

Noxopharm Limited
Appendix 4E
Preliminary final report

1. Company details

Name of entity: Noxopharm Limited
ABN: 50 608 966 123
Reporting period: For the year ended 30 June 2019
Previous period: For the year ended 30 June 2018

2. Results for announcement to the market

			\$
Revenues from ordinary activities	down	- to	-
Loss from ordinary activities after tax attributable to the owners of Noxopharm Limited	down	38.6% to	(11,222,787)
Loss for the year attributable to the owners of Noxopharm Limited	down	38.6% to	(11,222,787)

Dividends

There were no dividends paid, recommended or declared during the current financial period.

Comments

The loss for the consolidated entity after providing for income tax and non-controlling interest amounted to \$11,222,787 (30 June 2018: \$18,283,501).

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>(1.21)</u>	<u>8.29</u>

4. Dividends

Current period

There were no dividends paid, recommended or declared during the current financial period.

Previous period

There were no dividends paid, recommended or declared during the previous financial period.

5. Dividend reinvestment plans

Not applicable.

6. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements have been audited and an unqualified opinion has been issued.

Noxopharm Limited
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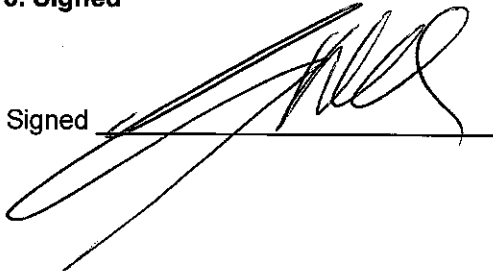
7. Attachments

Details of attachments (if any):

The Audited Financial Statements of Noxopharm Limited for the year ended 30 June 2019 is attached.

8. Signed

Signed

A handwritten signature in black ink, consisting of several loops and strokes, is written over a horizontal line.

Date: 29 August 2019

Noxopharm Limited

ABN 50 608 966 123

Audited Financial Statements - 30 June 2019

Noxopharm Limited
Directors' report
30 June 2019

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Noxopharm Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2019.

Directors

The following persons were directors of Noxopharm Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Dr. Graham Kelly, Executive Chairman
Mr. Peter Marks, Non-Executive Deputy Chairman
Dr. Ian Dixon, Non-Executive Director
Mr. John Moore, Non-Executive Director (appointed 21 November 2018, resigned 16 July 2019)
Dr. Beata Niechoda, Non-Executive Director (appointed 16 July 2019)

Principal activities

The consolidated entity's principal activity in the course of the current financial year continues to be drug development, with the primary focus being the clinical development of Veyonda® (NOX66) as an adjuvant therapy in chemotherapy and radiotherapy in the treatment of late-stage cancers. There were no significant changes in the nature of the Company's principal activity during the financial year.

Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Review of operations

The loss for the consolidated entity after providing for income tax and non-controlling interest amounted to \$11,222,787 (30 June 2018: \$18,283,501).

During the financial year, the consolidated entity has:

- continued to refine its strategic drug development plan embracing both clinical and pre-clinical programs for Veyonda®;
- made further appointments as part of its preparation for the projected expansion in the Veyonda® clinical trials program, with the appointments covering drug manufacture, pre-clinical activities, and clinical trial management;
- release of interim clinical data from the DARRT-1 study reporting both on the tolerance of a combination of Veyonda® and radiotherapy, and the encouraging evidence of clinical signals of efficacy in patients;
- achieved full enrolment for the DARRT-1 clinical study in late-stage prostate cancer;
- expanded the LuPIN-1 clinical study to 56 patients at the request of the clinical investigators;
- made important pre-clinical discoveries underpinning Veyonda's potential immuno-oncology effects;
- developed and refined in vivo model for elucidating abscopal effects with Veyonda + radiotherapy;
- ramped up our drug discovery and drug formulation activities

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the consolidated entity during the financial year.

Likely developments and expected results of operations

Information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

Matters subsequent to the end of the financial year

On 9 May 2019, the Nyrada noteholders were asked to agree to an extension of the maturity date and change in conversion ratio of their notes to shares from 3 shares for every 12 notes held to 15 shares for every 12 notes held, with the maturity date being extended to 31 October 2019. No change to the option arrangements, with 2 options being issued for every 12 notes held per the original agreement terms. The substantial majority of note holders have agreed to these changes.

On 19 July 2019 the Company secured a funding facility for up to A\$26 million from two U.S. institutional investors through a share purchase and convertible notes security agreement. The convertible note security agreement is for \$3.8 million in cash (before expenses), with a two year maturity date being 23 July 2021, and a face value of \$4.56 million. The convertible notes can be converted at a conversion price which is the lowest of a) the share price equal to 90% of the average of the five lowest daily VWAP's per share during the 20-trading day period immediately prior to the relevant notice of conversion date, b) \$0.58, and c) in the event of an IPO on the NASDAQ, 80% of the NASDAQ IPO price. The convertible note amount can be reduced by the Company if it repays \$1.5 million of the research and development grant proceeds to the investors once the funds are received from the Australian Taxation Office. In addition, the Company can raise up to an additional \$22.2 million in capital through the share purchase agreement over twelve months from 23 July 2019. The Company issued 4,722,222 options to the investors with an exercise price of \$0.58 expiring 23 July 2023.

Except as noted above, no matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Environmental regulation

The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Information on directors

Name: Dr. Graham Kelly
Title: Executive Chairman
Experience and expertise: Graham graduated with degrees in Science (1968) and Veterinary Science (1969) from The University of Sydney. After graduation he joined the newly-formed Department of Transplant Surgery in the Faculty of Medicine at The University of Sydney, gaining a Doctor of Philosophy in 1972. The subject of his PhD thesis was the manufacture and use of a novel drug for the treatment of tissue rejection in kidney transplant recipients, with that drug subsequently being commercialised and used globally in kidney transplantation. Graham was appointed Senior Research Fellow in Experimental Surgery at The University of Sydney, contributing through research in the areas of organ recovery for transplantation and liver transplant surgery. The increased susceptibility of organ transplant recipients to malignant cancer eventually led Graham to focus on the causes of that phenomenon, and in turn, to the broader issue of the link between diet and the incidences of certain cancers. The latter area of research led to a research interest in dietary isoflavones and their role in human health.

Graham developed a theory that dietary isoflavones were metabolised within the body into novel chemicals that possessed important hormone-like functions, and as such made important contributions to human health. That theory provided the basis for Graham leaving academia and founding the company, Norvet Ltd, which listed on the ASX in 1994. That company subsequently changed its name to Novogen Ltd and listed in the US on NASDAQ (1998). Graham was variously CEO, Executive Chairman and an Executive Director of Novogen, 1994-2006. He also was Executive Chairman of Marshall Edwards Inc (MEI) which listed on London's AIM exchange (2001) and NASDAQ (2003). MEI subsequently became MEI Pharma Inc. Graham resigned from his executive and Board positions at Novogen and MEI in 2006.

In 2011, Graham joined private biotechnology company, Triaxial Pharmaceuticals Pty Ltd, as Executive Chairman. Concerned at the direction being taken by the Novogen Board in having stripped all assets from the Company and leaving it without a business, Graham engineered a reverse takeover of Novogen Ltd by Triaxial in December 2012 and set about rebuilding the Company. He remained as CEO and Executive Chairman of Novogen until June 2015 and was responsible for in-licensing that Company's anti-tropomyosin drug technology, for establishing a joint venture company with Yale University, and for establishing a solid financial base.

In early-2012, Graham addressed the matter of the transport of isoflavones in the blood of humans, conducting formulation studies in a private capacity that led shortly thereafter to the concept behind NOX66. After leaving Novogen in 2015, Graham established private biotechnology company Noxopharm Limited in order to commercialise NOX66.

Other current directorships: N/A
Former directorships (last 3 years): N/A
Interests in shares: 31,410,203
Interests in options: 12,075,000

Warrants issued on the following conditions:

- 110,000 warrants granted on successful listing on the ASX;
- 110,000 warrants granted on successful NASDAQ listing;
- 110,000 warrants granted on achieving market cap of A\$400m;
- 110,000 warrants granted on achieving a successful M&A, trade sale or licence deal worth a minimum US\$500m in respect to any one of the Company's clinical programs.

Warrants will vest on the achievement of each milestone and can be exercised within 3 years of each tranche vesting. The exercise price for each tranche will be set at a 30% premium to the 15 day VWAP share price at the time of vesting.

Noxopharm Limited
Directors' report
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Name: Peter Marks
Title: Non-Executive Deputy Chairman
Experience and expertise: Peter brings over 30 years' experience in corporate advisory, investment banking and director/advisory roles to the Board. With several leading firms, Peter's corporate skills lie in capital raising for pre-IPO and listed companies, cross border M&A transactions, corporate underwriting, and venture capital transactions for companies in Australia, US & Israel.

Over this period Peter has been involved in a very broad range of transactions, with a special focus in the life sciences, biotechnology, medical technology and high tech segments. He has been a Director and/or Chairman of several public companies. He currently is a Director of Prana Biotechnology Ltd (ASX & NASDAQ listed) since 2005 and Non-Executive Director of Emefcy Group Limited (ASX listed) since 2015.

Peter provides strategic and corporate advice at various stages of technology commercialisation for companies to transition to an operating entity, and helps facilitate significant commercial transactions to create shareholder value.

