specifically designed to block the excess production of cortisol, the stress hormone, in the areas of the brain most affected by Alzheimer's disease. Persistently raised cortisol levels have been strongly associated with Alzheimer's disease and lowering cortisol in the brain is therefore an important new target for treating the disease.

XanADu is a double-blind, 12-week, randomised, placebo-controlled study to assess the safety, tolerability and efficacy of Xanamem in subjects with mild dementia due to Alzheimer's disease. It will enroll 174 patients at 20 research sites across the US, UK and Australia. The trial is registered on [www.clinicaltrials.gov](http://www.clinicaltrials.gov) with the identifier: NCT02727699, where more details on the trial can be found, including the location of study sites open for patient recruitment.

### **(ii) Xanamem and the Cortisol Hypothesis presented to the world**

In July 2016 Actinogen Medical initiated a comprehensive program of presenting and publishing the major Xanamem research data. By the end of 2016, the Company had presented research data at five major medical congresses, including the pre-eminent Alzheimer's Association International Congress (AAIC) in Toronto and Clinical Trials in Alzheimer's Disease (CTAD) in San Diego, as well as the International Congress of Endocrinology in Beijing.

In February 2017, results of the Phase I human trials of Xanamem were published in the **British Journal of Pharmacology**. The paper titled: "**Selection and early clinical evaluation of the CNS-penetrant 11 $\beta$ -hydroxysteroid dehydrogenase type 1 (11 $\beta$ -HSD1) inhibitor UE2343 (Xanamem™)**" presented the first human research results published on Xanamem. The Company had previously published animal research data in the medical Journal, **Endocrinology**. Publishing and presenting the Xanamem research data served to significantly raise the profile of Xanamem as a promising novel treatment for Alzheimer's disease amongst the medical research and pharmaceutical community.

In January 2017, an Australian Imaging, Biomarker & Lifestyle (AIBL) study was published adding to the growing number of recent independent studies supporting the strong association between cortisol and the development and progression of Alzheimer's disease. The AIBL study: **Plasma cortisol, amyloid- $\beta$ , and cognitive decline in preclinical Alzheimer's disease: A 6-year prospective cohort study**, was published in **Biological Psychiatry: Cognitive Neuroscience and Neuroimaging**.

The study provided promising evidence for the potential of cortisol inhibition to prevent the cognitive decline of Alzheimer's disease and provides further validation for the continued development of Xanamem in the treatment of Alzheimer's disease. The study concluded that those subjects with a higher blood cortisol had a much greater chance of developing Alzheimer's disease. The AIBL study, which is part-funded by the CSIRO and a number of universities, reported on 416 healthy elderly Australians followed over 6 years.

### **(iii) Xanamem Pipeline**

While Alzheimer's disease alone presents an immensely attractive opportunity to improve patient's health worldwide, Xanamem, through the inhibition of cortisol production, presents several other potential disease areas and indications worth pursuing.

The most advanced opportunity and one in which Actinogen Medical may support a second Phase II trial of Xanamem, is in Diabetes Cognitive Impairment. This indication has been proposed as an Investigator Initiated Trial that would be sponsored and conducted by the University of Edinburgh. Significantly, Xanamem was discovered by the research team at the University of Edinburgh and the University is Actinogen Medical's largest shareholder.

# ACTINOGEN MEDICAL LIMITED

## DIRECTORS' REPORT

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### **(iv) Research and Development Rebate and Commonwealth Grants**

Actinogen Medical has been approved for the Commonwealth Government R&D tax rebate for three years ending 30 June 2015, 2016 and 2017. The Company received a second annual rebate of \$2.78 million in September 2016 and expects to receive a further R&D tax rebate of approximately \$1.2 million in September 2017.

Additionally, in March 2017, Actinogen Medical received a Commonwealth Export Market Development Grant (EMDG) of \$44,964. The Company anticipates receiving further R&D Tax Rebates and EMDG grants each year, going forward.

### **(v) IP Protection and Patent status**

The Company has a comprehensive suite of composition of matter patents covering Xanamem and its use in Alzheimer's disease and other related neurological and metabolic diseases associated through the inhibition of cortisol. Over the past year the Company received additional patent grants such that Xanamem has patent protection through to at least 2031 across all major markets, including the US, Europe/UK, Japan, Australia and China, with Canada expected in the next few months.

### **(vi) Changes to the Actinogen Medical Board**

During the year there were changes to the Board of Actinogen Medical. Martin Rogers retired as Chairman and Director at the AGM in November 2016 and Dr Jason Loveridge took over as interim Chairman pending the recruitment of a replacement. The Board and Management would like to take this opportunity of thanking Martin for his invaluable role in the establishment and early progress of Actinogen Medical, and wish him well in his future endeavours.

In March 2017 Actinogen Medical appointed healthcare industry and venture capital veteran, Dr Geoff Brooke, as its new Chairman. Geoff Brooke's appointment adds significant life science and financial expertise to the Actinogen Board, with his 30 years' international experience as the founder, lead investor and/or Chairman/Director of numerous healthcare companies with a realised value of more than \$1.5 billion.

Most notably, Geoff was the Managing Director and Founder of leading life sciences venture capital firm, GBS Ventures - one of Asia Pacific's premier investors in the healthcare space. There, he was responsible for GBS Venture's healthcare venture activity in the region and raised \$450 million in venture and private equity funds, focused on biopharmaceuticals, medical devices and services.

### **(vii) Investor Relations**

In September 2016, an update research report was published by Baker Young on Actinogen Medical entitled: **Actinogen Medical – Best Risk vs Reward Play in Alzheimer's Dementia**. This report details the investment opportunity presented by ACW, with Baker Young estimating Actinogen Medical's target share price at \$0.39, against the current share price of around \$0.06.

A significant volume of news-flow has been generated over the first half of the 2017 financial year, starting with the FDA approval for XanADu in early January 2017 and leading up to more recent announcements on the first patients being enrolled into the trial in May and June 2017. This news-flow will continue as the Company enrolls additional patients and achieves further key milestones in the trial. Additionally, further developments and updates can be expected, particularly as the Company progresses planning for the diabetes cognitive impairment trial.

# ACTINOGEN MEDICAL LIMITED

## DIRECTORS' REPORT

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Progress with XanADu and particularly patient enrollment and treatment has generated significant news from the Company with resultant media interest in Xanamem and XanADu. Recent media reports on TV, radio and in print, included a full-page article in the Financial Review by Jill Margo, a nationally syndicated news article by Sue Dunlevy from NewsCorp and a nationally televised prime-time news item on Channel 9 television.

At the end of June, Actinogen Medical's CEO Dr Bill Ketelbey presented at the BIO International Convention in San Diego. This annual convention, hosted by the Biotechnology Innovation Organisation, is the largest global convention for the biotechnology industry and attracts the biggest companies in the biotechnology sector to discuss new opportunities and potential partnerships. It offered Actinogen Medical unparalleled networking opportunities to showcase Xanamem and the quality research that supports its development.

### **(viii) Financial Position**

Within the first half of the year, Actinogen Medical received the Australian Government R&D Tax Incentive rebate of \$2.78 million. This rebate was recognised as a receivable as at 30 June 2016 and related to work completed in FY2016. Additionally, the Company received \$44,964 in an EMDG grant from the Commonwealth.

The Company ended the financial year with approximately \$1.89 million cash on hand and \$2 million listed investments that are readily convertible into cash. Furthermore, the Company is expecting an Australian Government R&D Tax Incentive rebate of approximately \$1.2 million in the first quarter of the 2018 financial year relating to R&D spend during FY2017.

### **(ix) ACW Management Update**

In recognition of the substantial progress made over the past year with the development of Xanamem and of the capability and commitment of the Company's Vice President of Drug Development, Vincent Ruffles and his research team in achieving these key milestones, a number of promotions and role updates were announced. The research team is now designated the Drug Development team to better reflect its broader responsibility in developing Xanamem, and Kerrie Boyd and Bridget Rooney were respectively promoted to Drug Development Director and Associate to more appropriately reflect their increased responsibility.

## **8. FINANCIAL PERFORMANCE**

The financial performance of the Company during the year ended 30 June 2017 is as follows:

	<b>Full-year ended</b>	Full-year ended
	<b>30/06/2017</b>	30/06/2016
	<b>\$</b>	<b>\$</b>
Revenue (\$)(a)	<b>1,415,486</b>	3,952,943
Net loss after tax (\$)	<b>(3,190,338)</b>	(3,633,758)
Loss per share (cents)	<b>(0.52)</b>	(0.60)
Dividend (\$)	-	-

(a) Revenue includes \$37,535 in interest revenue from cash held; \$118,233 in dividends received from listed investments held; \$44,964 EMDG rebate received in the year; and \$1,214,754 in research and development tax rebate receivable recognised as at 30 June 2017.

# ACTINOGEN MEDICAL LIMITED

## DIRECTORS' REPORT

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### 9. FINANCIAL POSITION

The financial position of the Company as at 30 June 2017 is as follows:

	As at 30/06/2017	As at 30/06/2016
	\$	\$
Cash and cash equivalents (b)	<b>1,894,605</b>	751,978
Available-for-sale listed investments (a)(b)	<b>2,094,833</b>	4,025,987
Net assets / Total equity	<b>9,365,766</b>	12,125,350
Contributed equity	<b>26,578,391</b>	26,308,391
Accumulated losses	<b>(23,078,026)</b>	(19,887,692)

- (a) During the prior year ended 30 June 2016, the Company invested \$6,000,225 in available-for-sale listed investments comprising securities from major banks which are considered low risk investments that are readily convertible to cash. Approximately \$4,000,000 of these investments have been sold, so that as of 30 June 2017, the balance of these investments were valued at \$2,094,833. The Company received \$118,233 in dividends during the year from holding these investments and as at 30 June 2017 the Company recognised an unrealised gain of \$54,335. Refer to Financial Statements, Note 10: Available-for-sale Listed Investments for further information.
- (b) Combining the \$2,094,833 in available-for-sale listed investments with the \$1,894,605 in cash and cash equivalents held at year end, equates to \$3,989,438. The Company's expenditure is in line with the anticipated working capital budgeted spend as set out in various announcements issued on the stock exchange during the current and previous financial years; and funds have been applied primarily to support the Phase 2 study of Xanamem™, and to support general working capital.

Post year-end, the Company is due to receive approximately \$1.2 million in other income which relates to the research and development rebate receivable recognised at year end.

### 10. DIVIDENDS

No amounts have been paid or declared by way of dividend since the date of incorporation. The Directors recommend that no final dividend be paid.

### 11. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Company during the year.

### 12. EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of the Company in subsequent financial years.

### 13. OUTLOOK & BUSINESS STRATEGY

The recruitment of the first patients in Australia and the US into XanADu during May and June 2017 represents a significant milestone for Actinogen Medical's landmark Phase II clinical trial. Actinogen Medical now expects to enrol the first UK patient within weeks and to enrol further patients across trial sites in the three countries during the coming quarter.



# ACTINOGEN MEDICAL LIMITED

## DIRECTORS' REPORT

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As at 17 August 2017, there were 17 patients on trial, with more than 50 screened for inclusion in the trial. There has been a substantial increase in patients screened over July and August 2017, reflecting the 19 sites now open for recruitment. This significant wave of screened patients should translate into a substantial increase in patient enrolment by the end of August 2017. The Company remains on track to complete the trial, as planned by early 2019.

The priority for Actinogen Medical over the next 18 months is to achieve full patient enrolment into XanADu by late 2018, and to report the top-line results on the study by Q1 2019. These results will be particularly significant as they will help establish the proof-of-concept of the cortisol hypothesis that underpins the development of Xanamem in the treatment of Alzheimer's disease.

Exploration of the Diabetes Cognitive Impairment indication continues and the Company looks forward to updating the market on the progress in the months ahead. This indication generated significant interest at the BIO International meeting in June 2017, and reinforces the potential for Xanamem to be developed for multiple disease application. The underlying mechanism of action through the inhibition of cortisol, offers Xanamem a broad platform of additional disease applications for which it can be developed.

Concurrent with the ongoing clinical research, Actinogen Medical is actively reaching out to the biotechnology and medical research communities to ensure that Xanamem is recognised and understood as a potential future treatment for Alzheimer's disease. The Company expects to participate in further international symposiums and congresses in the months ahead, where there will be opportunities to showcase Xanamem and Actinogen Medical to the research, biotech and investment communities.

The Company remains focused on ensuring the Alzheimer's disease trial progresses as planned and looks forward to regularly updating the market on the promising momentum being achieved with the development of Xanamem.

#### **14. LIKELY DEVELOPMENTS AND EXPECTED RESULTS**

Should any likely developments of the Company eventuate, this information will be made available to the market in accordance with its continuous disclosure obligations under the ASX Listing Rules.

# ACTINOGEN MEDICAL LIMITED

## DIRECTORS' REPORT

### ➤ REMUNERATION REPORT (AUDITED)

The information contained in the remuneration report has been audited as required by Section 308(3C) of the *Corporations Act 2001*. The Remuneration Report is set out under the following main headings:

1. Introduction
2. Remuneration Governance
3. Executive remuneration arrangements
  - A. Remuneration principles and strategy
  - B. Approach to setting remuneration
  - C. Detail of incentive plans
4. Executive remuneration outcomes (including link to performance)
5. Executive contracts
6. Non-executive director fee arrangements
7. Additional disclosures relating to options and shares
8. Loans to key management personnel (KMP) and their related parties
9. Other transactions and balances with KMP and their related parties

#### 1. Introduction

The remuneration report details the remuneration arrangements for key management personnel ("KMP") who are defined as those 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). Key management personnel of Actinogen comprise the Board of Directors and the Vice President of Clinical Research.

The performance of the Company depends upon the quality of its key management personnel. To prosper the Company must attract, motivate and retain appropriately skilled Directors and Executives.

The Company's broad remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people of the highest quality. The remuneration arrangements detailed in this report are for the Directors of the Board and the Vice President of Clinical Research during the financial year and are as follows:

Name	Position	Appointed	Resigned
Dr Bill Ketelbey	Managing Director / Chief Executive Officer	18/12/2014	Current
Dr Geoffrey Brooke	Non-Executive Chairman	1/03/2017	Current
Dr Jason Loveridge	Non-Executive Director	1/12/2014	Current
Dr Anton Uvarov	Non-Executive Director	16/12/2013	14/08/2017
Mr Martin Rogers	Executive Chairman	1/12/2014	7/07/2016
	Non-Executive Chairman	7/7/2016	30/11/2016
Mr Vincent Ruffles	Vice President of Clinical Research	27/10/2014	Current

# ACTINOGEN MEDICAL LIMITED

## DIRECTORS' REPORT

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There were no other changes to KMP after the reporting date and before the date that the financial report was authorised for issue.

The table below sets out the performance of the Company and the consequences of performance on shareholders' wealth over the past five years:

	2017	2016	2015	2014	2013
Quoted price of ordinary shares at period end (cents)	6.00	7.20	7.20	1.10	1.00
Quoted price of options at period end (cents)	-	-	-	-	-
Loss per share (cents)	0.52	0.54	0.60	0.29	0.18
Dividends paid	-	-	-	-	-

### 2. Remuneration Governance

Remuneration of Directors is currently set by the Board of Directors. The Board has not established a separate Remuneration Committee at this point in the Company's development nor has the Board engaged the services of a remuneration consultant to provide recommendations when setting the remuneration received by Directors.