Peter holds a Bachelor of Economics, Bachelor of Laws and a Graduate Diploma in Commercial Law from Monash University, Australia. He also holds an MBA from the University of Edinburgh, Scotland.

Other current directorships: Alterity Therapeutics Limited (ASX: ATH) - since 29 July 2005 (formerly known as Prana Biotechnology Limited), Fluence Corporation Limited (ASX: FLC) - since 12 May 2015

Former directorships (last 3 years): N/A

Interests in shares: 500,000

Interests in options: 700,000

Warrants issued on the following conditions:

- 11,000 warrants granted on successful listing on the ASX, (vested 31 December 2018), expiring 15 February 2021;

- 11,000 warrants granted on successful listing on the ASX (vesting 31 December 2019), expiring 15 February 2021.

The exercise price for each tranche is equal to the ASX IPO Price plus 30%.

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Name: Dr. Ian Dixon
Title: Non-Executive Director
Experience and expertise: Ian has a PhD in biomedical engineering from Monash University and an MBA from Swinburne University. Ian brings to the Board an extensive entrepreneurial background in founding, building and running public companies, in recognising the potential commercial value of early-stage drug development, and in understanding the challenges involved in drug development.

Ian is a co-inventor of the antitropomyosin (ATM) drug ATM-3507 and co-founded Cynata Inc and helped to progress the commercialisation of what has become the Cymerus technology of Cynata Therapeutics Ltd (ASX-CYP). Cymerus is presently in clinical trials and Cynata is partnered with Fujifilm.

Ian is an Executive Director of Exopharm Ltd, a company advancing exosomes as a new class of medicine for regenerative medicine and is a co-inventor of the Exopharm LEAP technology.

Ian is also the Director of Cardio Therapeutics Pty Ltd, a company progressing a new treatment for atherosclerosis and hypercholesterolemia through the inhibition of target PCSK9 with a small molecule.

In 2002 Ian was the co-founder of Genscreen Pty Ltd, a biotechnology incubator with a particular focus on small molecule therapeutics. During this time Ian also had experience in the regenerative medicine and cancer immunotherapy fields as a non-executive director of Cell Therapies Ltd.

Ian initially qualified as a mechanical engineer in the early 1980s and then also completed a course in electronics engineering. Ian worked in R&D in Melbourne and also Cambridge UK before establishing his first business in 1987 in the telecommunications power field. From 1987 to 1995 Ian grew two successful export-oriented manufacturing and R&D businesses -both purchased by public companies.

In 1995 Ian joined Vision Systems as the Director of the Product Group within the Invetech business unit, and managed the team responsible for developing innovative diagnostic, pathology automation and security system products. Ian later left Vision Systems and continued being active in the product and technology development scene as an inventor, executive and investor.

Other current directorships: Medigard Ltd (ASX: MGZ) - since 21 November 2017, Exopharm Ltd (ASX: EX1) - since 11 December 2018

Former directorships (last 3 years): N/A

Interests in shares: 1,766,246

Interests in options: 1,200,000

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Name: John Moore
Title: Non-Executive Director
Experience and expertise: John is a US citizen and holds a Bachelor of Arts, History degree from Rutgers University. John brings to Noxopharm a wealth of experience in the US Venture and Capital Markets, with a particular focus on new and emerging technologies, including the healthcare space.
John currently serves as Chairman of Trialogics, a clinical trial information business, as well as Funderbolt, an education finance technology partner.
John has been CEO of several tech companies, with several undertaking successful IPOs. John's expertise and contacts will be of substantial value in helping guide and advance the Company's commercial strategy.
Other current directorships: Scientific Industries (OTCQB: SCND) - Since January 2019
Former directorships (last 3 years): N/A
Interests in shares: 0
Interests in options: Warrants issued on the following conditions:
- 11,000 warrants granted on successful listing on the ASX, (vested 31 December 2018), expiring 15 February 2021;
- 11,000 warrants granted on successful listing on the ASX (vesting 31 December 2019), expiring 15 February 2021.

The exercise price of each tranche is equal to the ASX IPO price plus 30%.

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company secretary

Mr. David Franks

David Franks (BEc, CA, FFin, FGIA, JP) has held the position of Company Secretary since 16 January 2017.

David is a Chartered Accountant, Fellow of the Financial Services Institute of Australia, Fellow of the Governance Institute of Australia, Justice of the Peace, Registered Tax Agent and holds a Bachelor of Economics (Finance and Accounting) from Macquarie University. With over 20 years in finance and accounting, initially qualifying with Price Waterhouse in their Business Services and Corporate Finance Divisions, David has been CFO, Company Secretary and/or Director for numerous ASX listed and unlisted public and private companies, in a range of industries covering energy retailing, transport, financial services, mineral exploration, technology, automotive, software development and healthcare. David Franks is currently the Company Secretary for the following public entities: Adcorp Australia Limited, Consolidated Operations Group Limited, Elk Petroleum Limited, Kelly Partners Group Limited, Noxopharm Limited, White Energy Company Limited and White Energy Technology Limited. David is also a Senior Executive of Automic Group Pty Ltd.

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2019, and the number of meetings attended by each director were:

	Full Board		Audit and Risk Committee		Remuneration Committee	
	Attended	Held	Attended	Held	Attended	Held
Dr. Graham Kelly	7	7	1	1	1	1
Mr. Peter Marks	7	7	1	1	1	1
Dr. Ian Dixon	7	7	1	1	1	1
Mr. John Moore	3	3	1	1	1	1

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

All board members are members of the Audit and Risk Committee and Remuneration committee.

Remuneration report (audited)

The Remuneration report, which has been audited, outlines the key management personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

Remuneration governance

The objective of the remuneration committee (constituting the full Board) is to ensure that pay and rewards are competitive and appropriate for the results delivered. The remuneration committee charter adopted by the Board aims to align rewards with achievement of strategic objectives and the creation of value for shareholders. The remuneration framework applied provides a mix of fixed and variable pay and a blend of short and long-term incentives as appropriate. Issues of remuneration are considered annually or otherwise as required.

Non-Executive Directors

Fees and payments to Non-Executive Directors reflect the demands which are made on, and the responsibilities of, the Directors. The Company's policy is to remunerate Non-Executive Directors at market rates (for comparable companies) for time commitment and responsibilities. Fees for Non-Executive Directors are not linked to the performance of the Company, however to align Directors' interests with shareholders' interests, Directors are encouraged to hold shares in the Company.

Non-Executive Directors' fees and payments are reviewed annually by the Board of Directors. The Board of Directors considers advice from external sources (excluding remuneration consultants) as well as the fees paid to Non-Executive Directors of comparable companies when undertaking the annual review process. Each director receives a fee for being a director of the company.

The Chairman's fees are determined independently to the fees of other Non-Executive Directors based on comparative roles in the external market. The Chairman is not present at any discussions relating to determination of his own remuneration.

Retirement benefits and allowances

No retirement benefits are payable other than statutory superannuation, if applicable to the Directors of the Company.

Other benefits

No motor vehicle, health insurance or other similar allowances are made available to Directors (other than through salary-sacrifice arrangements).

Executive remuneration

Executive pay and reward consists of base pay, short-term performance incentives, long-term performance incentives and other remuneration such as superannuation. Superannuation contributions are paid into the executive's nominated superannuation fund.

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Directors' report
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Base Pay

Executives are offered a competitive level of base pay which comprises the fixed (unrisky) component of their pay and rewards. Base pay for senior executives is reviewed annually to ensure market competitiveness. There are no guaranteed base pay increases included in any senior executives' contracts. Base pay was increased during the year.

Short-term and long-term incentives

The Company currently operates an Executive Share Option Plan ("ESOP") which has been approved by shareholders in the 2016 Annual General Meeting.

Performance based Remuneration

The purpose of a performance bonus is to reward individual performance in line with company objectives. Consequently, performance based remuneration is paid to an individual where the individual's performance clearly contributes to a successful outcome for the consolidated entity. This is regularly measured in respect of performance against key performance indicators (KPI's).

The Company uses a variety of KPI's to determine achievement, depending on the role of the executive being assessed. These include:

- Successful contract negotiations;
- Company share price consistently reaching a targeted rate on the ASX or applicable market over a period of time;
- Company undertaking clinical trials in their primary drug Veyonda® within specified time frame.

Securities trading Policy

The trading of Company's securities by employees and Directors is subject to, and conditional upon, the Securities Trading Policy which is available on the Company's website (www.noxopharm.com).

If remuneration consultants are to be engaged to provide remuneration recommendations as defined under section 9B of the Corporations Act 2001, then they are engaged by, and report directly to, the remuneration committee. No remuneration consultants were engaged to provide remuneration services during the financial year.

Remuneration Policy vs Financial Performance

The Company's policy is to remunerate based on industry practice and benchmark industry salaries rather than performance as this takes into account the risk and liabilities assumed by directors and executives as a result of their involvement in an R&D Biotech company.

Directors and executives are fairly compensated for the extensive work they undertake.