It is considered that the size of the Board along with the level of activity of the Company renders this impractical and the full Board considers in detail all of the matters for which the Directors are responsible.

All matters of remuneration will be done in accordance with Corporations Act requirements, especially in respect of related party transactions. Refer to the Corporate Governance Statement for further information.

Actinogen Medical Limited received 99% of votes in favour of its Remuneration Report for the 2016 financial year. The Company did not receive any specific feedback at the Annual General Meeting or throughout the year on its remuneration practices.

### 3. Executive Remuneration Arrangements

#### (A) Remuneration principles and strategy

The Company aims to reward Executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company and aligned with market practice.

Executive remuneration must be:

- aligned with the Company's vision, values and overall business objectives; and
- must be designed to motivate management to pursue the Company's long term growth and success.

The nature and amount of remuneration of Executives are assessed on a periodic basis by the Board (in the absence of a Remuneration Committee) for their approval, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high performing Executives. The main objectives sought when reviewing executive remuneration is that the Company has:

- coherent remuneration policies and practices to attract and retain executives;
  - Executives who will create value for shareholders;
  - competitive remuneration offered benchmarked against the external market; and
  - fair and responsible rewards to Executives having regard to the performance of the Company, the performance of the Executives and the general pay environment.
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# ACTINOGEN MEDICAL LIMITED

## DIRECTORS' REPORT

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### **(B) Approach to setting remuneration**

The Company aims to reward executives with a level and mix of remuneration appropriate to their position and responsibilities, while being market competitive. The Company's remuneration structure for Executives can include a mix of fixed remuneration, short term incentive (STI) and long term incentive (LTI) as outlined below.

#### *Fixed remuneration component:*

Fixed Remuneration is represented by total employment cost and comprises base salary, statutory superannuation contributions (where applicable) and other benefits. It is paid by the Company to compensate fully for all requirements of the Executives employment with reference to the market and the individual's role and experience. It is subject to annual review considering market data and the performance of the Company and individual. The Company benchmarks the fixed component against appropriate market comparisons with the comparator group criteria being market capitalisation.

#### *STI component:*

The STI component is in the form of a cash bonus to KMP. Payment of the cash bonus is entirely discretionary and rewards the KMP for their contribution to achievement of business goals. The business goals are determined annually by the Board and are linked to the strategic and operational plans of the Company, including budgets agreed for each financial year.

A specific STI component is also provided for within the Managing Director's remuneration package. Currently this includes a performance condition whereby at the annual review of the Managing Directors' salary, one of the factors to be considered by the Board when granting an increase will be the Company's market capitalisation against appropriate ASX benchmarks with an aim for 50<sup>th</sup> percentile pay on ASX market capitalisation. The Managing Director and the rest of the Board will agree benchmarks for each year of the term.

#### *LTI component:*

The LTI component is in the form of Employee Loan Shares and Employee Options. The Board feels that the shares and options currently on issue provide a sufficient long term incentive to align the goals of the KMP with those of the shareholders to maximise shareholder wealth. The Board will continue to monitor this policy to ensure that it is appropriate for the Company in future years.

### **(C) Details of incentive plans**

#### **Short term incentive**

Bonus Fee Incentives are set each calendar year, with any unmet milestones expiring at the end of each year.

During the calendar year ended 31 December 2016, a \$24,700 bonus fee incentive was put in place by the Board of Directors, payable to Mr Ruffles on the achievement of a number of various short term performance conditions being met. The key performance indicators (KPI's) included delivery of the final preclinical report, the XanADu protocol, a gap analysis and the manufacture of new Xanamem™. These performance conditions were chosen because they are significant milestones that had to be accomplished prior to activation of the XanADu study. Mr Ruffles met a certain portion of these milestones and was paid a \$9,880 bonus for the first quarter of the 2016 calendar year (representing 40% of the maximum total); and a further \$7,410 bonus for the last quarter of the 2016 calendar year (representing 30% of the maximum total).

# ACTINOGEN MEDICAL LIMITED

## DIRECTORS' REPORT

During the calendar year ending 31 December 2017, a \$28,100 bonus fee incentive scheme (15% of Mr Ruffles Base Salary) was put in place by the Board of Directors, payable to Mr Ruffles on the achievement of a number of various short term performance conditions being met. The key performance indicators (KPI's) included 85% approval for the study sites, the first patient, all study sites initiated, various number of subjects enrolled, the UK dose-escalation submission completed and ready to dose; and all agreements for DCI (Diabetes Cognitive Impairment) signed and ready to initiate. Subsequent to year end, Mr Ruffles met a certain portion of these milestones and was paid a \$5,620 bonus (representing 20% of the maximum total) under the bonus incentive set for the calendar year ending 31 December 2017.

As at the date of this report, there is \$22,480 under the bonus fee incentive scheme remaining. If the remaining short term performance conditions are not met by 31 December 2017 then the remainder of the bonus fee falls away.

### **Long term incentive**

#### **(a) Employee Options**

On 23 January 2017, remuneration in the form of Employee Options were granted to employees and consultants of the Company pursuant to the Employee Option Plan. Directors are not eligible to receive options under this plan. Mr Ruffles is an employee of the Company and he received 2,500,000 employee options, exercisable on or before 5 February 2021.

Exercise Price The exercise price payable upon exercise of each Option is \$0.10.

#### Vesting Dates, Vesting Conditions and Percentages

- (a) Achieving XanADu regulatory approval in all 3 countries and 9 patients dosed by mid-year – 12.5%. This vesting condition was not met by 30 June 2017 and subsequently, 312,500 options (12.5% of 2.5 million granted) lapsed and the corresponding share-based payment expense reversed.
- (b) Achieving target of 65 patients dosed by year end 2017 – 12.5%
- (c) Achieving dosing of more than 30 patients at 20mg or higher Xanamem by 30<sup>th</sup> Oct 2018 – 25%
- (d) Achieving 174 patients dosed by 30<sup>th</sup> Oct-18 – 50%

Recipient	Class	Quantity	Issue Price	Vesting Date / Condition	Vested	Lapsed (see (a) above)	Share-based Payment Expense from issue to 30/6/2017	Balance of Share-based Payment Expense remaining @ 30/6/2017
Vincent Ruffles	Employee Options	2,500,000	\$ 0.10	See "Vesting Dates, Vesting Conditions and Percentages" above.	-	(312,500)	\$ 21,249	\$ 55,751

Restrictions on Disposal The grant will expire after 4 years on 5 February 2021. As per the Actinogen Employee Option Plan Rule ("AEOP"). The AEOP governs the options that are issued.

Other terms The rights and obligations which apply to options, including in relation to vesting, disposal and forfeiture, are specified in the AEOP.

# ACTINOGEN MEDICAL LIMITED

## DIRECTORS' REPORT

### **(b) Director Options**

On 24 March 2017, remuneration in the form of Director Options were granted to Dr Geoffrey Brooke as part of his appointment as Non-Executive Chairman. Dr Brooke received 5,000,000 options at an exercise price of \$0.10 each, exercisable on or before 24 March 2025. The key terms of the offer as outlined below:

Entitlement: Each Option gives the holder (Option holder) the right to subscribe for one fully paid ordinary share in the Company (Share) upon exercise of the Option.

Issue price of Options: Options are issued for no consideration.

Exercise Price: The exercise price payable upon exercise of each Option is \$0.10.

Vesting Conditions:

- (a) 2,000,000 Options to vest 1 year after the date of grant;
- (b) 1,500,000 Options to vest 2 years after the date of grant; and
- (c) 1,500,000 Options to vest 3 years after the date of grant.

In each case, subject to continuous service to the Company by Dr Geoffrey E.D. Brooke as Non-Executive Chairman during the period from the date of grant up to and including the applicable vesting date.

Recipient	Class	Quantity	Issue Price	Vesting Date / Condition	Vested	Lapsed	Share-based Payment Expense from issue to 30/6/2017	Balance of Share-based Payment Expense remaining @ 30/6/2017
Geoffrey Brooke	Director Options	5,000,000	\$ 0.10	See "Vesting Conditions" above e.	-	-	\$ 41,996	\$ 203,290

Expiry Date: 5.00pm (Sydney time) on the date which is 8 years from grant of the Options. Expiry date is 24 March 2025.

Exercise Period: The Options are exercisable at any time after the applicable Vesting Condition has been satisfied and on or prior to the Expiry Date

Lapse/Expiry:

- (a) The Options will lapse upon the first to occur of:
  - (i) the Expiry Date;
  - (ii) Dr Geoffrey Brooke ceasing to be a director of the Company:
    - (A) where paragraph (b) applies, the date determined by paragraph (b) passing; or
    - (B) where paragraph (c) applies, the date specified in paragraph (c) passing; or
    - (C) where neither paragraph (b) or (c) applies, the date upon which Dr Geoffrey Brooke ceases to be the non-executive Chairman of the Company; or
  - (iii) the Board making a determination that Dr Geoffrey Brooke has acted fraudulently, dishonestly or in breach of his obligations to the Company or any of its subsidiaries.
- (b) If at any time prior to the Expiry Date, Dr Geoffrey E.D. Brooke ceases to be the non-executive Chairman of the Company as a Bad Leaver, in respect of any Vested Option, the Option holder will have until the earlier of:
  - (i) the Expiry Date; or
  - (ii) the date which is three months after the date of Dr Geoffrey Brooke ceasing to be a director of the Company to exercise the Option.

# ACTINOGEN MEDICAL LIMITED

## DIRECTORS' REPORT

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- (c) If at any time prior to the Expiry Date, Dr Geoffrey E.D. Brooke ceases to be the non-executive Chairman of the Company as a Good Leaver, any:
- (i) Vested Option; and
  - (ii) Unvested Option that the Board, in its absolute discretion, shall so determine, remains exercisable until the Expiry Date.
- (d) For the purposes of this clause:
- "Bad Leaver" means a director of the Company who ceases to be a director of the Company by any reason other than as a Good Leaver;
- "Good Leaver" means a director of the Company who ceases to be a director of the Company by reason of retirement, permanent disability, redundancy or death, or is otherwise determined by the Board as a good leaver on a case by case basis and at its absolute discretion;
- "Unvested Option" means an Option granted subject to a vesting condition and vesting condition has not been satisfied; and
- "Vested Option" means an Option granted subject to a vesting condition and which any vesting condition has been satisfied.

Change in Control: Upon the occurrence of a Change in Control Event, the Board may determine (in its discretion):

- (a) that the Options may vest and be exercised at any time from the date of such determination, and in any number until the date determined by the Board acting bona fide so as to permit the holder to participate in any change of control arising from a Change in Control Event provided that the Board will forthwith advise the Option holder in writing of such determination. Thereafter, the Options shall lapse to the extent they have not been exercised; or
- (b) to use their reasonable endeavours to procure that an offer is made to holders of Options on like terms (having regard to the nature and value of the Options) to the terms proposed under the Change in Control Event in which case the Board shall determine an appropriate period during which the holder may elect to accept the offer and, if the holder has not so elected at the end of that period, the Options shall immediately vest and become exercisable and if not exercised within 10 days, shall lapse.

For the purposes of this clause, "Change in Control Event" means:

- (a) the occurrence of:
  - (i) the offeror under a takeover offer in respect of all Shares announcing that it has achieved acceptances in respect of 50.1% or more of the Shares; and
  - (ii) that takeover bid has become unconditional (except any condition in relation to the cancellation or exercise of the Options); or
- (b) the announcement by the Company that:
  - (i) its shareholders have at a Court convened meeting of shareholders voted in favour, by the necessary majority, of a proposed scheme of arrangement under which all Shares are to be either:
    - (A) cancelled; or
    - (B) transferred to a third party; and
  - (ii) the Court, by order, approves the proposed scheme of arrangement; or
- (c) the occurrence of the sale of all or a majority of the Company's main undertaking; or
- (d) at the absolute discretion of the Board, the occurrence of a sale of at least 50% of the Company's main undertaking.

Notice of Exercise: An Option holder may exercise their Options by lodging with the Company:

- (a) in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion;
  - (b) a written notice of exercise of Options specifying the number of Options being exercised (Exercise Notice); and
  - (c) a cheque or electronic funds transfer for the Exercise Price for the number of Options being exercised. Cheques shall be in Australian currency made payable to the Company and crossed "Not Negotiable".
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# ACTINOGEN MEDICAL LIMITED

## DIRECTORS' REPORT

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An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.

Timing of issue of Shares: Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Exercise Notice.

Shares issued on exercise: All Shares issued upon the exercise of Options will upon issue rank equally in all respects with the then issued Shares.

Quotation of Shares on exercise: The Company will apply for official quotation on ASX of all Shares issued upon exercise of Options within 10 Business Days after the date of issue of those Shares.

Quotation of Options: The Options will be unlisted upon grant. No application for quotation of the Options will be made.

Transfer: The Options are personal to the Option holder to whom they were granted, and the Option holder may not sell, transfer or otherwise dispose of, or make a declaration of trust in respect of, them:

- (a) until after the Options have vested; and
- (b) otherwise with the prior written consent of the Board, and provided that the transfer of the Options complies with the Corporations Act.

Participation in new issues: There are no participation rights or entitlements inherent in the Options and

Option holders will not be entitled to participate in new issues of capital offered to shareholders during the currency of the Options. If the Company makes an issue of Shares pro rata to existing shareholders there will be no adjustment of the Exercise Price.

Adjustment for bonus issues of Shares: If the Company makes a bonus issue of Shares or other securities to existing shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment):

- (a) the number of Shares which must be issued on the exercise of an Option will be increased by the number of Shares which the Option holder would have received if the Option holder had exercised the Option before the record date for the bonus issue; and
- (b) no change will be made to the Exercise Price.

Adjustments for reorganisation: If there is any reorganisation of the issued share capital of the Company, the rights of the Option holder may be varied to comply with the ASX Listing Rules which apply to a reorganisation of capital at the time of the reorganisation.

### **(c) Employee Loan Shares**

During the prior year ended 30 June 2015, remuneration in the form of Employee Loan Shares were issued to the majority of KMP upon certain performance conditions being met. The performance conditions consist of a number of Key Performance Indicators (KPI's) covering both financial and non-financial measures of performance. Typically included are measures such as contribution to research & development success, share price appreciation and tenure.

The Loan Shares represent an option arrangement. Due to the vesting conditions attached to the loan shares, these shares will be expensed over the vesting period. The key terms of the Employee Share Plan and of each limited recourse loan provided under the Plan are as follows:

- (i) the loan may only be applied towards the subscription price for the Loan Shares;
- (ii) the loan will be interest free, provided that if the loan is not repaid by the repayment date set by the Board, the loan will incur interest at 9% per annum after that date (which will accrue on a daily basis and compound annually on the then outstanding loan balance);



# ACTINOGEN MEDICAL LIMITED

## DIRECTORS' REPORT

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- (iii) by signing and returning a limited recourse loan application, the participants of the Plan (each a Participant) acknowledges and agrees that the Loan Shares will not be transferred, encumbered, otherwise disposed of, or have a security interest granted over it, by or on behalf of the Participant until the loan is repaid in full to the Company;
- (iv) the Company has security over the Loan Shares as security for repayment of the loan;
- (v) the loan becomes repayable on the earliest of:
  - a) five years from the date on which the loan is advanced to the Participant;
  - b) one month after the Participant resigns or ceases to be employed by the Company other than (i) where the Participant is removed from office by shareholders of the Company, or (ii) where the Company does not renew the Participant's executive employment agreement or (iii) where the Company dismisses the Participant other than for cause; and
  - c) (by the legal personal representative of the Participant) six months after the Participant ceases to be an employee of the Company due to their death.