Voting and comments made at the company's 2018 Annual General Meeting ('AGM')

At the 2018 AGM, more than 75% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2018. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration

Amounts of remuneration

Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

The key management personnel of the consolidated entity consisted of the following directors, executives and company secretary of Noxopharm Limited:

- Dr. Graham Kelly - Executive Chairman
- Mr. Peter Marks - Non Executive Deputy Chairman
- Dr. Ian Dixon - Non Executive Director
- Mr. John Moore - Non Executive Director
- Mr. David Franks - Company Secretary
- Mr. Greg van Wyk - Chief Executive Officer

Noxopharm Limited
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	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Total \$
	Cash salary and fees \$	Cash bonus \$	Non-monetary * \$	Super-annuation \$	Long service leave \$	Equity-settled \$	
2019							
<i>Directors:</i>							
Dr. Graham Kelly	638,454	-	50,695	62,453	10,419	303,056	1,065,077
Mr. Peter Marks	175,583	-	-	-	-	32,712	208,295
Dr. Ian Dixon	82,192	-	-	7,808	-	-	90,000
Mr. John Moore	52,711	-	-	-	-	-	52,711
<i>Other Key Management Personnel:</i>							
Mr. David Franks	-	-	-	-	-	7,333	7,333
Mr. Greg van Wyk	186,042	-	19,536	17,674	3,862	1,833	228,947
	<u>1,134,982</u>	<u>-</u>	<u>70,231</u>	<u>87,935</u>	<u>14,281</u>	<u>344,934</u>	<u>1,652,363</u>

* provision for annual leave

Mr. David Franks, company secretary is also an associate of Automic Group (formerly Franks & Associates) who provides accounting and company secretary services to the Company. The contracts with Automic Group Associates are based on normal commercial terms. Payments made to Automic Group during the year are disclosed in the related party transactions note of the financial statements.

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Total \$
	Cash salary and fees \$	Cash bonus \$	Non-monetary * \$	Super-annuation \$	Long service leave \$	Equity-settled \$	
2018							
<i>Directors:</i>							
Dr. Graham Kelly	459,298	-	55,323	45,433	-	207,249	767,303
Mr. Peter Marks	141,932	-	-	-	-	245,220	387,152
Dr. Ian Dixon	85,445	-	-	4,555	-	239,900	329,900
<i>Other Key Management Personnel:</i>							
Mr. David Franks	-	-	-	-	-	12,686	12,686
	<u>686,675</u>	<u>-</u>	<u>55,323</u>	<u>49,988</u>	<u>-</u>	<u>705,055</u>	<u>1,497,041</u>

* provision for annual leave

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The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2019	2018	2019	2018	2019	2018
<i>Directors:</i>						
Dr. Graham Kelly	100%	73%	-	-	-	27%
Mr. Peter Marks	100%	37%	-	-	-	63%
Dr. Ian Dixon	100%	27%	-	-	-	73%
Mr. John Moore	100%	-	-	-	-	100%
<i>Other Key Management Personnel:</i>						
Mr. David Franks	-	-	-	-	100%	100%
Mr. Greg van Wyk	99%	-	-	-	1%	-

Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name: Dr. Graham Kelly
Title: Executive Chairman
Agreement commenced: 9 August, 2016
Term of agreement: Open
Details: Noxopharm Limited
Annual salary of \$360,000 plus superannuation of 9.5%. Notice period of 90 days by Executive or the Company; 12 months by Company without cause.

Nyrada Limited
Annual salary of US\$200,000 plus superannuation of 9.5%.

Warrants issued upon the following condition:
- 110,000 warrants granted on successful listing on ASX;
- 110,000 warrants granted on successful NASDAQ listing;
- 110,000 warrants granted on achieving market cap of A\$400m;
- 110,000 warrants granted on achieving a successful M&A, trade sale or licensing deal worth a minimum US\$500m in respect of any one of the Company's clinical programs.

Warrants will vest on the achievement of each milestone and can be exercised within 3 years of each tranche vesting. The exercise price for each tranche will be set at a 30% premium to the 15 day VWAP share price at the time of the vesting.

Name: Greg van Wyk
Title: Chief Executive Officer
Agreement commenced: 1 March 2019
Term of agreement: Open
Details: Annual Salary of \$350,000 plus superannuation of 9.5%.

5,208 options vesting 21 November 2019, expiring 21 November 2022;
5,208 options vesting 21 November 2020, expiring 21 November 2022;
5,209 options vesting 21 November 2021, expiring 21 November 2022.

The exercise price of each tranche of options is \$0.62.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

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Share-based compensation

Issue of shares

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2019.

Options

The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
28 November 2017	28 November 2017	27 November 2020	\$1.0158	\$0.495
28 November 2017	28 November 2017	27 November 2020	\$1.2189	\$0.465
8 December 2017	1 December 2018	30 November 2021	\$1.0800	\$0.617
8 December 2017	1 December 2019	30 November 2021	\$1.0800	\$0.617
8 December 2017	1 December 2020	30 November 2021	\$1.0800	\$0.617
10 December 2018	21 November 2019	21 November 2022	\$0.6200	\$0.288
10 December 2018	21 November 2020	21 November 2022	\$0.6200	\$0.288
10 December 2018	21 November 2021	21 November 2022	\$0.6200	\$0.288

Options granted carry no dividend or voting rights.

The number of options over ordinary shares granted to and vested by directors and other key management personnel as part of compensation during the year ended 30 June 2019 are set out below:

Name	Number of options granted during the year 2019	Number of options granted during the year 2018	Number of options vested during the year 2019	Number of options vested during the year 2018
Dr. Ian Dixon	-	500,000	-	500,000
Mr. Peter Marks	-	500,000	-	500,000
Mr. David Franks	62,500	57,639	-	19,213
Mr. Greg van Wyk	15,625	-	-	-

Additional information

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2019	2018	2017
Share price at financial year end (cents)	47.50	61.00	36.50
Share price HIGH for the financial year ended 30 June (cents)	72.00	158.00	67.50
Share price LOW for the financial year ended 30 June (cents)	35.50	29.00	13.50

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
<i>Ordinary shares</i>					
Dr. Graham Kelly	31,410,203	-	55,553	-	31,465,756
Mr. Peter Marks	500,000	-	-	-	500,000
Dr. Ian Dixon	1,766,426	-	-	-	1,766,426
	<u>33,676,629</u>	<u>-</u>	<u>55,553</u>	<u>-</u>	<u>33,732,182</u>

Option holding - Company

The number of options over ordinary shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
<i>Options over ordinary shares</i>					
Dr. Graham Kelly	12,075,000	-	-	-	12,075,000
Mr. Peter Marks	700,000	-	-	-	700,000
Dr. Ian Dixon	1,200,000	-	-	-	1,200,000
Mr. David Franks	57,639	62,500	-	-	120,139
Mr. Greg van Wyk	-	15,625	-	-	15,625
	<u>14,032,639</u>	<u>78,125</u>	<u>-</u>	<u>-</u>	<u>14,110,764</u>

Option holding - Subsidiaries

The number of options over ordinary shares in subsidiaries held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
<i>Options over ordinary shares</i>					
Dr. Graham Kelly *	440,000	-	-	-	440,000
Mr. Peter Marks *	22,000	-	-	-	22,000
	<u>462,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>462,000</u>

* agreed to issue subject to any regulatory requirements. Not yet issued.

Other transactions with key management personnel and their related parties

Company secretarial and bookkeeping services - provided by Automic Group (formerly Frank & Associates), an entity associated with Mr. David Franks, on commercial terms and conditions. Total fees paid (excluding GST) to Automic Group for the year ended 30 June 2019 was \$268,388 (2018: \$285,648).

Prue Kelly, spouse of Graham Kelly (Executive Chairman) is employed as the Company's full time Investor Relation Manager on the Company's employment terms and conditions.

This concludes the remuneration report, which has been audited.

Noxopharm Limited
Directors' report
30 June 2019

Shares under option

Unissued ordinary shares of Noxopharm Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
31 January 2016	28 February 2021	\$0.3000	-
31 January 2016	28 February 2021	\$0.3000	1,292,858
31 January 2016	28 February 2021	\$0.3000	18,950,358
28 November 2017	27 November 2020	\$1.0158	500,000
28 November 2017	27 November 2020	\$1.2189	500,000
8 December 2017	30 November 2021	\$1.0800	583,451
18 January 2018	19 January 2020	\$0.8000	3,000,000
10 December 2018	21 November 2022	\$0.6200	975,417
			25,802,084

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

Shares issued on the exercise of options

The following ordinary shares of Noxopharm Limited were issued during the year ended 30 June 2019 and up to the date of this report on the exercise of options granted:

Date options granted	Exercise price	Number of shares issued
31 January 2016	\$0.3000	833,333

Indemnity and insurance of officers

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Non-audit services

There were no non-audit services provided during the financial year by the auditor.

Officers of the company who are former partners of William Buck Audit (Vic) Pty Ltd

There are no officers of the company who are former partners of William Buck Audit (Vic) Pty Ltd.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

Noxopharm Limited
Directors' report
30 June 2019

Auditor

William Buck Audit (Vic) Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in black ink, appearing to read 'G Kelly', is written over a horizontal line.

Dr Graham Kelly
Executive Chairman/Director

29 August 2019

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE
CORPORATIONS ACT 2001 TO THE DIRECTORS OF NOXOPHARM LIMITED AND
CONTROLLED ENTITIES**

I declare that, to the best of my knowledge and belief during the year ended 30 June 2019 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

William Buck

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



N. S. Benbow
Director

Melbourne, 29th August 2019

ACCOUNTANTS & ADVISORS
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Melbourne VIC 3000
Telephone: +61 3 9824 8555
williambuck.com

Noxopharm Limited
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General information

The financial statements cover Noxopharm Limited as a consolidated entity consisting of Noxopharm Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Noxopharm Limited's functional and presentation currency.

Noxopharm Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Suite 3 Level 4
828 Pacific Highway
GORDON NSW 2072

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 29 August 2019. The directors have the power to amend and reissue the financial statements.

Corporate Governance Statement

The Corporate Governance Statement is available on the Company's website at <http://www.noxopharm.com>

Noxopharm Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2019

	Note	Consolidated 2019 \$	2018 \$
Revenue			
Other income	4	3,937,361	979,340
Expenses			
Loss on disposal of assets		(2,089)	-
Corporate administration expenses	5	(3,116,897)	(2,052,887)
Research and development expenses		(6,251,006)	(4,112,765)
Depreciation expenses		(62,098)	(58,885)
Finance fee expenses		(16,297)	(7,602)
Consulting, employee & director expenses	5	(6,234,042)	(4,276,076)
Settlement agreement relating to dispute		(176,614)	(8,553,330)
Finance costs		(650,899)	(238,296)
Loss before income tax expense		(12,572,581)	(18,320,501)
Income tax expense	6	-	-
Loss after income tax expense for the year		(12,572,581)	(18,320,501)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive (loss) for the year		<u>(12,572,581)</u>	<u>(18,320,501)</u>
Loss for the year is attributable to:			
Non-controlling interest		(1,349,794)	(37,000)
Owners of Noxopharm Limited		<u>(11,222,787)</u>	<u>(18,283,501)</u>
		<u>(12,572,581)</u>	<u>(18,320,501)</u>
Total comprehensive (loss) for the year is attributable to:			
Non-controlling interest		(1,349,794)	(37,000)
Owners of Noxopharm Limited		<u>(11,222,787)</u>	<u>(18,283,501)</u>
		<u>(12,572,581)</u>	<u>(18,320,501)</u>
		Cents	Cents
Basic loss per share	27	(9.20)	(17.39)
Diluted loss per share	27	(9.20)	(17.39)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Noxopharm Limited
Statement of financial position
As at 30 June 2019

	Note	Consolidated	
		2019	2018
		\$	\$
Assets			
Current assets			
Cash and cash equivalents	8	2,909,568	12,613,534
Trade and other receivables		160,400	122,643
Other assets	9	817,785	1,339,512
Total current assets		<u>3,887,753</u>	<u>14,075,689</u>
Non-current assets			
Plant and equipment	10	256,836	317,822
Intangibles		37,000	37,000
Other	11	118,818	118,818
Total non-current assets		<u>412,654</u>	<u>473,640</u>
Total assets		<u>4,300,407</u>	<u>14,549,329</u>
Liabilities			
Current liabilities			
Trade and other payables		1,487,142	886,992
Borrowings	12	3,930,351	-
Employee entitlements		333,383	234,919
Total current liabilities		<u>5,750,876</u>	<u>1,121,911</u>
Non-current liabilities			
Borrowings	13	-	3,279,452
Total non-current liabilities		<u>-</u>	<u>3,279,452</u>
Total liabilities		<u>5,750,876</u>	<u>4,401,363</u>
Net assets/(liabilities)		<u>(1,450,469)</u>	<u>10,147,966</u>
Equity			
Issued capital	14	28,700,897	28,449,283
Reserves	15	4,455,342	3,732,810
Accumulated losses		<u>(33,256,914)</u>	<u>(22,034,127)</u>
Equity/(deficiency) attributable to the owners of Noxopharm Limited		(100,675)	10,147,966
Non-controlling interest		<u>(1,349,794)</u>	<u>-</u>
Total equity/(deficiency)		<u>(1,450,469)</u>	<u>10,147,966</u>

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

Noxopharm Limited
Statement of changes in equity
For the year ended 30 June 2019

Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Non-controlling interest \$	Total equity \$
Balance at 1 July 2017	6,218,140	-	(3,750,626)	-	2,467,514
Loss after income tax expense for the year	-	-	(18,283,501)	(37,000)	(18,320,501)
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income for the year	-	-	(18,283,501)	(37,000)	(18,320,501)
Non-controlling interest arising from Nyrada Inc	-	-	-	37,000	37,000
Equity reserve arising from the issue of convertible notes	-	762,045	-	-	762,045
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs (note 14)	16,927,750	-	-	-	16,927,750
Share-based payments (note 28)	6,490,680	2,970,765	-	-	9,461,445
Share issue costs	(1,187,287)	-	-	-	(1,187,287)
Balance at 30 June 2018	<u>28,449,283</u>	<u>3,732,810</u>	<u>(22,034,127)</u>	-	<u>10,147,966</u>

Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Non-controlling interest \$	Total deficiency in equity \$
Balance at 1 July 2018	28,449,283	3,732,810	(22,034,127)	-	10,147,966
Loss after income tax expense for the year	-	-	(11,222,787)	(1,349,794)	(12,572,581)
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income for the year	-	-	(11,222,787)	(1,349,794)	(12,572,581)
<i>Transactions with owners in their capacity as owners:</i>					
Share-based payments (note 28)	176,614	722,532	-	-	899,146
Contributions of equity, net of transaction costs (note 14)	75,000	-	-	-	75,000
Balance at 30 June 2019	<u>28,700,897</u>	<u>4,455,342</u>	<u>(33,256,914)</u>	<u>(1,349,794)</u>	<u>(1,450,469)</u>

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

Noxopharm Limited
Statement of cash flows
For the year ended 30 June 2019

	Note	Consolidated	
		2019	2018
		\$	\$
Cash flows from operating activities			
Payments to suppliers and employees		(13,713,127)	(10,048,952)
Interest received		186,687	62,806
Receipt from R&D tax rebate		<u>3,750,675</u>	<u>910,518</u>
Net cash used in operating activities	26	<u>(9,775,765)</u>	<u>(9,075,628)</u>
Cash flows from investing activities			
Payments for plant and equipment	10	(6,397)	(312,349)
Proceeds from sale of plant and equipment		<u>3,196</u>	<u>-</u>
Net cash used in investing activities		<u>(3,201)</u>	<u>(312,349)</u>
Cash flows from financing activities			
Proceeds from issue of shares	14	75,000	16,927,750
Proceeds from convertible notes, net of costs		-	3,803,200
Share issue transaction costs		<u>-</u>	<u>(1,187,287)</u>
Net cash from financing activities		<u>75,000</u>	<u>19,543,663</u>
Net increase/(decrease) in cash and cash equivalents		(9,703,966)	10,155,686
Cash and cash equivalents at the beginning of the financial year		<u>12,613,534</u>	<u>2,457,848</u>
Cash and cash equivalents at the end of the financial year	8	<u><u>2,909,568</u></u>	<u><u>12,613,534</u></u>

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

Note 1. Significant accounting policies

This note provides a list of all significant accounting policies adopted in the preparation of these financial statements. These policies have been consistently applied in this reporting period, unless otherwise stated. The financial statements are for Noxopharm Limited ("the Company") and its subsidiaries ("the consolidated entity").

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of both AASB 9 and AASB 15 during the year had no impact on the financial statements.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001. Noxopharm Limited is a for-profit entity for the purpose of preparing the financial statements. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

These financial statements have been prepared under the historical cost convention.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The consolidated entity makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 23.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Noxopharm Limited ('company' or 'parent entity') as at 30 June 2019 and the results of all subsidiaries for the year then ended. Noxopharm Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Note 1. Significant accounting policies (continued)

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Foreign currency translation

The financial statements are presented in Australian dollars, which is Noxopharm Limited's functional and presentation currency. The entity's subsidiary, Noxopharm Asia Limited, uses Hong Kong dollars as its functional currency and all other subsidiaries (including Nyrada Inc) uses Australian dollars as their functional currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Other income recognition

Other income is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Other income is measured at the fair value of the consideration received or receivable.

Interest

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

Government research and development tax incentives

Government grants, including research and development incentives are recognised at fair value when there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to research and development expenditure are recognised as income over the periods necessary to match the grant costs they are compensating. The incentive is recognised as income as it is not tied to offsetting assessable income in tax.

Income tax

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

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

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

Note 1. Significant accounting policies (continued)

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Cash and cash equivalents

Cash and short-term deposits includes cash at bank (including debit cards) and in hand and short-term deposits with an original maturity of three months or less, or redeemable at any time.

For the purposes of the Statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days. The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Plant and equipment

Plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the consolidated entity and the cost of the item can be measured reliably.

The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation on plant and equipment is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

Computer equipment	3 years
Furniture and fittings	5 years
Lab equipment	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

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.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is the consolidated entity's policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

Leases

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

Note 1. Significant accounting policies (continued)

Intangible assets

Intellectual property

Significant costs associated with intellectual property are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years. Intellectual property with an indefinite useful life are not amortised, but assessed annually for impairment. The useful life of this asset was assessed and was deemed to have an indefinite life with no impairment at the date of this report.

Research and development costs

Research costs are expensed as incurred.

Trade and other payables

Trade and other payables are carried at amortised cost and represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial period that are unpaid and arise when the consolidated entity becomes obliged to make future payments in respect of the purchase of these goods and services. Licensing fees are recognised as an expense when it is confirmed that they are payable by the consolidated entity.