### Repayment Date:

- (vi) notwithstanding paragraph (v) above, the Participant may repay all or part of the loan at any time before the Repayment Date; and
- (vii) the loan will be limited recourse such that on the Repayment Date the repayment obligation under the limited recourse loan will be limited to the lesser of (i) the outstanding balance of the limited recourse loan and (ii) the market value of the Loan Shares on that date. In addition, where the Participant has elected for the Loan Shares to be provided to the Company in full satisfaction of the loan, the Company must accept the Loan Shares as full settlement of the repayment obligation under the limited recourse loan.

Rights attaching to Loan Shares: The Loan Shares will rank equally with all other fully paid ordinary shares on issue in the capital of the Company. Holders of Loan Shares issued under the Plan will be entitled to exercise all voting rights attaching to the Shares in accordance with the Company's constitution. In addition, holders of Loan Shares issued under the Plan will be entitled to participate in dividends declared and paid by the Company in accordance with the Company's constitution.

Sale of Loan Shares: The Loan Shares may only be sold by a Participant where the Participant has been granted a limited recourse loan and the loan has been repaid in full (otherwise any dealing by the Participant in the Loan Shares is prohibited without the prior written consent of the Company).

Vesting conditions: Under the Employee Share Plan, the Directors may issue the Loan Shares subject to vesting conditions (including performance milestones and time based retention hurdles), such that the holder of the Loan Shares is only entitled to the benefit of the Loan Shares once the vesting conditions are met. If the vesting conditions are not met, the holder will lose their entitlement to the Loan Shares and the Company may buy-back or arrange for the sale of those Loan Shares. This enables the Board to attract, incentivise and retain key personnel and to align the interests of those personnel and Shareholders through equity participation.

The vesting conditions are summarised in the table below.

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## DIRECTORS' REPORT

Recipient	Class of Loan Share	Quantity	Issue Price	Vesting Date / Condition	Vested	Lapsed [f]	Share-based Payment Expense from issue to 30/6/2017	Balance of Share-based Payment Expense remaining @ 30/6/2017
Jason Lov eridge	Class A	3,000,000	\$ 0.02	Upon successful completion of the phase 1b multiple ascending dose study.	a	-	\$ 112,848	\$ -
Jason Lov eridge	Class B	3,000,000	\$ 0.02	Upon funding of the phase 2a proof of concept study.	b	-	\$ 112,848	\$ -
Martin Rogers	Class C	7,500,000	\$ 0.02	Upon Shares trading on the ASX above \$0.04 for ten consecutive trading days.	c	-	\$ 282,120	\$ -
Martin Rogers	Class D	7,500,000	\$ 0.02	Upon Shares trading on the ASX above \$0.06 for ten consecutive trading days.	d	-	\$ 282,128	\$ -
Martin Rogers	Class E	5,000,000	\$ 0.02	Upon recruitment of the phase 1b multiple ascending dose study.	e	-	\$ 188,085	\$ -
Martin Rogers	Class F	5,000,000	\$ 0.02	Upon recruitment of the phase 2a proof of concept study.	-	\$(152,955)	\$ -	\$ -
Vincent Ruffles	Class G	2,000,000	\$ 0.02	3 years from commencement of employment.	-	-	\$ 67,062	\$ 8,172
Bill Ketelbey	Class H	6,000,000	\$ 0.04	3 years from commencement of employment.	-	-	\$ 185,630	\$ 33,256
Bill Ketelbey	Class I	3,000,000	\$ 0.04	Upon Share trading on the ASX at 150% of the share price on the date of commencement of employment for 10 consecutive trading days.	-	-	\$ 109,440	\$ -
Bill Ketelbey	Class J	3,000,000	\$ 0.04	Upon recruitment of Phase II Xanamen Study.	-	-	\$ 109,444	\$ -
		<u>45,000,000</u>				<u>\$(152,955)</u>	<u>\$ 1,449,605</u>	<u>\$ 41,428</u>

During the prior years ended 30 June 2016 and 30 June 2015, the following Employee Share Plan shares vested:

- On 12 August 2015, the vesting condition on the 3,000,000 Class A Employee Share Plan shares issued to Dr Jason Lov eridge were met.
- On 21 May 2015, the vesting condition on the 3,000,000 Class B Employee Share Plan shares issued to Dr Jason Lov eridge were met.
- On 16 December 2014, the vesting condition on the 7,500,000 Class C Employee Share Plan shares issued to Mr Martin Rogers were met.
- On 24 February 2015, the vesting condition on the 7,500,000 Class D Employee Share Plan shares issued to Mr Martin Rogers were met.
- On 11 August 2015, the vesting condition on the 5,000,000 Class E Employee Share Plan shares issued to Mr Martin Rogers were met.

During the year ended 30 June 2017, no new Loan shares were issued to KMP or any other employees. No Employee Share Plan shares vested during the year ended 30 June 2017. The following Loan shares lapsed:

- On 30 November 2016, Mr Rogers resigned as Non-Executive Chairman. The vesting condition on the 5,000,000 Class F Employee Share Plan shares issued were not met and subsequently, these loan shares lapsed and the share-based payment reversed.

When the Employee Loan Shares were issued, they were independently valued using a Black Scholes methodology. The total share-based payment expense of these shares is being prorated over the vesting period of shares being issued.

# ACTINOGEN MEDICAL LIMITED

## DIRECTORS' REPORT

### 4. Executive Remuneration Outcomes

During the financial years ended 30 June 2017 and 30 June 2016 the KMP's received either or all of the following benefits:

- Short-term benefits: cash salary, cash fees and cash bonuses;
- Post-employment benefits: retirement benefits; and
- Share-based payments.

Refer to **Table 1** and **Table 2** below. All remuneration paid to Directors and Executives is valued at the cost to the Company and expensed.

**Table 1 - Remuneration of Key Management Personnel for the year ended 30 June 2017:**

As at 30/6/2017	Short term benefits		Post-employment	Share-based payments		Total	Value of share-based payments as a % of total remuneration
	Cash salary and fees	Cash bonus	Super-annuation	Options (a)	Shares		
	\$	\$	\$	\$	\$	\$	%
<u>Directors</u>							
Bill Ketelbey	315,692		19,308	115,035	-	450,035	26%
Geoffrey Brooke	30,441		2,892	41,996	-	75,329	56%
Martin Rogers (b)	52,085		4,948	-	-	57,033	0%
Jason Loveridge	60,000	-	-	-	-	60,000	0%
Anton Uvarov (c)	54,795		5,205	-	-	60,000	0%
<u>Executives</u>							
Vincent Ruffles	179,604	7,410	17,766	46,315	-	251,095	18%
<b>Total</b>	<b>692,617</b>	<b>7,410</b>	<b>50,120</b>	<b>203,346</b>	<b>-</b>	<b>953,493</b>	

(a) Of the \$203,346 share-based payments expense:

- (i) \$115,035 in employee loan shares issued to Bill Ketelbey (despite being issued fully paid ordinary shares, these loan shares are in substance options for accounting purposes);
- (ii) \$25,066 in employee loan shares issued to Vincent Ruffles (despite being issued fully paid ordinary shares, these loan shares are in substance options for accounting purposes);
- (iii) \$21,249 in employee options issued to Vincent Ruffles under the Employee Option Plan; and
- (iv) \$41,996 in unlisted options issued to Geoffrey Brooke as part of his appointment as Non-Executive Chairman.

(b) On 30 November 2016, Mr Rogers resigned as Non-Executive Chairman. The vesting condition on the 5,000,000 Class F Employee Share Plan shares issued were not met and subsequently, these loan shares lapsed and all associated share-based payment expense attached to the Class F shares were reversed.

(c) On 14 August 2017, Mr Uvarov resigned as Non-Executive Director.

# ACTINOGEN MEDICAL LIMITED

## DIRECTORS' REPORT

Table 2 - Remuneration of Key Management Personnel for the year ended 30 June 2016:

As at 30/6/2016	Short term benefits		Post-employment	Share-based payments		Total	Value of share-based payments as a % of total remuneration
	Cash salary and fees	Cash bonus	Super-annuation	Options (a)	Shares		
	\$	\$	\$	\$	\$	\$	%
<u>Directors</u>							
Bill Ketelbey	277,372	-	19,308	115,349	-	412,029	28%
Martin Rogers	98,754	-	9,382	96,919	-	205,055	47%
Jason Lov eridge	54,169	-	-	89,326	-	143,495	62%
Anton Uv arov	49,470	-	4,700	-	-	54,170	-
<u>Executives</u>							
Vincent Ruffles	161,241	9,880	16,256	25,134	-	212,511	12%
Total	641,006	9,880	49,646	326,728	-	1,027,260	

(a) The share-based payments expense of \$326,728 relates to employee Loan shares that, despite being issued as fully paid ordinary shares, are in substance options for accounting purposes.

### 5. Executive Contracts

During the financial year, the Company employed the below mentioned Executives and remunerated them as follows:

- Managing Director: Dr Bill Ketelbey received wages totaling \$315,692 plus superannuation of \$19,308;
- Vice President: Mr Vincent Ruffles received wages totaling \$187,014 (including a \$7,410 bonus fee) plus superannuation of \$17,766. For more information on bonuses paid to Mr Ruffles in the prior financial year ended 30 June 2016, and subsequent to year ended 30 June 2017, refer to Section 3(C) *Short-term incentives*.

Their contractual arrangements are outlined below.

- Dr Bill Ketelbey – Managing Director
  - Employment date: employment commenced on 18 December 2014.
  - During the year Dr Ketelbey's salary was \$335,000 per annum (including superannuation prescribed by the relevant law) with effect from 1 February 2016.
  - Term: the appointment of the employee will continue for a period of three years from the date of commencement of employment unless terminated earlier.
  - Termination: the Company or the individual may terminate the contract by giving three month's written notice. In the event of breach or criminal activity termination is effective immediately without payment other than the fee accrued to the date of termination.

# ACTINOGEN MEDICAL LIMITED

## DIRECTORS' REPORT

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- Mr Vincent Ruffles – Vice President of Clinical Research

- Employment date: employment commenced on 27 October 2014.
- During the year Mr Ruffle's remuneration increased from \$180,000 per annum (including superannuation prescribed by the relevant law) to \$205,000 per annum (including superannuation prescribed), with effect from 27 October 2016.
- Included within the remuneration package is a bonus fee incentive totaling \$28,100 (15% of Mr Ruffles' base salary) which was put in place by the Board of Directors, payable to Mr Ruffles on the achievement of a number of various short term performance conditions being met. During the quarter ended 31 March 2017, Mr Ruffles met a certain portion of these milestones and was paid, subsequent to year end, a \$5,620 bonus fee under the bonus fee incentive set for calendar year ended 31 December 2017. For further information on the bonus fee incentives set in the 2016 and 2017 calendar years, refer to *Section 3(C) Short-term incentives*.
- Term: the appointment of the employee will continue indefinitely from the date of commencement of employment unless terminated earlier.
- Termination: the Company or the individual may terminate the contract by giving three month's written notice. In the event of breach or criminal activity termination is effective immediately without payment other than the fee accrued to the date of termination.

### 6. Non-Executive Director Fee Arrangements

Non-Executive Directors are remunerated by way of fees, in the form of cash, non-cash benefits, superannuation contributions or salary sacrifice into equity and do not normally participate in schemes designed for the remuneration of executives. As noted above, fees for Non-Executive Directors are generally not directly linked to the performance of the Company, however, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Company.

The maximum aggregate remuneration approved by shareholders for Non-Executive Directors, at an annual general meeting held on 12 November 2015, is \$500,000 per annum. The Directors set the individual Non-Executive Directors fees within the limit approved by shareholders. Total fees paid to Non-Executive Directors during the year were \$210,366.

During the financial year the Company remunerated the below mentioned Non-Executives as follows:

- Non-Executive Chairman: Dr Geoffrey Brooke received fees totaling \$30,441 (plus GST) and superannuation totaling \$2,892.
- Non-Executive Director: Dr Jason Loveridge received fees totaling \$60,000 (GST not applicable).
- Non-Executive Director: Dr Anton Uvarov received a salary totaling \$54,795 plus superannuation of \$5,205. Dr Uvarov resigned on 14 August 2017.
- Former Non-Executive Chairman: Mr Martin Rogers received fees totaling \$52,085 (plus GST) and superannuation totaling \$4,948. Mr Rogers resigned on 30 November 2016.

Their contractual arrangements are outlined below:

- Dr Geoffrey Brooke – Non-Executive Chairman

- Appointment date: employment commenced on 1 March 2017;
  - Dr Brooke's remuneration is set at \$100,000 inclusive of GST (plus superannuation prescribed by the relevant law). Subject to annual review.
  - Term: Dr Brooke's appointment is subject to retirement by rotation under the Company's Constitution.
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# ACTINOGEN MEDICAL LIMITED

## DIRECTORS' REPORT

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- Termination: The other members of the Board may request that the officer resign with effect immediately in the event that the Board deems the individual's performance is unsatisfactory, or the Company's shareholders may resolve to seek the officer's removal by member's resolution. The individual may terminate the contract immediately.
- Dr Jason Loveridge – Non-Executive Director
  - Contract date: commenced on 1 December 2014.
  - Director's Fee: during the year Dr Loveridge's remuneration was set at \$60,000 per annum (excluding GST) with effect from 1 February 2016. Subject to annual review.
  - Term: Dr Loveridge was elected as a Director at the Company's 2014 Annual General Meeting, with effect from 1 December 2014 following the acquisition of Corticrine Limited; and thereafter is subject to retirement by rotation under the Company's Constitution.
  - Termination: The other members of the Board may request that the officer resign with effect immediately in the event that the Board deems the individual's performance is unsatisfactory, or the Company's shareholders may resolve to seek the officer's removal by member's resolution. The individual may terminate the contract immediately.
- Dr Anton Uvarov – Former Non-Executive Director
  - Contract date: commenced on 16 December 2013.
  - During the year Dr Uvarov's remuneration was set at \$60,000 per annum (including superannuation prescribed), with effect from 1 February 2016. Subject to annual review.
  - Term: Dr Uvarov's appointment was valid until the date of the Company's 2014 Annual General Meeting whereby he was re-elected and thereafter is subject to retirement by rotation under the Company's Constitution.
  - Termination: The other members of the Board may request that the officer resign with effect immediately in the event that the Board deems the individual's performance is unsatisfactory, or the Company's shareholders may resolve to seek the officer's removal by member's resolution. The individual may terminate the contract immediately.
  - Termination: Dr Uvarov resigned on 14 August 2017.
- Mr Martin Rogers – Former Non-Executive Chairman
  - Employment date: employment commenced on 1 December 2014.
  - Termination: Mr Rogers resigned on 30 November 2016.

### 7. Additional disclosures relating to options and shares

#### ➤ Options

The table below discloses the number of Employee Loan Shares (in substance options) granted, vested or lapsed during the year.

#### a) Option holding of KMP

At the date of this report, the unissued ordinary shares of Actinogen Medical under option carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share of the Company.