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

On the issue of the convertible notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders equity as a convertible note reserve, net of transaction costs. The carrying amount of the conversion option is not remeasured in the subsequent years. The corresponding interest on convertible notes is expensed to profit or loss.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Employee benefits

Short-term employee benefits

Provision is made for the consolidated entity's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The consolidated entity's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of current trade and other payables in the Balance sheet. The consolidated entity's obligations for employees' annual leave entitlements are recognised as provisions in the Balance sheet.

Share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

Note 1. Significant accounting policies (continued)

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Issued capital

Ordinary shares are classified as equity.

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

Note 1. Significant accounting policies (continued)

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Noxopharm Limited, 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 financial year.

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 shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated inclusive of the amount of GST receivable or payable.

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

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities, which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2019. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The standard will affect primarily the accounting for the Company's operating leases. However, management has not yet determined to what extent these commitments will result in the recognition of an asset and liability for future payments and how this will affect the Company's profit and classification of cash flows. The expected impact of adopting this standard will be immaterial.

Some commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under AASB16. This may include the commitments as disclosed in Note 24.

Note 1. Significant accounting policies (continued)

Interpretation 23 - Uncertainty over Income Tax Treatments

This Interpretation is applicable to annual reporting periods beginning on or after 1 January 2019. Interpretation 23 requires entities to calculate the current tax liability in their financial statements as if the tax authorities were going to perform a tax audit, and the tax authorities knew all the facts and circumstances about the entity's tax position. This standard will impact the way the Company discloses key estimates and judgements regarding the determination of uncertain tax positions, however management has not yet assessed the impact of the application of this interpretation on the financial statement disclosures.

Going concern

The financial report has been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. The consolidated entity has incurred net losses after tax of \$12,572,581 (2018: \$18,320,501) and net cash outflows from operating activities of \$9,775,765 (2018: \$9,075,628) for the year ended 30 June 2019. At 30 June 2019, the consolidated entity's cash position was \$2,909,568.

Should the Company determine in the future that it is in the best interest of shareholders to bring forward or expand its currently anticipated clinical program, it would need to do so with completing a capital raising program to match the increased expenditure profile.

On 19 July 2019 the Company secured a funding facility for up to \$26 million from two U.S. institutional investors through a share purchase and convertible notes security arrangement. The convertible note facility is for \$3.8 million in cash (pre-expenses) with the convertible notes maturing two years after initial cash payment is received by the Company, being July 2021, and have face value of \$4.56 million. The balance of this facility is a share purchase agreement allowing the Company to raise up to \$22.2 million over twelve months.

On 16 August 2019 the Company received \$3.7 million as a cash refund from the Australian Taxation Office for the 2019 Research and Development Grant. This refund amount was not accrued as income as at 30 June 2019 due to the uncertainty surrounding Ausindustries approval of the claim, the fact the claim number needed to be finalised and the uncertainty due to the lack of track record to completely recognise what the refund number may be.

Based on the cash flow forecasts and current (29 August 2019) cash position, the directors are confident that the consolidated entity will be able to continue as a going concern.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Research and Development Rebate

The Research and Development rebate receivable from the ATO has not been accrued into income for the year ended 30 June 2019. This refund amount was not accrued as income as at 30 June 2019 due to the uncertainty surrounding Ausindustries approval of the claim, the fact the claim number needed to be finalised and the uncertainty due to the lack of track record to completely recognise what the refund number may be.

Share-based payment transactions

The consolidated entity 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. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

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Note 2. Critical accounting judgements, estimates and assumptions (continued)

Non-recognition of carried forward tax losses

The balance of future income tax benefit arising from tax losses and timing differences have not been recognised as an asset because recovery is not regarded as probable. The cumulative future income tax benefit which has not been recognised as an asset will only be obtained if:

- i) The Group derives future assessable income of a nature and amount sufficient to enable the benefit to be realised,
- ii) The Group continues to comply with the conditions for the deductibility imposed by law, and
- iii) No changes in tax legislation adversely affecting the Group realising the benefit.

Note 3. Operating segments

The consolidated entity continues to operate in one segment, being the clinical development in the field of both oncology and non-oncology in the pan-pacific region. The segment details are therefore fully reflected in the body of the annual report.

Note 4. Other income

	Consolidated	
	2019	2018
	\$	\$
Interest income	186,686	62,806
Other revenue	-	6,016
R&D tax incentives	3,750,675	910,518
	<u>3,937,361</u>	<u>979,340</u>

Note 5. Expenses

	Consolidated	
	2019	2018
	\$	\$
Loss before income tax includes the following specific expenses:		
<i>Corporate Administration expenses</i>		
Corporate administration expenses	1,218,487	237,152
Audit, accounting and company secretarial fees	437,727	467,820
Travel and entertainment expenses	330,815	234,315
Insurances	307,112	97,939
Legal fees	242,065	414,735
Rental expenses	218,729	211,432
ASX and filing fees	186,880	164,835
Office Expenses	113,919	136,276
Recruitment fees	40,953	35,640
Marketing and advertising	20,210	52,743
	<u>3,116,897</u>	<u>2,052,887</u>
<i>Consulting, Employee and Director Expenses</i>		
Consulting expenses	785,728	76,344
Employee related expenses	3,771,127	2,538,348
Superannuation and other employee related expenses	621,894	498,134
Director expenses (excluding executive directors)	332,136	255,135
Share-based payment expense - Noxopharm Limited	219,824	653,556
Share-based payment expense - Nyrada Inc	503,333	254,559
	<u>6,234,042</u>	<u>4,276,076</u>

Noxopharm Limited
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Note 6. Income tax expense

	Consolidated	
	2019	2018
	\$	\$
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Loss before income tax expense	(12,572,581)	(18,320,501)
Tax at the statutory tax rate of 27.5%	(3,457,460)	(5,038,138)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
R&D tax incentives	1,125,203	(250,392)
Other expenses not deductible	(61,746)	249,732
Deferred tax assets relating to tax losses not recognised	2,503,578	4,881,062
Net movement in temporary differences not recognised	(109,575)	157,736
Income tax expense	<u>-</u>	<u>-</u>

	Consolidated	
	2019	2018
	\$	\$
<i>Tax losses not recognised</i>		
Unused tax losses for which no deferred tax asset has been recognised	33,221,546	21,442,783
Potential tax benefit @ 27.5%	<u>9,135,925</u>	<u>5,896,765</u>

The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

	Consolidated	
	2019	2018
	\$	\$
<i>Deferred tax assets not recognised</i>		
Deferred tax assets not recognised comprises temporary differences attributable to:		
Other	213,193	139,828
Employee provisions	91,680	45,234
Total deferred tax assets not recognised	<u>304,873</u>	<u>185,062</u>

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Note 7. Kazia Therapeutics Limited

Kazia Therapeutics Limited ("Kazia") (ASX: KZA) claimed that in relation to that Company's key asset, NOX66, it owned all intellectual property in the formulation and use of the technology. The Company disputed that claim and that NOX66 is owned by the Company ("Dispute"). On 22 December 2017 Noxopharm settled the Dispute, with a payment for settlement of the Dispute being:

- 5,317,123 ordinary shares in Noxopharm Limited, held under voluntary escrow until 14 June 2018; and
- 3,000,000 unlisted options in Noxopharm Limited, with an exercise price of \$0.80, expiring 18 January 2020, unable to be exercised prior to 18 July 2018.

In addition, a cash payment of \$165,000 (including GST) was paid by the Company to Kazia for technical information in the form of a report and related materials and costs.

The total value as at the original date of arrangement (22 December) has been valued at \$8,141,242 and has been recognised within the statement of profit or loss as follows:

- \$150,000 in the Research and Development costs; and
- \$7,991,242 in Settlement Agreement relating to Dispute (and which is a non-cash item for Noxopharm).

The ordinary shares were valued using market price of the shares at the date the settlement agreement (\$1.115) and the fair value of the options (\$0.6876 each) were calculated using the Black-Scholes model, based the following assumptions:

- Share price at date of grant: \$1.115
- Exercise price per option: \$0.80
- Volatility: 100%
- Risk-free rate: 2.145%
- Expiry: 2 years from issue date

On 21 May 2018, the Company issued a further 653,591 ordinary shares to Kazia for a value of \$562,088 based on the market price of the shares at that date and has been recognised within the statement of profit or loss.

On 17 December 2018, the Company issued a further 15,457 ordinary shares to Kazia for a value of \$7,110 based on the market price of the shares at that date and has been recognised within the statement of profit or loss.

On 19 March 2019, Kazia entered into an agreement with 3 existing shareholders of the Company (unrelated to Kazia), to sell its remaining ordinary shares at a price negotiated directly between those parties. The Company paid these unrelated parties that purchased the Kazia remaining shares, a share placement fee of 8% based on the total consideration paid for acquiring the Kazia shares. This had the effect of waiving the anti-dilution privileges which previously accompanied those shares.

Note 8. Current assets - cash and cash equivalents

	Consolidated	
	2019	2018
	\$	\$
Cash at bank and in hand	2,824,077	2,523,144
Term deposits - redeemable on demand	-	10,000,763
Bank debit cards	85,491	89,627
	<u>2,909,568</u>	<u>12,613,534</u>

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Note 9. Current assets - other assets

	Consolidated	
	2019	2018
	\$	\$
Prepayments	121,385	70,502
Research and development lab supplies	696,400	1,269,010
	<u>817,785</u>	<u>1,339,512</u>

The research and development lab supplies are mainly materials that are used in the research and development process. These materials are recognised as an expense as and when they are utilised in the research and development process.