# ACTINOGEN MEDICAL LIMITED

## DIRECTORS' REPORT

Option holding of KMP as at 30 June 2017:

	Class	Balance at beginning of year 1/7/2016	Granted as remuneration	Options exercised	Net change other (a)	Balance at end of year 30/6/2017	Vested at 30/6/2017	Not vested at 30/6/2017
<b>Directors</b>								
Geoffrey Brooke (b)	Director Options	-	5,000,000	-	-	5,000,000	-	5,000,000
		-	5,000,000	-	-	5,000,000	-	5,000,000
Jason Lov eridge	A	3,000,000	-	-	-	3,000,000	3,000,000	-
Jason Lov eridge	B	3,000,000	-	-	-	3,000,000	3,000,000	-
		6,000,000	-	-	-	6,000,000	6,000,000	-
Martin Rogers	C	7,500,000	-	-	(7,500,000)	-	-	-
Martin Rogers	D	7,500,000	-	-	(7,500,000)	-	-	-
Martin Rogers	E	5,000,000	-	-	(5,000,000)	-	-	-
Martin Rogers	F	5,000,000	-	-	(5,000,000)	-	-	-
		25,000,000	-	-	(25,000,000)	-	-	-
Bill Ketelbey	H	6,000,000	-	-	-	6,000,000	-	6,000,000
Bill Ketelbey	I	3,000,000	-	-	-	3,000,000	-	3,000,000
Bill Ketelbey	J	3,000,000	-	-	-	3,000,000	-	3,000,000
		12,000,000	-	-	-	12,000,000	-	12,000,000
<b>Other KMP</b>								
Vincent Ruffles	G	2,000,000	-	-	-	2,000,000	-	2,000,000
Vincent Ruffles (c)	Employee Options	-	2,500,000	-	(312,500)	2,187,500	-	2,187,500
		2,000,000	2,500,000	-	(312,500)	4,187,500	-	4,187,500
<b>Total</b>		<b>45,000,000</b>	<b>7,500,000</b>	<b>-</b>	<b>(25,312,500)</b>	<b>27,187,500</b>	<b>6,000,000</b>	<b>21,187,500</b>

(a) Martin Rogers resigned on 30 November 2016.

(b) Geoffrey Brooke commenced as Non-Executive Chairman on 1 March 2017. He was issued Director Options as part of his appointment as Non-Executive Chairman. Refer to Section 3(C)(b) within the Remuneration Report.

(c) Of the 2,500,000 options granted to Mr Ruffles, 312,500 options lapsed at financial year end due to the vesting condition of not achieving XanADu regulatory approval in all 3 countries and 9 patients dosed by 30 June 2017 not being met, Refer to Section 3(C)(a) within the Remuneration Report for further information on Employee Options issued to Vincent Ruffles.

# ACTINOGEN MEDICAL LIMITED

## DIRECTORS' REPORT

Option holding of KMP as at 30 June 2016:

	Class	Balance at beginning of year 1/7/2015	Granted as remuneration	Options exercised	Net change other	Balance at end of year 30/6/2016	Vested at 30/6/2016	Not vested at 30/6/2016
<u>Directors</u>								
Jason Lov eridge	A	3,000,000	-	-	-	3,000,000	3,000,000	-
Jason Lov eridge	B	3,000,000	-	-	-	3,000,000	3,000,000	-
		6,000,000	-	-	-	6,000,000	6,000,000	-
Martin Rogers	C	7,500,000	-	-	-	7,500,000	7,500,000	-
Martin Rogers	D	7,500,000	-	-	-	7,500,000	7,500,000	-
Martin Rogers	E	5,000,000	-	-	-	5,000,000	5,000,000	-
Martin Rogers	F	5,000,000	-	-	-	5,000,000	-	5,000,000
		25,000,000	-	-	-	25,000,000	20,000,000	5,000,000
Bill Ketelbey	H	6,000,000	-	-	-	6,000,000	-	6,000,000
Bill Ketelbey	I	3,000,000	-	-	-	3,000,000	-	3,000,000
Bill Ketelbey	J	3,000,000	-	-	-	3,000,000	-	3,000,000
		12,000,000	-	-	-	12,000,000	-	12,000,000
<u>Other KMP</u>								
Vincent Ruffles	G	2,000,000	-	-	-	2,000,000	-	2,000,000
		2,000,000	-	-	-	2,000,000	-	2,000,000
<b>Total</b>		<b>45,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>45,000,000</b>	<b>26,000,000</b>	<b>19,000,000</b>



# ACTINOGEN MEDICAL LIMITED

## DIRECTORS' REPORT

### b) Value of options awarded, vested and lapsed during the year

The value of the options awarded, vested and lapsed during the year are outlined in the Table below. Included in this Table are the performance conditions attached to these loan shares (in substance options), and they consist of a number of KPI's that cover both financial and non-financial measures of performance. Typically included are measures such as contribution to research & development success, share price appreciation and tenure.

	Class	# Options	Value of options granted during the year (\$)	Value of options vested during the year (\$)	Value of options lapsed during the year (\$)	Share-based payment recognised during the year (\$)	Remuneration consisting of option for the year (%)	Vesting Condition
<b>Directors</b>								
Geoffrey Brooke	Director Options	5,000,000	\$ 245,286	\$ -	\$ -	\$ 41,996	56%	Note A
Jason Lov eridge	A	3,000,000	\$ -	\$ -	\$ -	\$ -	0%	Note B
Jason Lov eridge	B	3,000,000	\$ -	\$ -	\$ -	\$ -	0%	Note C
Martin Rogers	C	7,500,000	\$ -	\$ -	\$ -	\$ -	0%	Note D
Martin Rogers	D	7,500,000	\$ -	\$ -	\$ -	\$ -	0%	Note E
Martin Rogers	E	5,000,000	\$ -	\$ -	\$ -	\$ -	0%	Note F
Martin Rogers (a)	F	5,000,000	\$ -	\$ -	\$ (152,955)	\$ -	0%	Note G
Bill Ketelbey	H	6,000,000	\$ -	\$ -	\$ -	\$ 72,254	16%	Note H
Bill Ketelbey	I	3,000,000	\$ -	\$ -	\$ -	\$ -	0%	Note I
Bill Ketelbey	J	3,000,000	\$ -	\$ -	\$ -	\$ 42,781	10%	Note J
<b>Senior Executives</b>								
Vincent Ruffles	G	2,000,000	\$ -	\$ -	-	\$ 25,066	10%	Note K
Vincent Ruffles (b)	Employee Options	2,500,000	\$ 88,000	\$ -	\$ (11,000)	\$ 21,249	8%	Note L
		<b>52,500,000</b>	<b>\$ 333,286</b>	<b>\$ -</b>	<b>\$ (163,955)</b>	<b>\$ 203,346</b>		

(a) On 30 November 2016, Mr Rogers resigned as Non-Executive Chairman. The vesting condition on the 5,000,000 Class F Employee Share Plan shares issued were not met and subsequently, these loan shares lapsed and all associated share-based payment expense attached to the Class F shares were reversed.

(b) Of the 2,500,000 options granted to Mr Ruffles, 312,500 options lapsed at financial year end due to the vesting condition of not achieving XanADu regulatory approval in all 3 countries and 9 patients dosed by 30 June 2017 not being met, Refer to Section 3(C)(a) within the Remuneration Report for further information on Employee Options issued to Vincent Ruffles.

# ACTINOGEN MEDICAL LIMITED

## DIRECTORS' REPORT

A	5,000,000 director options were issued to Dr Brooke as part of his remuneration when appointed as Non-Executive Chairman on 1 March 2017. The vesting conditions are as follows: 2,000,000 vest one year after grant date, 1.5 million vest two years after grant date, and 1.5 million vest three years after grant date. The options were independently valued and the total share-based payment expense of these shares are being prorated over the vesting period of shares being issued.
B	Upon successful completion of the phase 1b multiple ascending dose (MAD) study.
C	Upon funding of the phase 2a proof of concept study.
D	Upon Shares trading on the ASX above \$0.04 for ten consecutive trading days.
E	Upon Shares trading on the ASX above \$0.06 for ten consecutive trading days.
F	Upon recruitment of the phase 1b multiple ascending dose study.
G	Upon recruitment of the phase 2a proof of concept study.
H	3 years from commencement of employment.
I	Upon Share trading on the ASX at 150% of the share price on the date of commencement of employment for 10 consecutive trading days.
J	Upon recruitment of Phase II Xanamem Study
K	3 years from commencement of employment.
L	<p>(a) Achieving XanADu regulatory approval in all 3 countries and 9 patients dosed by mid-year – 12.5%. This vesting condition was not entirely met by 30 June 2017 and subsequently, 312,500 options lapsed and the associated share-based payment expense was reversed.</p> <p>(b) Achieving target of 65 patients dosed by year end 2017 – 12.5%</p> <p>(c) Achieving dosing of more than 30 patients at 20mg or higher Xanamem by 30th Oct 2018 – 25%</p> <p>(d) Achieving 174 patients dosed by 30th Oct-18 – 50%</p>

# ACTINOGEN MEDICAL LIMITED

## DIRECTORS' REPORT

### Number of options awarded, vested and lapsed during the year

	Class	# Options	Financial year	Grant date	Exercise price (\$)	Fair value per option at grant date (\$)	Expiry date	Number vested during the year	Number lapsed during the year
<b>Directors</b>									
Geoffrey Brooke	Director Options	5,000,000	2017	24/03/2017	\$ 0.10	\$ 0.0600	24/03/2025	-	-
Jason Lov eridge	A	3,000,000	2017	19/11/2014	\$ 0.02	\$ 0.0376	19/11/2019	-	-
Jason Lov eridge	B	3,000,000	2017	19/11/2014	\$ 0.02	\$ 0.0376	19/11/2019	-	-
Martin Rogers	C	7,500,000	2017	19/11/2014	\$ 0.02	\$ 0.0376	19/11/2019	-	-
Martin Rogers	D	7,500,000	2017	19/11/2014	\$ 0.02	\$ 0.0376	19/11/2019	-	-
Martin Rogers	E	5,000,000	2017	19/11/2014	\$ 0.02	\$ 0.0376	19/11/2019	-	-
Martin Rogers	F	5,000,000	2017	19/11/2014	\$ 0.02	\$ 0.0376	19/11/2019	-	(5,000,000)
Bill Ketelbey	H	6,000,000	2017	15/12/2014	\$ 0.04	\$ 0.0365	15/12/2019	-	-
Bill Ketelbey	I	3,000,000	2017	15/12/2014	\$ 0.04	\$ 0.0365	15/12/2019	-	-
Bill Ketelbey	J	3,000,000	2017	15/12/2014	\$ 0.04	\$ 0.0365	15/12/2019	-	-
<b>Senior Executives</b>									
Vincent Ruffles	G	2,000,000	2017	19/11/2014	\$ 0.02	\$ 0.0376	19/11/2019	-	-
Vincent Ruffles	Employee Options	2,500,000	2017	23/01/2017	\$ 0.10	\$ 0.0580	5/02/2021	-	(312,500)
<b>Total</b>		<b>52,500,000</b>						<b>-</b>	<b>(5,312,500)</b>

# ACTINOGEN MEDICAL LIMITED

## DIRECTORS' REPORT

### ➤ Shares

There were no shares issued as compensation to KMP during the financial year ended 30 June 2017.

As at the date of this report, the relevant interest of each KMP in ordinary fully paid shares of the Company were:

	Balance at beginning of year 1/7/2016	Granted as remuneration	On exercise of options	Net change other (a)	Balance at end of year 30/6/2017
<b>Directors</b>					
Bill Ketelbey	353,803	-	-	-	<b>353,803</b>
Geoffrey Brooke	-	-	-	400,000	<b>400,000</b>
Martin Rogers	11,407,894	-	-	(11,407,894)	-
Jason Loveridge	21,875,078	-	-	-	<b>21,875,078</b>
Anton Uvarov	4,187,244	-	-	(4,187,244)	-
	<b>37,824,019</b>	-	-	<b>(15,195,138)</b>	<b>22,628,881</b>
<b>Other KMP</b>					
Vincent Ruffles	-	-	-	-	-
	-	-	-	-	-
<b>Total</b>	<b>37,824,019</b>	-	-	<b>(15,195,138)</b>	<b>22,628,881</b>

(a) Movement relates to shares purchased on-market during the year by Geoffrey Brooke; Martin Rogers' resignation on 30 November 2016; and Anton Uvarov's resignation on 14 August 2017.

### 8. Loans Made to Key Management Personnel

No loans were made to any Director or KMP or any of their related entities during the reporting period.

### 9. Other Transactions with Key Management Personnel

There were no other transactions with any Director or KMP or any of their related entities during the reporting period.

### End of Audited Remuneration Report

# ACTINOGEN MEDICAL LIMITED

## DIRECTORS' REPORT

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### 15. INDEMNIFICATION OF AUDITORS

To the extent permitted by Law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

### 16. INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the financial year, Actinogen Medical Limited paid a premium to insure the directors and officers of the Company. The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the entity in the Company, and any other payments arising from liabilities incurred by the officers in connection with such proceedings.

This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage from themselves or someone else or to cause detriment to the company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

### 17. PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court, under section 237 of the *Corporations Act 2001*, to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is party for the purpose of taking responsibility on behalf of the Company for all or part of these proceedings. The Company was not a party to any such proceedings during the year.

### 18. ENVIRONMENTAL REGULATIONS

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

### 19. NON-AUDIT SERVICES

No fees were paid for non-audit services to the external auditors and their associated entities during the years ended 30 June 2017 and 30 June 2016.

### 20. AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* for the year ended 30 June 2017 forms a part of the Directors' Report and can be found on page 42.

Signed in accordance with a resolution of the Board of Directors.



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Dr Bill Ketelbey  
Managing Director  
Sydney, New South Wales  
Date: Friday, 18 August 2017

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## Auditor's Independence Declaration to the Directors of Actinogen Medical Limited

As lead auditor for the audit of Actinogen Medical Limited for the financial year ended 30 June 2017, 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 audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.



Ernst & Young



T G Dachs  
Partner  
18 August 2017

**ACTINOGEN MEDICAL LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**For the year ended 30 June 2017**

	Note	Full year ended 30/06/2017 \$	Full year ended 30/06/2016 \$
Revenue from continuing operations		155,768	204,491
Other income		1,259,718	3,748,452
<i>Total revenue &amp; other income</i>	6	<u>1,415,486</u>	<u>3,952,943</u>
Business development		(361,341)	(697,793)
Corporate administration expenses		(578,468)	(577,174)
Research & development expenses	6	(3,190,450)	(5,613,245)
Finance costs		(8,532)	(6,435)
Share-based payment expenses		(106,415)	(326,728)
Amortisation expense		(353,501)	(354,469)
Depreciation expense	6	(7,117)	(10,857)
<i>Total expenses</i>		<u>(4,605,824)</u>	<u>(7,586,701)</u>
<b>Loss Before Income Tax</b>		<b>(3,190,338)</b>	<b>(3,633,758)</b>
Income tax benefit/(expense)		-	-
<b>Loss for the Year</b>		<b><u>(3,190,338)</u></b>	<b><u>(3,633,758)</u></b>
<u>Other comprehensive income</u>			
<i>Items that may be reclassified subsequently to profit and loss:</i>			
Net fair value gain/(losses) for available-for-sale listed investments		54,335	22,272
<b>Total comprehensive loss for the Year</b>		<b><u>(3,136,003)</u></b>	<b><u>(3,611,486)</u></b>
<b>Earnings/(loss) per share for attributable to the ordinary equity holders of the Company</b>			
Basic loss per share (cents)	16	<b>(0.52)</b>	(0.60)
Dilutive loss per share (cents)	16	<b>(0.52)</b>	(0.60)

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

**ACTINOGEN MEDICAL LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**For the year ended 30 June 2017**

	Note	Full year ended 30/06/2017 \$	Full-year ended 30/06/2016 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	8	1,894,605	751,978
Trade and other receivables	9	1,374,868	2,966,276
Available-for-sale listed investments	10	2,094,833	4,025,987
<b>TOTAL CURRENT ASSETS</b>		<b>5,364,306</b>	<b>7,744,241</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	2,266	8,358
Intangible assets	12	4,843,453	5,196,954
<b>TOTAL NON-CURRENT ASSETS</b>		<b>4,845,719</b>	<b>5,205,312</b>
<b>TOTAL ASSETS</b>		<b>10,210,025</b>	<b>12,949,553</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	13	763,682	783,968
Provision for employee entitlements		80,577	40,235
<b>TOTAL LIABILITIES</b>		<b>844,259</b>	<b>824,203</b>
<b>NET ASSETS</b>		<b>9,365,766</b>	<b>12,125,350</b>
<b>EQUITY</b>			
Contributed equity	14	26,578,391	26,308,391
Reserve shares	14	(1,140,000)	(1,140,000)
Reserves	15	7,005,401	6,844,651
Accumulated losses		(23,078,026)	(19,887,692)
<b>TOTAL EQUITY</b>		<b>9,365,766</b>	<b>12,125,350</b>

The above statement of financial position should be read in conjunction with the accompanying notes.



**ACTINOGEN MEDICAL LIMITED**  
**STATEMENT OF CASH FLOWS**  
**For the year ended 30 June 2017**

	Full year ended 30/06/2017	Full year ended 30/06/2016
Note	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Dividends received	118,233	98,638
Interest received	37,535	104,170
Interest paid	(8,532)	(6,435)
Payments to suppliers and employees	(824,224)	(1,047,481)
Payments for research and development	(3,261,087)	(5,331,088)
Research and development rebate received	2,829,276	1,143,057
<b>Net cash (outflow) from operating activities</b>	<b>(1,108,799)</b>	<b>(5,039,139)</b>
	8	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(1,025)	(12,460)
Purchases of available-for-sale listed investments	-	(6,000,225)
Proceeds on sale of available-for-sale listed investments	1,982,451	1,998,192
<b>Net cash inflow/(outflow) from investing activities</b>	<b>1,981,426</b>	<b>(4,014,493)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares	270,000	-
<b>Net cash inflow from financing activities</b>	<b>270,000</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>1,142,627</b>	<b>(9,053,632)</b>
Cash and cash equivalents at beginning of the year	751,978	9,805,610
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	<b>1,894,605</b>	<b>751,978</b>
	8	

The above statement of cash flows should be read in conjunction with the accompanying notes.

**ACTINOGEN MEDICAL LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**For the year ended 30 June 2017**

	Contributed Equity	Accumulated Losses	Available-for- sale Reserve	Option Reserve	Reserve Shares	Total
Full year ended 30/6/2017	\$	\$	\$	\$	\$	\$
<b>Balance as at 1/7/2016</b>	<b>26,308,391</b>	<b>(19,887,688)</b>	<b>22,272</b>	<b>6,822,379</b>	<b>(1,140,000)</b>	<b>12,125,354</b>
Loss for the year	-	(3,190,338)	-	-	-	(3,190,338)
Other comprehensive income	-	-	54,335	-	-	54,335
Total comprehensive income for the year	-	(3,190,338)	54,335	-	-	(3,136,003)
Transactions with equity holders in their capacity as equity holders						
Shares issued during the year	270,000	-	-	-	-	270,000
Share-based payments	-	-	-	106,415	-	106,415
Capital raising costs	-	-	-	-	-	-
<b>Balance as at 30/6/2017</b>	<b>26,578,391</b>	<b>(23,078,026)</b>	<b>76,607</b>	<b>6,928,794</b>	<b>(1,140,000)</b>	<b>9,365,766</b>

	Contributed Equity	Accumulated Losses	Available-for- sale Reserve	Option Reserve	Reserve Shares	Total
Full-year ended 30/6/2016	\$	\$	\$	\$	\$	\$
Balance as at 1/7/2015	26,254,891	(16,253,930)	-	6,495,651	(1,140,000)	15,356,612
Loss for the year	-	(3,633,758)	-	-	-	(3,633,758)
Other comprehensive income	-	-	22,272	-	-	22,272
Total comprehensive income for the year	-	(3,633,758)	22,272	-	-	(3,611,486)
Transactions with equity holders in their capacity as equity holders						
Shares issued during the year	53,500	-	-	-	-	53,500
Capital raising costs	-	-	-	-	-	-
Share-based payments	-	-	-	326,728	-	326,728.00
Balance as at 30/6/2016	26,308,391	(19,887,688)	22,272	6,822,379	(1,140,000)	12,125,354

The above statement of changes in equity should be read in conjunction with the accompanying notes.

# ACTINOGEN MEDICAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 30 JUNE 2017

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#### 1. CORPORATE INFORMATION

The financial statements of Actinogen Medical Limited ("the Company" or "Actinogen") for the year ended 30 June 2017 were authorised in accordance with a resolution of Directors on 18 August 2017.

Actinogen Medical Limited is a for profit company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Stock Exchange. The nature of operations and principal activities of the Company are described in the Directors' Report. Information on other related party relationships is provided in Note 20.

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements of the Company are for the financial year ended 30 June 2017.

##### (a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, and the *Corporations Act 2001*. The financial statements have been prepared on a going concern basis.

##### (b) Going concern basis

This report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

The Company has incurred a total comprehensive loss for the year ended 30 June 2017 of \$3,136,003 (30 June 2016: \$3,611,486) and experienced net cash outflows from operating activities of \$1,108,799 (30 June 2016: outflows of \$5,039,139).

As at 30 June 2017, the Company has \$1,894,605 in cash and cash equivalents plus \$2,094,833 in available-for-sale listed investments that are readily convertible into cash. Post year-end, the Company is due to receive approximately \$1,214,754 in other income which relates to the research and development rebate receivable recognised at year end.

The Company remains dependent on its ability to raise funding in volatile capital markets. However, the Directors continue to believe that the going concern basis of accounting by the Company is appropriate as the Company has successfully completed capital raisings during previous reporting periods, notwithstanding the challenging conditions in equity markets.

In consideration of the above matters, the Directors have determined that it is reasonably foreseeable that the Company will continue as going concern and that it is appropriate that the going concern method of accounting be adopted in the preparation of the financial statements. In the event that the Company is unable to continue as a going concern (due to inability to raise future funding requirements), it may be required to realise its assets at amounts different to those currently recognised, settle liabilities other than in the ordinary course of business and make provisions for other costs which may arise as a result of cessation or curtailment of normal business operations.

Accordingly, the financial statements do not include adjustments relating to the recoverability and classification of assets amount or to the amounts and classification of liabilities that might be necessary if the entity does not continue as a going concern.

##### (c) Compliance with IFRS

The financial statements of the Company also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

# ACTINOGEN MEDICAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 30 JUNE 2017

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**(d) Historical cost convention**

These financial statements have been prepared under the historical cost convention, except for available-for-sale financial investments which have been measured at fair value.

**(e) Critical accounting estimates**

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

**(f) Foreign currency translation**

The Company's financial statements are presented in Australian dollars, which is also the Company's functional currency. For each entity, the Company determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

*Transactions and balances*

Transactions in foreign currencies are initially recorded by the Company's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Company's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

**(g) Plant & equipment**

Each asset of plant and equipment is stated at cost, net of accumulated depreciation and impairment losses, if any. Assets are depreciated from the date the asset is ready for use.

Items of plant and equipment are depreciated using the diminishing value method over their estimated useful lives to the Company. The depreciation rates used for each class of asset for the current period are as follows:

- |                                |               |
|--------------------------------|---------------|
| • Computer Equipment           | 25% to 66.67% |
| • General Pool Assets >\$1,000 | 37%           |

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is assessed on the basis of expected net cash flows that will be received from the assets continual use or subsequent disposal. The expected cash flows have been discounted to their present value in determining the recoverable amount.

An asset is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income when the asset is de-recognised.

The assets' residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each balance date.

# ACTINOGEN MEDICAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 30 JUNE 2017

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#### (h) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying values of its assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the assets carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the statement of comprehensive income. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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. In determining fair value less cost to sell, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

#### (i) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates and adjusted on a prospective basis. The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of comprehensive income when the asset is derecognised.

#### **Research and development costs**

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Company can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development
- The ability to use the intangible asset generated

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

# ACTINOGEN MEDICAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

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#### **Patents**

The Company made upfront payments to purchase patents. The patents have been granted for a period of 20 years by the relevant government agency with the option of renewal at the end of this period. As a result, those patents are amortised on a straight-line basis over the period of the patent.

#### **(j) Income tax**

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the end of the reporting period.

Deferred income tax is accounted for using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

However, the deferred income tax from the initial recognition of an asset or liability, in a transaction other than a business combination is not accounted for if it arises that at the time of the transaction affects either accounting or taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the asset is realised or liability is settled. Deferred tax is credited in the statement of comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The Company's entitlement to the Research and Development tax rebate is recognised as a tax benefit upon receipt from the Australian Taxation Office.

#### **(k) Employee benefits**

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits discounted using the interest rate on corporate bonds with terms to maturity approximating the terms of the liability.

#### **(l) Share-based payments**

The Company provides benefits to employees (including directors) of the Company in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions'). The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an internal valuation using a Black-Scholes option pricing model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

# ACTINOGEN MEDICAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

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The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the directors of the Company, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award.

#### **(m) Cash and cash equivalents**

For the purpose of the Statement of Cash Flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, bank overdrafts and other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

#### **(n) Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest revenue is recorded using the effective interest rate method (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument, or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the statement of comprehensive income.

Research & development tax rebates are recognised when there is reasonable assurance that the rebate will be received. The rebate is recognised as income over the period necessary to match on a systematic basis the costs that it is intended to compensate.

#### **(o) Trade receivables**

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

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the statement of comprehensive income within impairment losses – financial assets. 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 impairment losses – financial assets in the statement of comprehensive income.

# ACTINOGEN MEDICAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 30 JUNE 2017

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#### **(p) Goods and services tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables in the statement of are shown inclusive of GST. Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

#### **(q) Contributed equity**

Ordinary issued share capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction in share proceeds received.

#### **(r) Trade and other payables**

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

#### **(s) Provisions**

Provisions for legal claims and make good obligations are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

#### **(t) Earnings per share**

##### *(i) Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

##### *(ii) Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

#### **(u) Investments and other financial assets**

##### *Classification*

The Company classifies its financial assets in the following categories: loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.



# ACTINOGEN MEDICAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 30 JUNE 2017

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#### *Recognition*

Financial instruments are initially measured at fair value on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

#### *Available-for-sale financial assets*

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting period.

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets initially recognised at fair value with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

#### *Subsequent measurement*

Available-for-sale financial assets are subsequently measured at fair value. Changes in the fair value of available for sale financial assets are recognised in the statement of comprehensive income.

Loans and receivables are carried at amortised cost using the effective interest rate method.

Details of how the fair value of financial instruments is determined and disclosed in Note 3.

#### *Impairment*

The Company assesses at each balance date whether there is objective evidence that a financial asset or Company of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the statement of comprehensive income - is removed from equity and recognised in the statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on equity instruments classified as available-for-sale are not reversed.

If there is evidence of impairment for any of the Company's financial assets carried at amortised cost, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in the statement of comprehensive income.

#### **(v) 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.

#### **(w) Government grants**

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amount over the expected useful life of the related asset.

**ACTINOGEN MEDICAL LIMITED**  
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**(x) New accounting standards and interpretations adopted**

The following standards and interpretations have been adopted by the Company:

Reference	Title	Summary	Application date of standard	Application date for Company*
AASB 14 ^^^	Regulatory deferral accounts	AASB 14 allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of Australian Accounting Standards. The Standard does not apply to existing Australian Accounting Standard preparers.	1 January 2016	1 July 2016
AASB 2014-4	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138)	The amendments clarify the principle in AASB 116 Property, Plant and Equipment and AASB 138 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, the ratio of revenue generated to total revenue expected to be generated cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.	1 January 2016	1 July 2016
AASB 2015-1	<i>Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle</i>	The amendments clarify certain requirements in: <ul style="list-style-type: none"> <li>• AASB 5 Non-current Assets Held for Sale and Discontinued Operations – Changes in methods of disposal</li> <li>• AASB 7 Financial Instruments: Disclosures - servicing contracts; applicability of the amendments to AASB 7 to condensed interim financial statements</li> <li>• AASB 119 Employee Benefits - regional market issue regarding discount rate</li> <li>• AASB 134 Interim Financial Reporting - disclosure of information 'elsewhere in the interim financial report'</li> </ul>	1 January 2016	1 July 2016
AASB 2015-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101	This Standard amends AASB 101 Presentation of Financial Statements to clarify existing presentation and disclosure requirements and to ensure entities are able to use judgment when applying the Standard in determining what information to disclose, where and in what order information is presented in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures.	1 January 2016	1 July 2016

The standards and interpretations were applied for the first time and they have not had a material impact on the Group's financial statements

**(y) New accounting standards and interpretations not yet adopted**

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2017 reporting periods and have not been early adopted by the Company. These new standards and interpretations are set out below.