Note 10. Non-current assets - plant and equipment

	Consolidated	
	2019	2018
	\$	\$
Furniture & fittings - at cost	219,429	219,429
Less: Accumulated depreciation	(62,935)	(35,915)
	<u>156,494</u>	<u>183,514</u>
Computer equipment - at cost	85,289	85,131
Less: Accumulated depreciation	(49,318)	(33,948)
	<u>35,971</u>	<u>51,183</u>
Lab equipment	94,187	94,187
Less: Accumulated depreciation	(29,816)	(11,062)
	<u>64,371</u>	<u>83,125</u>
	<u>256,836</u>	<u>317,822</u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Computer equipment \$	Furniture & fittings \$	Lab equipment \$	Total \$
Balance at 1 July 2017	11,194	53,164	-	64,358
Additions	62,225	155,937	94,187	312,349
Depreciation expense	(22,236)	(25,587)	(11,062)	(58,885)
	<u>51,183</u>	<u>183,514</u>	<u>83,125</u>	<u>317,822</u>
Balance at 30 June 2018	51,183	183,514	83,125	317,822
Additions	6,397	-	-	6,397
Disposals	(6,238)	-	-	(6,238)
Depreciation expense	(15,371)	(27,020)	(18,754)	(61,145)
	<u>35,971</u>	<u>156,494</u>	<u>64,371</u>	<u>256,836</u>
Balance at 30 June 2019	<u>35,971</u>	<u>156,494</u>	<u>64,371</u>	<u>256,836</u>

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Note 11. Non-current assets - other

	Consolidated	
	2019	2018
	\$	\$
Term deposit pledged for bank guarantee	<u>118,818</u>	<u>118,818</u>

Note 12. Current liabilities - borrowings

	Consolidated	
	2019	2018
	\$	\$
Convertible notes payable	<u>3,930,351</u>	<u>-</u>

Refer to note 17 for further information on financial instruments.

On 16 February 2018, Nyrada Inc closed its convertible note raising, having raised \$4.0 million via the issue of notes of \$1.00 each. Each note can be converted or redeemed as follows:

- If Nyrada Inc lists on a stock exchange in Australia or USA within 18 months of the issue of note, each 12 notes will convert to 3 New Shares and 2 New Options, where each New Option has an exercise price of \$6.00 and expiry of 30 November 2020;
- If Nyrada Inc does not list on a stock exchange in Australia or USA within 18 months of the issue of note, then the notes will be redeemed 1) to the extent possible, by the issue of shares in the Company at a 25% discount to the 10-day VWAP immediately prior to the conversion notice or 2) payment of the face value of the notes.
- On 9 May 2019, the noteholders were asked to agree to an extension of the maturity date and change in conversion ratio of these notes to shares from 3 shares for every 12 notes held to 15 shares for every 12 notes held, with the maturity date being extended to 31 October 2019. No change to the option arrangements, with 2 options being issued for every 12 notes held per the original agreement terms. The substantial majority of note holders have agreed to these changes.

As the convertible notes demonstrates certain characteristics of equity, the convertible notes has been discounted using an effective interest of 15% on the basis of observable market interest rate on similar instrument such as unsecured debt, and research and development financing to determine the equity portion. As a result a conversion reserve of \$762,045 has been recognised within equity of the group consolidated accounts.

Note 13. Non-current liabilities - borrowings

	Consolidated	
	2019	2018
	\$	\$
Convertible notes payable *	<u>-</u>	<u>3,279,452</u>

Refer to note 17 for further information on financial instruments.

* Reclassified from non-current to current (see note 12)

Note 14. Equity - issued capital

	Consolidated			
	2019	2018	2019	2018
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>122,601,393</u>	<u>121,901,310</u>	<u>28,700,897</u>	<u>28,449,283</u>

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Note 14. Equity - issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	\$
Balance	1 July 2017	85,171,429	6,218,140
Share placement	4 September 2017	16,666,667	5,500,000
Exercise of options	7 November 2017	100,000	30,000
Exercise of options	15 November 2017	350,000	105,000
Exercise of options	7 December 2017	807,500	242,250
Exercise of options	18 December 2017	100,000	30,000
Shares issued to Kazia	22 December 2017	5,317,123	5,928,592
Exercise of options	25 January 2018	685,000	205,500
Share placement	29 March 2018	7,264,966	6,538,469
Share placement	21 May 2018	4,735,034	4,261,531
Shares issued to Kazia	21 May 2018	653,591	562,088
Exercise of options	28 May 2018	50,000	15,000
Share issue costs		-	(1,187,287)
Balance	30 June 2018	121,901,310	28,449,283
Exercise of options	28 September 2018	200,000	60,000
Exercise of options	2 October 2018	50,000	15,000
Shares issued to Kazia	17 December 2018	15,457	7,110
Share placement	25 March 2019	434,626	169,504
Balance	30 June 2019	<u>122,601,393</u>	<u>28,700,897</u>

Movements in options

Details	Date	Options	Issue price	\$
Balance	1 July 2017	22,585,716		-
Conversion of options to shares		(2,092,500)	\$0.0000	-
Options issued to directors		1,000,000	\$0.0000	-
Options issued to employees under the employee share plan		789,470	\$0.0000	-
Options issued to Kazia		<u>3,000,000</u>	<u>\$0.0000</u>	-
Balance	30 June 2018	25,282,686		-
Conversion of options to shares	28 September 2018	(200,000)	\$0.0000	-
Conversion of options to shares	2 October 2018	(50,000)	\$0.0000	-
Options issued to employees under the employee share plan	10 December 2018	975,417	\$0.0000	-
Options forfeited	17 December 2018	(184,877)	\$0.0000	-
Options forfeited	29 January 2019	<u>(21,142)</u>	<u>\$0.0000</u>	-
Balance	30 June 2019	<u>25,802,084</u>		-

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back

There is no current on-market share buy-back.

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Note 14. Equity - issued capital (continued)

Capital risk management

The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment. The consolidated entity is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

Note 15. Equity - reserves

	Consolidated	
	2019	2018
	\$	\$
Options reserve	2,935,405	2,716,206
Options reserve - Nyrada Inc	757,892	254,559
Other reserves	762,045	762,045
	<u>4,455,342</u>	<u>3,732,810</u>

Option reserve

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

Option reserve - Nyrada Inc

The reserve is used to recognise the value of equity benefits issued by Nyrada Inc to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

Other reserves

The other reserve represents the equity element of the convertible notes issued by Nyrada Inc. Refer to Note 13 for details.

Note 16. Equity - dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Note 17. Financial instruments

Financial risk management objectives

The Board is responsible for overseeing the establishment and implementation of the risk management system, and reviews and assesses the effectiveness of the consolidated entity's implementation of that system on a regular basis.

The consolidated entity's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses different methods to measure different types of risk to which it is exposed.

The consolidated entity's financial instruments consist of cash and cash equivalents, trade and other receivables, trade and other payables and convertible notes.

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Note 17. Financial instruments (continued)

	Consolidated	
	2019	2018
	\$	\$
Cash and cash equivalents	2,909,568	12,613,534
Term Deposits	118,818	118,818
Trade and other payables	(1,487,142)	(886,992)
Convertible Notes	(3,930,351)	(3,279,452)
	<u>(2,389,107)</u>	<u>8,565,908</u>

Market risk

Foreign currency risk

The consolidated entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The foreign currency risk is deemed to be minimal as most of the transactions are primarily conducted in the entity's functional currency and changes in foreign exchange rate would not have any significant impact to the financial position of the entity.

Price risk

The consolidated entity is not exposed to any significant price risk.

Interest rate risk

The interest rate risk is deemed to be minimal as the cash are held in fixed interest rate term deposit and therefore changes in variable rates does not affect the interest earned on these term deposit. Interest earned on non-term deposit account are minimal.

The Convertible Note interest rate risk is not material due to the terms of the note and the fact that as there is no coupon there is no interest rate risk.

The consolidated entity does not have any external interest bearing borrowings.

Credit risk

The consolidated entity is exposed to credit risk via its cash and cash equivalents and trade and other receivables. Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity ensures that surplus cash is invested with financial institutions that maintain a high credit rating. The consolidated entity's major ongoing customers are Government bodies for the receipt of GST and research and development claim refunds due to the consolidated entity from the Australian Taxation Office.

There has been no significant change in the consolidated entity's exposure to credit risk since incorporation. The Board believes that the consolidated entity does not have significant credit risk at this time in respect of its trade and other receivables.

The consolidated entity has adopted the 12 months of expected loss basis in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the consolidated entity based on recent sales experience, historical collection rates and forward-looking information that is available.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

Liquidity risk

Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

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Note 17. Financial instruments (continued)

The Company is exposed to liquidity risk via its trade and other payables.

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet the commitments associated with its financial instruments. Responsibility for liquidity risk rests with the Board who manage liquidity risk by monitoring undiscounted cash flow forecasts and actual cash flows provided to them by the Company's Management at Board meetings to ensure that the Company continues to be able to meet its debts as and when they fall due. Contracts are not entered into unless the Board believes that there is sufficient cash flow to fund the additional activity.