Reference	Title	Summary	Application date of standard*	Application date for Company*
AASB 9	<i>Financial Instruments</i>	AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement. Except for certain trade receivables, an entity initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Debt instruments are subsequently measured at fair	1 January 2018	1 July 2018

**ACTINOGEN MEDICAL LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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Reference	Title	Summary	Application date of standard*	Application date for Company*
		<p>value through profit or loss (FVTPL), amortised cost, or fair value through other comprehensive income (FVOCI), on the basis of their contractual cash flows and the business model under which the debt instruments are held. There is a fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch.</p> <p>Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option on an instrument-by-instrument basis to present changes in the fair value of non-trading instruments in other comprehensive income (OCI) without subsequent reclassification to profit or loss.</p> <p>For financial liabilities designated as FVTPL using the FVO, the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation in OCI of the fair value change in respect of the liability's credit risk would create or enlarge an accounting mismatch in profit or loss.</p> <p>All other AASB 139 classification and measurement requirements for financial liabilities have been carried forward into AASB 9, including the embedded derivative separation rules and the criteria for using the FVO. The incurred credit loss model in AASB 139 has been replaced with an expected credit loss model in AASB 9. The requirements for hedge accounting have been amended to more closely align hedge accounting with risk management, establish a more principle-based approach to hedge accounting and address inconsistencies in the hedge accounting model in AASB 139.</p>		
AASB 15	Revenue from Contracts with Customers	<p>AASB 15 replaces all existing revenue requirements in Australian Accounting Standards (AASB 111 Construction Contracts, AASB 118 Revenue, AASB Interpretation 13 Customer Loyalty Programmes, AASB Interpretation 15 Agreements for the Construction of Real Estate, AASB Interpretation 18 Transfers of Assets from Customers and AASB Interpretation 131 Revenue – Barter Transactions Involving Advertising Services) and applies to all revenue arising from contracts with customers, unless the contracts are in the scope of other standards, such as AASB 117 (or AASB 16 Leases, once applied).</p> <p>The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with the core principle by applying the following steps:</p> <ul style="list-style-type: none"> <li>▶ Step 1: Identify the contract(s) with a customer</li> <li>▶ Step 2: Identify the performance obligations in the contract</li> <li>▶ Step 3: Determine the transaction price</li> <li>▶ Step 4: Allocate the transaction price to the performance obligations in the contract</li> <li>▶ Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.</li> </ul>	1 January 2018	1 July 2018
AASB 16	Leases	<p>AASB 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under AASB 117 Leases. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset).</p> <p>Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.</p> <p>Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.</p>	1 January 2019	1 July 2019

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Reference	Title	Summary	Application date of standard*	Application date for Company*
		Lessor accounting is substantially unchanged from today's accounting under AASB 117. Lessors will continue to classify all leases using the same classification principle as in AASB 117 and distinguish between two types of leases: operating and finance leases.		
2016-1	Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]	This Standard amends AASB 112 Income Taxes (July 2004) and AASB 112 Income Taxes (August 2015) to clarify the requirements on recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value.	1 January 2017	1 July 2017
2016-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107	The amendments to AASB 107 Statement of Cash Flows are part of the IASB's Disclosure Initiative and help users of financial statements better understand changes in an entity's debt. The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).	1 January 2017	1 July 2017
2016-5	Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions	This Standard amends AASB 2 <i>Share-based Payment</i> , clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for: <ul style="list-style-type: none"> <li>• The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments</li> <li>• Share-based payment transactions with a net settlement feature for withholding tax obligations</li> <li>• A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.</li> </ul>	1 January 2017	1 July 2017

- For Standards: AASB 9, AASB 15 and AASB 16, the impact of the adoption of these standards are currently being assessed by the Company. No determination has been made.
- For Standards AASB 2016-1, AASB 2016-2 and AASB 2016-3, the impact of the adoption of all of these new and revised standards and interpretations has not yet been assessed by the Company.

**3. FINANCIAL RISK MANAGEMENT**

The Company's activities expose it to a variety of financial risks: market risk, (including interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk in these areas is not significant enough to warrant a formalised specific risk management program. Risk management is carried out by the Board of Directors in their day to day function as the overseers of the business. Set out below is an overview of the financial instruments held by the Company as at 30 June 2017:

**ACTINOGEN MEDICAL LIMITED**  
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	Cash and cash equivalents	Loan and receivables	Available- for-sale
As at 30/6/2017	\$	\$	\$
<b>Financial assets:</b>			
Available-for-sale-investments	-	-	2,094,833
<b>Total non-current</b>	<b>-</b>	<b>-</b>	<b>2,094,833</b>
Cash & cash equivalents	1,894,605	-	-
Trade and other receivables	-	1,374,868	-
<b>Total current</b>	<b>1,894,605</b>	<b>1,374,868</b>	<b>-</b>
<b>Total assets</b>	<b>1,894,605</b>	<b>1,374,868</b>	<b>2,094,833</b>
<b>Financial liabilities:</b>			
Trade and other payables	-	763,682	-
<b>Total current</b>	<b>-</b>	<b>763,682</b>	<b>-</b>
<b>Total liabilities</b>	<b>-</b>	<b>763,682</b>	<b>-</b>
<b>Net exposure</b>	<b>1,894,605</b>	<b>611,186</b>	<b>2,094,833</b>

Set out below is an overview of the financial instruments held by the Company as at 30 June 2016:

	Cash and cash equivalents	Loan and receivables	Available- for-sale
As at 30/6/2016	\$	\$	\$
<b>Financial assets:</b>			
Available-for-sale-investments	-	-	4,025,987
<b>Total non-current</b>	<b>-</b>	<b>-</b>	<b>4,025,987</b>
Cash & cash equivalents	751,978	-	-
Trade and other receivables	-	2,966,276	-
<b>Total current</b>	<b>751,978</b>	<b>2,966,276</b>	<b>-</b>
<b>Total assets</b>	<b>751,978</b>	<b>2,966,276</b>	<b>4,025,987</b>
<b>Financial liabilities:</b>			
Trade and other payables	-	783,968	-
<b>Total current</b>	<b>-</b>	<b>783,968</b>	<b>-</b>
<b>Total liabilities</b>	<b>-</b>	<b>783,968</b>	<b>-</b>
<b>Net exposure</b>	<b>751,978</b>	<b>2,182,308</b>	<b>4,025,987</b>

**(a) Market Risk**

*(i) Price risk*

Equity price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments in the market. Equity price risk is minimised through ensuring that investment activities are undertaken in accordance with the Board established mandate limits and investment strategies.

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During the year the Company's main equity price risk exposure related to the Company's available-for-sale financial assets which comprised of various ASX-listed investments. All the investment assets were securities from major banks and are considered low risk investments.

*(ii) Interest rate risk*

The Company's main interest rate risk exposure relates primarily to the Company's cash at bank and funds held on deposit that are both held with variable interest rates. The Company does not rely on the generation of interest on cash and cash equivalents to provide for working capital and as result does not consider this to be material. The Company therefore has not undertaken any further analysis of exposure other than the analysis in the table below:

	As at 30/6/2017		As at 30/6/2016	
	Weighted average interest rate	Balance	Weighted average interest rate	Balance
	%	\$	%	\$
Cash and cash equivalents	1.2	1,894,605	1.6	751,978

**(b) Credit risk**

Credit risk is the risk of financial loss to the Company if a counter party to a financial instrument fails to meet its contractual obligations. The Company's main credit risk exposure relates to the financial assets of the Company, which comprise cash and cash equivalents and trade and other receivables. The Company's exposure to credit risk arises from potential default of the counter party, with the maximum exposure equal to the carrying amount of these instruments.

The carrying amount of financial assets included in the statement of financial position represents the Company's maximum exposure to credit risk in relation to those assets. The Company does not hold any credit derivatives to offset its credit exposure. The Company trades only with recognised, credit worthy third parties and as such collateral is not requested nor is it the Company's policy to securitise its trade and other receivables. Receivable balances are monitored on an ongoing basis with the result that the Company does not have a significant exposure to bad debts. The Company has no significant concentrations of credit risk except for cash held with National Australia Bank and various receivables with recognised third parties.

*(i) Cash*

The Directors believe that there is negligible credit risk with the Company's cash and cash equivalents, as funds are held at call with National Australia Bank, a reputable Australian Banking institution.

*(ii) Trade and other receivables*

While the Company has policies in place to ensure that transactions with third parties have an appropriate credit history, the management of current and potential credit risk exposures is limited as far as is considered commercially appropriate. Up to the date of this report, the Board has placed no requirement for collateral on existing debtors.

**(c) Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial liabilities as and when they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Company manages liquidity risk by continuously monitoring forecast and actual cash flows. Surplus funds are generally only invested at call or in bank bills that are highly liquid and with maturities of less than six months.

**ACTINOGEN MEDICAL LIMITED**  
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(i) *Financing arrangements:*

The Company does not have any financing arrangements.

(ii) *Maturities of financial liabilities:*

The Company's only debt relates to trade payables, where payments are generally due within 30 days.

**(d) Fair Value Measurements**

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

Accounting standards require disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- (b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following tables present the Company's assets and liabilities measured and recognised at fair value at 30 June 2017 and 30 June 2016.

<b><u>As at 30/6/2017</u></b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets</b>				
Available-for-sale financial investments	2,094,833	-	-	2,094,833
<b>Total financial assets</b>	<b>2,094,833</b>	<b>-</b>	<b>-</b>	<b>2,094,833</b>
<b>Financial liabilities</b>				
Trade and other payables	-	763,682	-	763,682
<b>Total financial liabilities</b>	<b>-</b>	<b>763,682</b>	<b>-</b>	<b>763,682</b>
<b><u>As at 30/6/2016</u></b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets</b>				
Available-for-sale financial investments	4,025,987	-	-	4,025,987
<b>Total financial assets</b>	<b>4,025,987</b>	<b>-</b>	<b>-</b>	<b>4,025,987</b>
<b>Financial liabilities</b>				
Trade and other payables	-	783,968	-	783,968
<b>Total financial liabilities</b>	<b>-</b>	<b>783,968</b>	<b>-</b>	<b>783,968</b>

The fair value of financial instruments traded in active markets (such as available-for-sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Company is the current bid prices at the end of the financial year. These instruments are included in Level 1.

# ACTINOGEN MEDICAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

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#### 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

- *Key estimates: Impairment*

The Company assesses impairment at each reporting date by evaluating conditions specific to the Company that may lead to impairment of non-financial assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

The Company follows the guidance of AASB 139 Financial Instruments: Recognition and Measurement on determining when an available-for-sale financial asset is impaired. This determination requires significant judgement. In making this judgement, the Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost and the financial health of and near term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

- *Key estimates: Share-based payments*

The Company initially measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant.

This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 21.

- *Key estimates: Going concern basis*

For further information on going concern basis refer to Note 2 (b).

- *Key estimates: Intangible Assets*

For further information on intangible assets refer to Note 2 (i).

#### 5. SEGMENT INFORMATION

The Company's sole operations are within the biotech industry within Australia. Given the nature of the Company, its size and current operations, the Company's management does not treat any part of the Company as a separate operating segment. Internal financial information used by the Company's decision makers is presented on a "whole of entity" manner without dissemination to any separately identifiable segments. Accordingly, the financial information reported elsewhere in this financial report is representative of the nature and financial effects of the business activities in which it engages and the economic environments in which it operates. All non-current assets are held in Australia and all revenue is derived in Australia.



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**6. REVENUE, OTHER INCOME AND EXPENSES**

	<b>Full year ended</b> <b>30/06/2017</b>	Full year ended 30/06/2016
	<b>\$</b>	<b>\$</b>
<b>Revenue</b>		
Dividends Received on listed investments	118,233	100,320
Interest Revenue	37,535	104,171
	<b>155,768</b>	204,491
<u>Other income</u>		
EMDG Grant	44,964	-
Research and development tax rebate	1,214,754	3,748,452
<i>Total other income</i>	1,259,718	3,748,452
<b>Total revenue</b>	<b>1,415,486</b>	3,952,943
	<b>Full year ended</b> <b>30/06/2017</b>	Full year ended 30/06/2016
	<b>\$</b>	<b>\$</b>
<b>Expenses</b>		
<i>Research and development expenses</i>		
Research consultants	294,952	539,764
Administrative	90,372	209,396
Laboratory expenses	1,584,211	3,820,489
Travel & accommodation costs	180,295	134,649
Employee expenses	1,040,620	908,947
	<b>3,190,450</b>	5,613,245
<i>Other expenses</i>		
Employee expenses	175,173	241,644
Depreciation	7,117	10,857
	<b>182,290</b>	252,501

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**7. INCOME TAX**

	<b>Full-year ended 30/06/2017</b>	Full-year ended 30/06/2016
	\$	\$
Numerical reconciliation of income tax income to prima facie tax payable		
Operating loss before income tax	(3,190,338)	(3,633,758)
Tax benefit at the Australian tax rate of 27.5% (2016: 30%)	(877,343)	(1,090,127)
Tax effect of amounts that are not deductible / taxable in calculating taxable income:		
Fines and penalties	4,467	-
Share-based payments	29,264	98,018
Research and development	416,727	415,198
Future income tax benefit not brought to account	426,885	576,911
Income tax benefit / (expense)	-	-

	<b>Full-year ended 30/06/2017</b>	Full-year ended 30/06/2016
	\$	\$
<b>Tax Losses</b>		
Unused tax losses for which no deferred tax asset has been recognised.		
Potential tax benefit @ 27.5% (2016: 30%)	2,091,378	2,090,587
	<b>2,091,378</b>	<b>2,090,587</b>

**Unrecognised temporary differences**

Temporary differences for which deferred tax assets have not been recognised.

- Provisions and accruals	163,620	26,810
- Capital raising costs	409,302	636,854
- Impairment	-	-
	<b>572,922</b>	<b>663,664</b>
Unrecognised deferred tax asset relating to the above temporary differences	<b>157,554</b>	199,099

The tax benefit of tax losses and other temporary differences will only arise in the future where the Company derives sufficient net taxable income and is able to satisfy the carried forward tax loss recoupment rules. The Directors believe that the likelihood of the Company achieving sufficient taxable income in the future is not probable and the tax benefit of these tax losses and other temporary differences have not been recognised.

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**8. CASH AND CASH EQUIVALENTS**

	<b>As at 30/06/2017</b>	<b>As at 30/06/2016</b>
	<b>\$</b>	<b>\$</b>
Cash at bank and on hand	1,757,834	648,961
Short term deposits	136,771	103,017
<b>Total cash and cash equivalents</b>	<b>1,894,605</b>	<b>751,978</b>

During the prior year ended 30 June 2016, the Company invested \$6,000,225 in available-for-sale listed investments comprising securities from major banks which are considered low risk investments that are readily convertible to cash. Approximately \$4,000,000 of these investments have been sold since this time, and as of 30 June 2017, the balance of these investments were valued at \$2,094,833. The Company received \$118,233 in dividends during the year from holding these investments and as at 30 June 2017 the Company recognised an unrealised gain of \$76,607. Refer to Financial Statements, Note 10: Available-for-sale Listed Investments for further information.

Combining the \$2,094,833 in available-for-sale listed investments with the \$1,894,605 in cash and cash equivalents held at year end, equates to \$3,989,438. The Company's expenditure is in line with the anticipated working capital budgeted spend as set out in various announcements issued on the stock exchange during the current and previous financial years; and funds have been applied primarily to support the Phase 2 study of Xanamem; and to support general working capital.

Post year-end the Company is due to receive up to approximately \$1,214,754 in other income which relates to the research and development rebate receivable recognised at year end. Refer to Note 9(d) below.

**Reconciliation of net cash flows from operating activities**

	<b>Full year ended 30/06/2017</b>	<b>Full year ended 30/06/2016</b>
	<b>\$</b>	<b>\$</b>
Loss for the year	(3,190,338)	(3,633,758)
Non cash items:		
Unrealised gain/(loss) from available-for-sale listed investments	3,042	(1,682)
Depreciation	7,117	10,857
Amortisation expense	353,501	354,469
Share-based payment expense	106,415	326,728
Issue of shares for services performed	-	53,500
Change in assets and liabilities		
(Increase)/decrease in receivables	1,591,408	(2,750,816)
Increase/(decrease) in trade creditors and other payables	(20,286)	561,328
Increase/(decrease) in employee entitlements	40,342	40,235
	<b>(1,108,799)</b>	<b>(5,039,139)</b>

**ACTINOGEN MEDICAL LIMITED**  
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**Non cash financing & investing activities**

No non-cash financing and investing activities occurred during the year ended 30 June 2017.

**Financing facilities available**

As at 30 June 2017, the Company had no financing facilities available. For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts.

**Interest rate risk exposure**

The Company's exposure to interest rate risk is discussed in Note 3.

**Credit risk exposure**

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

**9. TRADE AND OTHER RECEIVABLES**

	<b>As at 30/06/2017</b>	<b>As at 30/06/2016</b>
	<b>\$</b>	<b>\$</b>
Prepayments (a)	33,024	37,692
Goods and services tax receivable (b)	127,090	323,189
Research and development tax rebate receivable (c)	1,214,754	2,605,395
<b>Total trade and other receivables</b>	<b>1,374,868</b>	<b>2,966,276</b>

**(a) Prepayments**

This amount relates to prepaid insurances.

**(b) Goods and services tax receivable**

This amount relates to good and services tax (GST) paid during the quarter ended 30 June 2017.

**(c) Research and development tax rebate receivable**

This amount relates to the Research and Development Tax Rebate that the Company is entitled to claim on research and development costs incurred during the year.

None of the current receivables are impaired or past due but not impaired. Due to their short-term nature, carrying amounts approximate their fair value.

**10. AVAILABLE-FOR-SALE LISTED INVESTMENTS**

During the year the Company's available-for-sale listed investments comprised of securities from major banks, these are considered low risk investments. The fair value of listed investments in listed corporations is based on the bid price on the Australian Securities Exchange prior to close of business on balance date.

	<b>As at 30/06/2017</b>	<b>As at 30/06/2016</b>
	<b>\$</b>	<b>\$</b>
Listed investments at fair value	2,094,833	4,025,987
<b>Fair value</b>	<b>2,094,833</b>	<b>4,025,987</b>

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*Movements during the year:*

	As at 30/06/2017	As at 30/06/2016
	\$	\$
At beginning of the year	4,025,987	-
Purchases of available-for-sale listed investments	-	6,000,225
Proceeds on sale of available-for-sale listed investments	(1,982,451)	(1,996,510)
Unrealised gain on listed investments	54,335	22,272
Realised loss on listed investment	(3,038)	-
<b>At end of the year</b>	<b>2,094,833</b>	<b>4,025,987</b>

**11. PROPERTY, PLANT AND EQUIPMENT**

	As at 30/06/2017	As at 30/06/2016
	\$	\$
At cost	23,948	22,923
Accumulated depreciation	(21,682)	(14,565)
<b>Total property, plant and equipment</b>	<b>2,266</b>	<b>8,358</b>

*Movements during the year:*

	Plant and Equipment	Office Equipment	Computer Equipment	General Pool	Total
<b>Balance at 1/7/2016</b>	-	-	3,819	4,539	8,358
Acquisitions	-	-	-	1,025	1,025
Disposals	-	-	-	-	-
Depreciation	-	-	(3,819)	(3,298)	(7,117)
<b>Balance at 30/6/2017</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,266</b>	<b>2,266</b>

	Plant and Equipment	Office Equipment	Computer Equipment	General Pool	Total
Balance at 1/7/2015	-	-	3,631	3,124	6,755
Acquisitions	-	-	8,383	4,077	12,460
Disposals	-	-	-	-	-
Depreciation	-	-	(8,195)	(2,662)	(10,857)
Balance at 30/6/2016	-	-	3,819	4,539	8,358

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**12. INTANGIBLE ASSETS**

	<b>As at 30/06/2017</b>	As at 30/06/2016
	<b>\$</b>	<b>\$</b>
At cost	5,756,743	5,756,744
Accumulated amortisation	(913,290)	(559,790)
<b>Total intangible assets</b>	<b>4,843,453</b>	5,196,954

*Movements during the year:*

	<b>Intellectual Property \$</b>
<b>Balance at 1/7/2016</b>	<b>5,196,954</b>
Acquisitions	-
Amortisation expense	(353,501)
<b>Balance at 30/6/2017</b>	<b>4,843,453</b>
Balance at 1/7/2015	5,551,423
Acquisitions	-
Amortisation expense	(354,469)
Balance at 30/6/2016	5,196,954

Intellectual property totalling \$4,843,453 comprises patents and licences initially acquired through Corticine Limited. On 8 December 2014, Actinogen entered into an Assignment of Licence Agreement with Corticine Limited for the assignment of all of Corticine's interest in, to and under the Licence Agreement to Actinogen and the assumption by Actinogen of all of Corticine's obligations in respect of such assignment (Assignment).

The intellectual property is supported by seven patent families, the most recent of which will expire in 2031. The patent useful life has been aligned to the patent term and as a result, those patents are amortised on a straight-line basis over the period of the patent. For further information refer to the accounting policy in Note 2.

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**13. TRADE AND OTHER PAYABLES**

	<b>As at 30/06/2017</b>	<b>As at 30/06/2016</b>
	<b>\$</b>	<b>\$</b>
Trade payables	649,110	689,777
Accruals and other payables	78,065	26,810
NAB credit cards	1,747	1,916
Provision for payroll tax	11,723	32,514
PAYG payable	23,037	32,951
<b>Total trade and other payables</b>	<b>763,682</b>	<b>783,968</b>

Trade and other payables are non-interest bearing liabilities stated at cost and settled within 30 days.

**14. CONTRIBUTED EQUITY**

	<b>As at 30/06/2017</b>	<b>As at 30/06/2016</b>
	<b>\$</b>	<b>\$</b>
Fully paid ordinary shares	28,858,391	28,588,391
Capital raising costs	(2,280,000)	(2,280,000)
<b>Total contributed equity</b>	<b>26,578,391</b>	<b>26,308,391</b>

(a) Share Capital

Ordinary shares: These shares entitle the holder to participate in dividends and the proposed winding up of the Company in proportion to the number and amount paid on the share held. Effective 1 July 1998 the Corporations legislation in place abolished the concepts of authorised capital and par share values. Accordingly, the Company does not have authorised capital or par value in respect of its issued shares.

(b) Movement of fully paid ordinary shares during the period were as follows:

	<b>Date</b>	<b>Quantity</b>	<b>Unit Price \$</b>	<b>Total \$</b>
Balance carried forward 1 July 2015		606,158,558		26,254,891
Issue of shares pursuant to service agreements	6/05/2016	535,000	0.100	53,500
<b>Balance at 30/6/2016</b>		<b>606,693,558</b>		<b>26,308,391</b>
Exercise of options	26/04/2017	10,000,000	0.020	200,000
Exercise of options	9/05/2017	3,500,000	0.020	70,000
<b>Balance at 30/6/2017</b>		<b>620,193,558</b>		<b>26,578,391</b>

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(c) Reserve shares

	Date	Quantity	Unit Price \$	Total \$
Balance at 30/6/2016		(45,000,000)		(1,140,000)
<b>Balance at 30/6/2017</b>		<b>(45,000,000)</b>		<b>(1,140,000)</b>

During the year ended 30 June 2015, the Company issued 45,000,000 Loan Shares under the Employee Share Plan approved at the Annual General Meeting of shareholders on 19 November 2014. The details of these loan shares are listed below:

- 33,000,000 shares issued at \$0.02 each on 3 December 2014 of which 26,000,000 have vested; and
- 12,000,000 shares issued at \$0.04 each on 12 December 2014.

(d) Share Options

As at the date of this report, there were 50,310,938 unissued ordinary shares under option:

- 35,000,000 unlisted options with an exercise price of \$0.02 per share and an expiry date of 30 November 2018 (fully vested);
- 5,500,000 unlisted Facilitator options at \$0.02 per share exercisable on or before 30 November 2018 (fully vested); and
- 4,393,750 unlisted options with an exercise price of \$0.10 per share exercisable on or before 5 February 2021. These options were issued to employees and contractors of the Company and are subject to vesting conditions.
- 417,188 unlisted options with an exercise price of \$0.10 per share exercisable on or before 5 February 2021. These options were issued to employees of the Company after year end on 12 July 2017. These options are not subject to vesting conditions.
- 5,000,000 unlisted options with an exercise price of \$0.10 per share exercisable on or before 24 March 2025. These options were issued to Geoffrey Brooke (Appointed as Non-Executive Chairman on 1 March 2017) of the Company and are subject to vesting conditions.

During the year the following options lapsed:

- 1,700,000 unlisted options with an exercise price of \$0.103 per share exercisable on or before 7 July 2020. These options were issued to employees of the Company however, lapsed due to the vesting conditions having not being achieved.
- 556,250 unlisted options with an exercise price of \$0.10 per share exercisable on or before 5 February 2021. These options were issued to employees of the Company however, lapsed due to the vesting conditions having not being achieved by 30 June 2017.

No option holder has any right, by virtue of the option, to participate in any share issue of the Company or any related body corporate. For further details of the options outstanding please refer to the Remuneration Report which is included as part of this financial report.

(e) Terms and Conditions of Issued Capital

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. At shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has a vote on a show of hands. Ordinary shares have no par value.



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(f) Capital risk management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, so it can provide returns to shareholders and benefits to other stakeholders. The Company considers capital to consist of cash reserves on hand and available-for-sale listed investments.

Consistent with the Company's objective, it manages working capital by issuing new shares, investing in and selling assets, submitting Research and Development rebates from the Australian Tax Office or modifying its planned research and development program as required.

Given the stage of the Company's development there are no formal targets set for return on capital. The Company is not subject to externally imposed capital requirements. The net equity of the Company is equivalent to capital. Net capital is obtained through capital raisings on the Australian Securities Exchange and receipt of Research and Development rebates from the Australian tax Office.

**15. RESERVES**

Reserves are made up of the options reserve. The option reserve records items recognised as expenses on valuation of employee and Director share options. Details of the movement in reserves is shown below.

	<b>As at 30/06/2017</b>	<b>As at 30/06/2016</b>
	<b>\$</b>	<b>\$</b>
Option reserve	6,928,794	6,822,379
Available-for-sale investments reserve	76,607	22,272
<b>Reserves</b>	<b>7,005,401</b>	<b>6,844,651</b>

Movements in Option reserve during the year:

	<b>As at 30/06/2017</b>	<b>As at 30/06/2016</b>
	<b>\$</b>	<b>\$</b>
<b>Option Reserve</b>		
Opening balance	6,822,379	6,495,651
Share-based payment expense on loan shares	175,812	326,728
Lapse of Class F loan shares	(152,955)	-
Share-based payment expense on director options	41,996	-
Share-based payment expense on employee options	61,142	-
Lapse of employee options	(19,580)	-
Closing balance	<b>6,928,794</b>	<b>6,822,379</b>

At year end there were 49,893,750 options on issue. Refer to Note 21: Share-based payments for further information on share-based payments recognised and lapsed during the year.

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Movements in Available-for-sale investments reserve during the year:

	<b>As at</b> <b>30/06/2017</b>	As at 30/06/2016
	<b>\$</b>	<b>\$</b>
<b>Available-for-sale investments reserve</b>		
Balance at the beginning of the year	22,272	-
Unrealised gain/(loss) on available-for-sale listed investments	54,335	22,272
Balance at end of year	<b>76,607</b>	<b>22,272</b>

**16. EARNINGS PER SHARE**

	<b>Full-year ended</b> <b>30/06/2017</b>	Full-year ended 30/06/2016
	<b>\$</b>	<b>\$</b>
Basic EPS from continuing operations attributable to the ordinary share holders of the Company (cents)	<b>(0.52)</b>	(0.60)
Weighted number of ordinary shares used as the denominator	<b>609,009,996</b>	606,240,449
Net loss used in calculating EPS	<b>(3,190,338)</b>	(3,633,758)
Diluted EPS from continuing operations attributable to the ordinary share holders of the Company (cents)	<b>(0.52)</b>	(0.60)
Weighted number of ordinary shares used as the denominator	<b>609,009,996</b>	606,240,449
Net loss used in calculating diluted EPS	<b>(3,190,338)</b>	(3,633,758)

As at 30 June 2017, there are 49,893,750 unissued ordinary shares under option excluded from the calculation of diluted earnings per share that could potentially dilute basic earnings per share in the future because they are anti-dilutive or the current period presented.

Subsequent to year end, on 12 July 2017, 417,188 options were issued to employees of the Company with an exercise price of \$0.10 per share exercisable on or before 5 February 2021. These options are not subject to vesting conditions. Refer to Note 21b) for further information.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements. As at the date of this report, there are 50,310,938 unissued ordinary shares under option:

**17. COMMITMENTS**

Other than what is mentioned below, the Company has no future commitments existing as at 30 June 2017 (2016: Nil).

*Rental Agreement*

During the prior year the Company entered into a property rental lease agreement for a term of three years which commenced from 1 July 2015 with no renewal option included in the agreement. There are no restrictions placed upon the Company by entering into this lease. The Company has a continuation agreement in place beyond 30 June 2018 however, as at the date of this report, the Company is yet to agree renewal terms with the Lessor.

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The lease includes a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions. Future minimum rentals payable under non-cancellable operating leases as at 30 June 2017 are as follows:

	As at 30/06/2017	As at 30/06/2016
	\$	\$
Within one year	\$ 119,419	104,845
After one year but not more than five years	\$ -	109,039
More than five years	\$ -	-
	<b>\$ 119,419</b>	<b>213,884</b>

**18. CONTINGENCIES**

The Directors are not aware of any contingent liabilities or assets as at 30 June 2017 (2016: Nil).

**19. KEY MANAGEMENT PERSONNEL DISCLOSURES**

Key management personnel of Actinogen Medical Limited are listed below:

Name	Position	Appointed	Resigned
Dr Bill Ketelbey	Managing Director / Chief Executive Officer	18/12/2014	Current
Dr Geoffrey Brooke	Non-Executive Chairman	1/03/2017	Current
Dr Jason Loveridge	Non-Executive Director	1/12/2014	Current
Dr Anton Uvarov	Non-Executive Director	16/12/2013	14/08/2017
Mr Martin Rogers	Executive Chairman Non-Executive Chairman	1/12/2014 7/7/2016	7/07/2016 30/11/2016
Mr Vincent Ruffles	Vice President of Clinical Research	27/10/2014	Current

**(a) Key Management Personnel Compensation:**

	Full-year ended 30/06/2017	Full-year ended 30/06/2016
	\$	\$
Short-term employee benefits	700,027	650,886
Post employment benefits	50,120	49,646
Share-based payment	203,346	326,728
	<b>953,493</b>	<b>1,027,260</b>

There were no long term benefits or termination benefits paid out during the years ended 30 June 2017 and 30 June 2016.

The detailed remuneration disclosures and relevant interested of each Key Management Personnel in fully paid ordinary shares and options of the Company are provided in the audited remuneration report on pages 22 to 40.

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**20. RELATED PARTY TRANSACTIONS**

**(a) Transactions with Key Management Personnel**

Details of transactions with Key Management Personnel are set out in Note 19. There were no other related party transactions that occurred during the year.

**21. SHARE – BASED PAYMENTS**

The following share based payment existed at 30 June 2017:

**(a) Loan Shares**

Under the Employee Loan Share Plan (approved by shareholders on 19 November 2014), awards are made to executives and other key management personnel who have an impact on the Company's performance. The Plan awards are delivered in the form of options over shares which vest over a period of five years subject to meeting performance measures.

The fair value of share options granted have been valued using a Black Scholes methodology, taking into account the terms and conditions upon which the share options were granted.

The approximate interest rate over a five year term was used. The assumed dividend payable in the next five years was deemed to be nil. A volatility of the share price fluctuation was calculated by considering the historical movement of the share price over period of time as well factoring market conditions of its competitors to predict the distribution of relative share performance.

The exercise price of the share options is equal to the market price of the underlying shares on the date of grant. The contractual term of the share options is five years and there are no cash settlement alternatives for the employees. The Company does not have a past practice of cash settlement for these awards.