Remaining contractual maturities

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2019	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	1,487,142	-	-	-	1,487,142
Convertible notes	15.00%	3,990,100	-	-	-	3,990,100
Total non-derivatives		5,477,242	-	-	-	5,477,242

Consolidated - 2018	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	886,992	-	-	-	886,992
Convertible notes	15%	-	3,990,100	-	-	3,990,100
Total non-derivatives		886,992	3,990,100	-	-	4,877,092

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments

The fair values of cash and cash equivalents, trade and other receivables and trade and other payables approximate to their carrying amounts largely due to being liquid assets or liabilities that will be settled within 12 months.

The convertible notes are deemed to be carried close to the fair value on the basis of market rates has been used to initially determine the opening position of the notes.

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Note 18. Key management personnel disclosures

Other key management personnel

The following persons also had the authority and responsibility for planning, directing and controlling the major activities of the consolidated entity, directly or indirectly, during the financial year:

Dr. Graham Kelly - Executive Chairman
 Mr. Peter Marks – Non-Executive Deputy Chairman
 Dr. Ian Dixon – Non-Executive Director
 Mr. John Moore – Non-Executive Director
 Mr. David Franks - Company Secretary
 Mr. Greg van Wyk - Chief Executive Officer

Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated	
	2019	2018
	\$	\$
Short-term employee benefits	1,205,213	741,998
Post-employment benefits	87,935	49,988
Long-term benefits	14,281	-
Share-based payments	344,934	705,055
	<u>1,652,363</u>	<u>1,497,041</u>

Other Transactions with Key Management Personnel

Company secretarial and bookkeeping services - provided by the Automic Group (formerly Franks & Associates Pty Ltd), an entity associated with Mr. David Franks, on commercial terms and conditions.

Note 19. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by William Buck Audit (Vic) Pty Ltd, the auditor of the company, and unrelated firms:

	Consolidated	
	2019	2018
	\$	\$
<i>Audit services - William Buck Audit (Vic) Pty Ltd</i>		
Audit or review of the financial statements	<u>53,500</u>	<u>48,000</u>
<i>Audit services - unrelated firms (Nexia Sydney Audit Pty Ltd)</i>		
Audit or review of the financial statements	<u>20,249</u>	<u>12,000</u>
<i>Other services - unrelated firms (Nexia Sydney Audit Pty Ltd)</i>		
Due diligence	<u>10,985</u>	<u>15,000</u>
	<u>31,234</u>	<u>27,000</u>

Noxopharm Limited
Notes to the financial statements
30 June 2019

Note 20. Contingent liabilities

The consolidated entity has given bank guarantees as at 30 June 2019 of \$118,818 (2018: \$118,818) to its landlords.

Further to Note 7, for a period of 2 years from the 18 January 2018, Kazia's shareholding in the Company will not be diluted below 4.9% of the issued share capital in the Company, or if Kazia sells any of the Company shares originally allotted, then a pro-rata percentage. Therefore, if further shares are required to be allotted under this arrangement, the Company would recognise at that time an additional "Settlement Agreement relating to Dispute" expense for the value of the shares issued.

On 19 March 2019, Kazia entered into an agreement with 3 existing Company shareholders to sell its remaining shares at a price negotiated directly between the parties. As Kazia sold its remaining shareholding in the Company, this anti-dilution agreement is no longer applicable.

Note 21. Commitments

	Consolidated	
	2019	2018
	\$	\$
<i>Lease commitments - operating</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	99,108	166,563
Later than one year but not later than five years	-	99,108
	<u>99,108</u>	<u>265,671</u>

Note 22. Related party transactions

Parent entity

Noxopharm Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 24.

Key management personnel

Disclosures relating to key management personnel are set out in note 18 and the remuneration report included in the directors' report.

Transactions with related parties

Company secretarial and bookkeeping / financial accounting services - provided by Automic Group Pty Limited (formerly Franks & Associates Pty Limited), an entity associated with Mr. David Franks, on commercial terms and conditions. Total fees (excluding GST) paid to Automic Group Pty Limited for the year ended 30 June 2019 was \$268,388 (2018: \$285,648). Automic is the share registry of Noxopharm Limited. All services provided by Automic Group Pty Ltd during the year ended 30 June 2019 and to the date of this report were on commercial terms.

Prue Kelly, spouse of Graham Kelly (Executive Chairman) is employed as the Company's full time Investor Relation Manager on the Company's employment terms and condition.

Receivable from and payable to related parties

There were no trade receivables from related parties at the current and previous reporting date. There were trade payables to the Automic Group (formerly Franks & Associates Pty Limited) of \$65,523 as at 30 June 2019 (2018: \$45,686).

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Note 23. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2019	2018
	\$	\$
Loss after income tax	<u>(8,279,301)</u>	<u>(15,710,580)</u>
Total comprehensive income	<u>(8,279,301)</u>	<u>(15,710,580)</u>

Statement of financial position

	Parent	
	2019	2018
	\$	\$
Total current assets	<u>2,718,882</u>	<u>10,851,837</u>
Total assets	<u>5,508,004</u>	<u>12,398,045</u>
Total current liabilities	<u>1,493,069</u>	<u>574,622</u>
Total liabilities	<u>1,493,069</u>	<u>574,622</u>
Equity		
Issued capital	28,700,897	28,449,283
Options reserve	2,935,405	2,716,206
Accumulated losses	<u>(27,621,367)</u>	<u>(19,342,066)</u>
Total equity	<u><u>4,014,935</u></u>	<u><u>11,823,423</u></u>

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2018.

Contingent liabilities

Except as outlined in note 7, the parent entity had no contingent liabilities as at 30 June 2019 and 2018.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments at 30 June 2019 and 2018.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Noxopharm Limited
Notes to the financial statements
30 June 2019

Note 24. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2019 %	2018 %
Noxopharm Asia Limited	Hong Kong	100.00%	100.00%
Norbio Holding Pty Ltd	Australia	100.00%	100.00%
Nyrada Inc	USA	66.67%	66.67%
Norbio No 1 Pty Ltd	Australia	66.67%	66.67%
Norbio No 2 Pty Ltd	Australia	66.67%	66.67%
Cardio Therapeutics Pty Ltd	Australia	66.67%	66.67%

Note 25. Events after the reporting period

On 9 May 2019, the Nyrada noteholders were asked to agree to an extension of the maturity date and change in conversion ratio of their notes to shares from 3 shares for every 12 notes held to 15 shares for every 12 notes held, with the maturity date being extended to 31 October 2019. No change to the option arrangements, with 2 options being issued for every 12 notes held per the original agreement terms. The substantial majority of note holders have agreed to these changes.

On 19 July 2019 the Company secured a funding facility for up to \$26 million from two U.S. institutional investors through a share purchase and convertible notes security agreement. The convertible note security agreement is for \$3.8 million in cash (before expenses), with a two year maturity date being 23 July 2021, and a face value of \$4.56 million. The convertible notes can be converted at a conversion price which is the lowest of a) the share price equal to 90% of the average of the five lowest daily VWAP's per share during the 20-trading day period immediately prior to the relevant notice of conversion date, b) \$0.58, and c) in the event of an IPO on the NASDAQ, 80% of the NASDAQ IPO price. The convertible note amount can be reduced by the Company if it repays \$1.5 million of the research and development grant proceeds to the investors once the funds are received from the Australian Taxation Office. In addition, the Company can raise up to an additional \$22.2 million in capital through the share purchase agreement over twelve months from 23 July 2019. The Company issued 4,722,222 options to the investors with an exercise price of \$0.58 expiring 23 July 2023.

Except as noted above, no matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Noxopharm Limited
Notes to the financial statements
30 June 2019

Note 26. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated	
	2019	2018
	\$	\$
Loss after income tax expense for the year	(12,572,581)	(18,320,501)
Adjustments for:		
Depreciation and amortisation	62,098	58,885
Share-based payments	899,146	9,461,445
Net loss on disposal of plant and equipment	2,089	-
Unwinding of the discount on convertible notes (finance costs)	650,899	238,296
Change in operating assets and liabilities:		
Increase in trade and other receivables	(37,757)	(60,058)
Increase in other current assets	(50,883)	53,678
Decrease/(increase) in laboratory consumables	572,610	(1,269,010)
Increase in trade and other payables	600,150	597,149
Increase in employee entitlements	98,464	164,488
Net cash used in operating activities	<u>(9,775,765)</u>	<u>(9,075,628)</u>

Note 27. Earnings per share

	Consolidated	
	2019	2018
	\$	\$
Loss after income tax	(12,572,581)	(18,320,501)
Non-controlling interest	1,349,794	37,000
Loss after income tax attributable to the owners of Noxopharm Limited	<u>(11,222,787)</u>	<u>(18,283,501)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>122,005,806</u>	<u>105,119,843</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>122,005,806</u>	<u>105,119,843</u>
	Cents	Cents
Basic earnings per share	(9.20)	(17.39)
Diluted earnings per share	(9.20)	(17.39)

The 25,802,084 (2018: 20,493,216) options issued could potentially dilute basic earnings per share in the future, but were not included in the calculation of diluted earnings per share because they are anti-dilutive for the periods presented.

Note 28. Share-based payments

During the year, the Company has granted the following share-based payments:

- 434,626 share were issued to an existing shareholder as a share placement fee in lieu of cash payment. The value of these shares was based on \$0.39 per share.
- 975,417 3 years Options exercisable at \$0.62 per option to certain employees of the Company; and
- Shares and options issued to Kazia (see Note 7 for further details).