The fair value of options granted during the prior year ended 30 June 2015 was estimated on the date of grant using the following assumptions:

- Dividend yield (%) nil
- Expected volatility (%) 100
- Risk-free interest rate (%) 5.0
- Expected life (years) 5.0
- Weighted average share price (\$) 0.04

Recipient	Class of Loan Share	Quantity	Value per share	Value recognised during the year \$	Value lapsed during the year \$	Value to be recognised in future years \$
Jason Loveridge	Class A	3,000,000	\$ 0.0376	-	-	-
Jason Loveridge	Class B	3,000,000	\$ 0.0376	-	-	-
Martin Rogers	Class C	7,500,000	\$ 0.0376	-	-	-
Martin Rogers	Class D	7,500,000	\$ 0.0376	-	-	-
Martin Rogers	Class E	5,000,000	\$ 0.0376	-	-	-
Martin Rogers	Class F	5,000,000	\$ 0.0376	35,712	(152,955)	-
Vincent Ruffles	Class G	2,000,000	\$ 0.0376	25,066	-	8,172
Bill Ketelbey	Class H	6,000,000	\$ 0.0365	72,254	-	33,256
Bill Ketelbey	Class I	3,000,000	\$ 0.0365	-	-	-
Bill Ketelbey	Class J	3,000,000	\$ 0.0365	42,781	-	-
<b>Total Loan Shares</b>		<b>45,000,000</b>		<b>175,812</b>	<b>(152,955)</b>	<b>41,428</b>

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On 30 November 2016, Mr Rogers resigned as Non-Executive Chairman. The vesting condition on the 5,000,000 Class F Employee Share Plan shares issued were not met and subsequently, these loan shares lapsed and all associated share-based payment expense attached to the Class F shares to date, amounting to \$152,955, were reversed.

**(b) Employee Options**

Under the Employee Option Plan (approved by shareholders on 12 November 2015), awards are made to employees of the Company. The Plan awards are delivered in the form of options over shares which vest over a period of two years subject to meeting various vesting conditions.

The fair value of share options granted have been valued using a Monte Carlo Simulation methodology, taking into account the terms and conditions upon which the share options were granted.

The approximate interest rate over a five year term was used. The assumed dividend payable in the next five years was deemed to be nil. A volatility of the share price fluctuation was calculated by considering the historical movement of the share price over period of time as well factoring market conditions of its competitors to predict the distribution of relative share performance.

The exercise price of the share options is equal to the market price of the underlying shares on the date of grant. The contractual term of the share options is five years and there are no cash settlement alternatives for the employees. The Company does not have a past practice of cash settlement for these awards.

The fair value of options granted during the prior year ended 30 June 2017 was estimated on the date of grant using the following assumptions:

- Dividend yield (%) nil
- Expected volatility (%) 100
- Risk-free interest rate (%) 2.17%
- Expected life (years) 5.0
- Weighted average share price (\$) 0.06

Recipient	Grant Date	Quantity	Value per share	Value recognised during the year \$	Value lapsed during the year \$ (i)	Value to be recognised in future years \$
Vincent Ruffles	23/01/2017	2,500,000	\$0.0352	32,249	(11,000)	55,751
Tanya Woolley	23/01/2017	200,000	\$0.0352	1,495	-	5,545
Peter Webse	23/01/2017	300,000	\$0.0352	2,243	-	8,317
Therese Russell	23/01/2017	200,000	\$0.0352	2,580	(880)	4,460
Kerrie Boyd	23/01/2017	1,250,000	\$0.0352	16,125	(5,500)	27,875
Bridget Rooney	23/01/2017	500,000	\$0.0352	6,450	(2,200)	11,150
<b>Total Employee options</b>		<b>4,950,000</b>		<b>61,142</b>	<b>(19,580)</b>	<b>113,098</b>

(i) Of the total options granted to employees mentioned above, 556,250 of these options that had the same vesting condition attached (that is, achieving XanADu regulatory approval in all 3 countries and 9 patients dosed by 30 June 2017), lapsed due to this condition not being entirely met by year end. Subsequently, the share-based payment expense of \$19,580 that was expensed during the vesting period was reversed as at 30 June 2017.

Refer to Section 3(C) within the Remuneration Report for further information on Employee Options.

**ACTINOGEN MEDICAL LIMITED**  
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**(c) Director Options**

5,000,000 Director options were granted to Dr Geoffrey Brooke as part of his appointment to the Board as Non-Executive Chairman. These options over shares will vest over a period of five years subject to meeting various vesting conditions. Refer to Section 3(C)(b) within the Remuneration Report for further information on these Director Options.

The fair value of share options granted have been valued using a Black Scholes methodology, taking into account the terms and conditions upon which the share options were granted.

The approximate interest rate over a five year term was used. The assumed dividend payable in the next five years was deemed to be nil. A volatility of the share price fluctuation was calculated by considering the historical movement of the share price over period of time as well factoring market conditions of its competitors to predict the distribution of relative share performance.

The exercise price of the share options is equal to the market price of the underlying shares on the date of grant. The contractual term of the share options is five years and there are no cash settlement alternatives for the employees. The Company does not have a past practice of cash settlement for these awards.

The fair value of options granted during the prior year ended 30 June 2017 was estimated on the date of grant using the following assumptions:

- Dividend yield (%) nil
- Expected volatility (%) 100
- Risk-free interest rate (%) 2.61%
- Expected life (years) 5.0
- Weighted average share price (\$) 0.058

Recipient	Grant Date	Quantity	Value per share	Value recognised during the year \$	Value lapsed during the year \$	Value to be recognised in future years \$
Geoffrey Brooke	24/03/2017	5,000,000	\$0.0491	41,996	-	203,290
<b>Total Director options</b>		<b>5,000,000</b>		<b>41,996</b>	<b>-</b>	<b>203,290</b>

**22. REMUNERATION OF AUDITOR**

	Full-year ended 30/06/2017 \$	Full-year ended 30/06/2016 \$
Amounts paid or payable to Ernst & Young for:		
- An audit or review of the financial statements of the entity	40,225	31,200
	<b>40,225</b>	<b>31,200</b>

**23. EVENTS OCCURRING AFTER THE REPORTING PERIOD**

There are no matters or circumstances that have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of the Company in subsequent financial years.

## ACTINOGEN MEDICAL LIMITED

### DIRECTORS' DECLARATION

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In the Directors opinion:

1. The financial statements and notes set out on pages 43 to 74, are in accordance with the *Corporations Act 2001* including:
  - (a) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (b) giving a true and fair view of the Company's financial position as at 30 June 2017 and of its performance for the year ended on that date;
2. The remuneration disclosure included in the audited Remuneration Report in the Directors' Report complies with Section 300A of the *Corporations Act 2001*.
3. The Directors have been given the declaration by the Managing Director and Chief Financial Officer (or equivalent) as required by section 295A of the *Corporations Act 2001*.
4. The Company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.
5. Subject to the disclosure in Note 2(b) "Going concern basis", 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 made in accordance with a resolution of the Directors.



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Dr Bill Ketelbey  
Managing Director  
Sydney, New South Wales  
Date: Friday, 18 August 2017

# Independent auditor's report to the members of Actinogen Medical Limited

## Report on the audit of the financial report

### Opinion

We have audited the financial report of Actinogen Medical Limited (the Company), which comprises the statement of financial position as at 30 June 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration of the Company.

In our opinion, the accompanying financial report of the Company is 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 2017 and of its financial performance for the year ended on that date; and
- b) 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Material uncertainty related to going concern

Without qualifying our opinion, we draw attention to Note 2b in the financial report. The matters set forth in Note 2b indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern, and therefore, the Company may be unable to realise its assets and discharge its liabilities in the normal course of business.

### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.



We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

## 1. Research and development rebate

### Why significant

The Company has lodged a Research and Development ('R&D') rebate from the Australian Taxation Office ('ATO') to receive eligible funding and support for its ongoing research activities for the development of Xanamem.

The R&D rebate program in Australia is a self-assessment regime linked to the lodgement of the annual corporate tax. For claims from entities with aggregate turnover less than \$20.0m, such as Actinogen, the R&D rebate is returned in cash.

The R&D rebate receivable calculated for the year ended 30 June 2017 was \$1.2m.

Due to judgment involved in determining amounts that meet the eligibility criteria to qualify for inclusion in the R&D rebate calculation and the significance of this source of cash inflow for the Company, we consider this to be a key audit matter. Refer to Note 9 to the financial report.

### How our audit addressed the key audit matter

We involved our R&D tax specialists to assess the appropriateness of the R&D rebate calculated by the Company's third party expert, being 43.5% of eligible R&D expenditure.

We evaluated the competency and independence of the Company's third party expert.

We assessed the Company's accounting treatment of the R&D rebate under Australian Accounting Standard - AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance*.

## 2. Intangible assets

### Why significant

The balance of the Company's intangible assets consists of intellectual property and patents. As at 30 June 2017, the balance was \$4.8m which represents 47% of total assets.

Due to the significance to the Company's financial report and level of judgment involved in assessing whether there are indicators of impairment present, we consider this to be a key audit matter. Refer to Note 12 to the financial report.

### How our audit addressed the key audit matter

We evaluated the appropriateness of the Company's judgment and conclusion that there were no impairment indicators present. In doing so, we examined the patent and license agreement, enquired of the Company and assessed the appropriateness of the treatment of R&D expenditure and amortisation period of the patent pursuant to the requirements of Australian Accounting Standard - AASB 136 *Impairment of Assets* and AASB 138 *Intangible Assets* respectively.

### 3. Share based payments

#### Why significant

During the year ended 30 June 2017, Actinogen issued 9,950,000 unlisted options:

- ▶ 4,950,000 to employees and contractors of the company
- ▶ 5,000,000 to the Non-Executive Chairman of the company.

All options issued are subject to non-market based vesting conditions.

556,250 options issued to employees and contractors lapsed at 30 June 2017 as vesting conditions were not met. No options vested during the period.

Under Australian Accounting Standard - AASB 2 *Share-based payment* ('AASB 2') equity settled awards are measured at fair value on grant date taking into consideration the probability of the vesting conditions attached.

Due to the complex and judgmental estimates used in determining the valuation of the share based payments, we consider the Company's calculation of the share based payment expense to be a key audit matter. Refer to Note 14(d) to the financial report for details.

#### How our audit addressed the key audit matter

We assessed the assumptions used in the Company's calculation including the share price of the underlying equity, interest rate, volatility, time to maturity (expected life), grant date and granting criteria. We involved our valuation specialists in performing these procedures.

We assessed the adequacy of the share based payment disclosure in the financial report.

### Information other than the financial report and auditor's report

The directors are responsible for the other information. The other information comprises the information included in the Company's 2017 Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the directors for the financial report

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

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating 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 have no realistic alternative but to do so.

## **Auditor's responsibilities for the audit of the financial report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors
- ▶ Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern
- ▶ Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on the audit of the remuneration report

### Opinion on the remuneration report

We have audited the Remuneration Report included in pages 22 to 40 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Actinogen Medical Limited for the year ended 30 June 2017, 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.



Ernst & Young



T G Dachs  
Partner  
Perth  
18 August 2017

# ACTINOGEN LIMITED

## SHAREHOLDER INFORMATION

### Substantial shareholders

The following substantial shareholders have lodged notices with the company as at 4 August 2017:

Holders	Shares	Percentage of Issued Capital
Edinburgh Technology Fund Limited	48,147,864	7.76%
JK Nominees Pty Ltd	40,000,000	6.45%

Distribution of ordinary shareholders as at 4 August 2017

Range of Holding	Holders	Shares
1-1,000	30	2,422
1,001-5,000	97	309,641
5,001-10,000	241	2,120,860
10,001 - 100,000	842	37,749,110
100,001 – over	439	580,011,525
	1,649	620,193,558

Shareholders with less than a marketable parcel.

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### Voting Rights

Each fully paid ordinary share carries voting rights of one vote per share.

### Twenty Largest holders of quoted ordinary shares as at 4 August 2017

	Number of Shares	Percentage of Issued Capital
Edinburgh Technology Fund Limited	48,147,864	7.76
JK Nominees Pty Ltd <The JK Fund A/C>	40,000,000	6.45
Webinvest Pty Ltd <OLSB Unit A/C>	26,315,067	4.24
Warambi Sarl	21,875,078	3.53
Mr Jason Peterson & Mrs Lisa Peterson <J & L Peterson S/F A/C>	20,000,001	3.22
Mr Martin Rogers	20,000,000	3.22
Mr Benjamin Cranstoun Dark <The Ben Dark Holdings A/C>	15,743,398	2.54
Denlin Nominees Pty Ltd	15,282,816	2.46
Tisia Nominees Pty Ltd <Henderson Family A/C>	14,717,184	2.37
Oaktone Nominees Pty Ltd	14,717,184	2.37
BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd Drp	13,634,703	2.20
Bannaby Investments Pty Limited <Bannaby Super Fund A/C>	13,376,781	2.16
Tisia Nominees Pty Ltd <Henderson Family A/C>	13,150,000	2.12
Dr John William Ketelbey	12,157,894	1.96
Ms Margaret Elizabeth Livingston	9,654,749	1.56
Morgan Stanley Australia Securities (Nominee) Pty Limited <No 1 Account>	9,127,844	1.47
Mrs Sarah Cameron	8,994,464	1.45
Ardroy Securities Pty Ltd <Cameron Investment Unit A/C>	7,572,241	1.22
Bannaby Investments Pty Ltd <Super Fund A/C>	7,500,000	1.21
Rickenbacker Capital Investments Pty Ltd	6,829,361	1.10
Dr Jason Loveridge	6,000,000	0.97
<b>TOTAL</b>	<b>344,796,629</b>	<b>55.58</b>

# ACTINOGEN LIMITED

## SHAREHOLDER INFORMATION

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### Unquoted Securities as at 4 August 2017

There were 40,500,000 unlisted options exercisable at \$0.02 each and expiring on 30 November 2018 held by five holders, on issue.

Details of the holders holding more than 20% of the above:

	<b>Number of Options</b>	<b>Percentage</b>
AH Super Pty Ltd <The AH Super Fund A/C>	15,000,000	37.04
Tisia Nominees Pty Ltd <Henderson Family A/C>	10,000,000	24.69
Oaktone Nominees Pty Ltd <Grist Investment A/C>	10,000,000	24.69
<b>TOTAL</b>	<b>35,000,000</b>	<b>86.42</b>

There were 4,810,938 unlisted options exercisable at \$0.10 each and expiring on 5 February 2021 held by six holders, on issue.

Details of the holders holding more than 20% of the above:

	<b>Number of Options</b>	<b>Percentage</b>
Vincent Ruffles	2,421,875	50.34
Kerrie Boyd	1,210,938	25.17
<b>TOTAL</b>	<b>3,632,813</b>	<b>75.51</b>

There were 5,000,000 unlisted options exercisable at \$0.10 each and expiring on 24 March 2025 held by one holder, on issue.

Details of the holders holding more than 20% of the above:

	<b>Number of Options</b>	<b>Percentage</b>
Geoffrey Edward Duncan Brooke	5,000,000	100.00

### Restricted Securities

The Company has no securities on issue that are subject to either ASX or voluntary escrow.

### On-Market Buy-Back

There is no current on-market buy back in place.