Noxopharm Limited
Notes to the financial statements
30 June 2019

Note 28. Share-based payments (continued)

Set out below are summaries of options granted to the employees and directors of the Company:

2019							
Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
27/11/2017	27/11/2020	\$1.0158	500,000	-	-	-	500,000
27/11/2017	27/11/2020	\$1.2189	500,000	-	-	-	500,000
01/12/2017	01/12/2021	\$1.0800	789,470	-	-	(223,619)	565,851
10/12/2018	21/11/2022	\$0.6200	-	975,417	-	-	975,417
			<u>1,789,470</u>	<u>975,417</u>	<u>-</u>	<u>(223,619)</u>	<u>2,541,268</u>

2018							
Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
27/11/2017	27/11/2020	\$1.0158	-	500,000	-	-	500,000
27/11/2017	27/11/2020	\$1.2189	-	500,000	-	-	500,000
01/12/2017	01/12/2021	\$1.0800	-	789,470	-	-	789,470
			<u>-</u>	<u>1,789,470</u>	<u>-</u>	<u>-</u>	<u>1,789,470</u>

Set out below are the options exercisable at the end of the financial year:

Grant date	Expiry date	2019 Number	2018 Number
27/11/2017	27/11/2020	1,000,000	1,000,000
01/12/2017	02/12/2021	188,615	-
		<u>1,188,615</u>	<u>1,000,000</u>

The weighted average exercise price during the financial year was \$0.93.

The weighted average remaining contractual life of options outstanding at the end of the financial year was 2.40 years.

The Company's subsidiary, Nyrada Inc has also issued various share based payment to its directors, and other executives and advisers.

Set out below are summaries of options granted by Nyrada Inc during the year:

2019							
Grant date	Expiry date	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year	
15/02/2018	See below	440,000	-	-	-	440,000	
15/02/2018	15/02/2021	33,000	-	-	-	33,000	
01/05/2018	15/02/2021	22,000	-	-	-	22,000	
23/05/2018	15/02/2021	44,000	-	-	-	44,000	
23/05/2018	See below	44,000	-	-	-	44,000	
		<u>583,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>583,000</u>	

* The shares vest as and when various milestones are met. Once vested, the option expires 3 years from vesting date.

Noxopharm Limited
Notes to the financial statements
30 June 2019

Note 28. Share-based payments (continued)

2018

Grant date	Expiry date	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
15/02/2018	See below	-	440,000	-	-	440,000
15/02/2018	15/02/2021	-	33,000	-	-	33,000
01/05/2018	15/02/2021	-	22,000	-	-	22,000
23/05/2018	15/02/2021	-	44,000	-	-	44,000
23/05/2018	See below	-	44,000	-	-	44,000
		-	583,000	-	-	583,000

* The shares vest as and when various milestones are met. Once vested, the option expires 3 years from vesting date.

For the options granted during the previous financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
27/11/2017	27/11/2020	\$0.8400	\$1.0158	100.00%	-	2.17%	\$0.495
27/11/2017	27/11/2020	\$0.8400	\$1.2189	100.00%	-	2.17%	\$0.464
01/12/2017	01/12/2021	\$0.9200	\$1.0800	100.00%	-	2.17%	\$0.617
10/12/2018	21/11/2022	\$0.5200	\$0.6200	88.00%	-	2.00%	\$0.288

For the options issued for Nyrada Inc, the company has engaged an external valuation expert to perform the valuation as the exercise price for the shares are based on a premium (between 20% to 30%) set on either 15 days VWAP or at the ASX IPO price.

Other assumptions used includes the following:

Grant date	Expiry date	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
15/02/2018	01/01/2015	75.00%	-	2.19%	\$2.830
15/02/2018	15/02/2021	75.00%	-	2.15%	\$2.050
01/05/2018	15/02/2021	75.00%	-	2.15%	\$2.070
23/05/2018	15/02/2021	75.00%	-	2.15%	\$2.160
23/05/2018	01/01/2015	75.00%	-	2.10%	\$2.770

* The shares vest as and when various milestones are met. Once vested, the option expires 3 years from vesting date.

Noxopharm Limited
Directors' declaration
30 June 2019

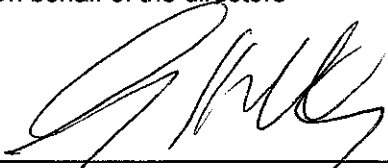
In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with Australian Accounting Standards as issued by the Australian Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



Dr Graham Kelly
Executive Chairman/Director

29 August 2019

Noxopharm Limited

Independent auditor's report to members

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Noxopharm Limited (the Company) and its controlled entities (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- (i) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the then year ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial report, which indicates that the Group incurred a net loss of \$12.57m for the year ended 30 June 2019 and net cash outflows used in operations was \$9.77m. As stated in Note 1, these events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

SETTLEMENT OF DISPUTE WITH KAZIA THERAPEUTICS LIMITED

Area of focus

As disclosed in the financial statements, the Group settled a dispute with Kazia Therapeutics Limited (Kazia) in December 2017.

As part of this settlement the Group was required to ensure that Kazia maintained, at a minimum, a 4.90% shareholding interest in the Group for the two years from 18 January 2019. Consequently, we note that in December 2019 the Group issued 15,457 shares to Kazia in order to maintain this percentage resulting in a dilutive charge of \$7,110.

During the second half of the financial year Kazia sold all shares in the Group to a third-party investor. Noxopharm paid a fee of \$169,504 was paid to the investor in order to both facilitate the transaction and to remove the 4.90% minimum shareholding interest privilege previously held by Kazia.

How our audit addressed it

In order to ensure that the transaction was complete and appropriate, and that the anti-dilution shareholding interest was discontinued, our audit procedures included the following:

- Inspecting the original documentation of the Kazia agreement, settlement and sale and purchase of the Kazia shares; and
- Reviewing documentation in relation to the matter, including clauses relating anti-dilution penalty to confirm this was now completely discontinued and resolved.

Finally, we ensured that disclosure of the particulars of the settlement, including the charge for facilitating the purchase and sale of shares was completely and accurately recorded in the financial statements.

WARRANTS AND OPTIONS ISSUED TO KEY MANAGEMENT PERSONNEL AND OTHER EMPLOYEES

Area of focus

The Group has a number of warrants and options on issued to key management personnel and staff under the employee share plan.

These warrants included both market and non-market vesting criteria, including the satisfying of:

- Market-based conditions, tied to achieving market capitalisation targets; and
- Non-market based conditions, tied to the satisfactory completion of capital raising activity and project accomplishment.

How our audit addressed it

Our audit procedures included:

- For those issued during the financial year, agreeing the material terms and conditions of each share-based payment arrangement to plan documentation;
- Examining the share-based payment arrangements to determine the appropriateness of identifying each share-based payment arrangement, particularly in segregating out market conditions from non-market conditions and corroborating the appropriateness of the grant date;

WARRANTS AND OPTIONS ISSUED TO KEY MANAGEMENT PERSONNEL AND OTHER EMPLOYEES

Area of focus	How our audit addressed it
<p>The valuation of such equity instruments requires significant judgement and expertise, particularly in determining the likelihood of achieving the market and non-market conditions.</p> <p>The directors have engaged independent specialists to appraise the fair value of all share-based payment arrangements that involve market-based conditions. In assessing the likelihood of meeting the non-market conditions, the directors have made use of all available Group-wide data, including the progression of raising capital and advancement of the Group's projects.</p> <p>In order to record and appropriately reflect the vesting of all share-based payment arrangements, the Group has created a vesting tracker model, which is updated at each reporting period.</p>	<ul style="list-style-type: none"> - Assessing the reasonableness of non-market conditions, including attrition and the achieving the capital raising project-based performance goals; and - Examining the appropriateness of the amortisation model for accreting share-based payment expense to the profit or loss over the vesting period. <p>We also reviewed the appropriateness of the disclosure impact of the share-based payment arrangements, particularly for their impact in the Remuneration Report for plan recipients which form part of key management personnel.</p>

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2019 but does not include the financial report and the 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 Director's for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

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

Report on the Remuneration Report

Opinion on the Remuneration Report

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

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

Responsibilities

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



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



N. S. Benbow

Director

Melbourne 29th August 2019

Noxopharm Limited
Shareholder information
30 June 2019

The shareholder information set out below was applicable as at 22 August 2019.

	Number of holders of (Exercise price \$1.0158, expiry 27 November 2020)	Number of holders of (Exercise price \$1.2189, expiry 27 November 2020)	Number of holders of (Exercise price \$1.08, expiry 30 November 2021) – Vest 1.12.2018	Number of holders of (Exercise price \$1.08, expiry 30 November 2021) – Vest 1.12.2019	Number of holders of (Exercise price \$1.08, expiry 30 November 2021) – Vest 1.12.2020
1 to 1,000					
1,001 to 5,000	10,000	-	-	-	-
5,001 to 10,000	-	-	1	1	1
10,001 to 100,000	-	-	8	8	8
100,001 and over	2	2	-	-	-
	<u>10,002</u>	<u>2</u>	<u>9</u>	<u>9</u>	<u>9</u>

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	% of total shares issued
MILLIGENE PTY LTD (THE GE + PR KELLY FAM TRUST)	31,027,568	25.31
GOODRIDGE NOMINEES PTY LTD (THE GOODRIDGE FAMILY A/C)	10,128,590	8.26
RGT CAPITAL FUND NO 5 (NOXO) PTY LTD	5,659,706	4.62
DRH SUPERANNUATION PTY LIMITED (DRH SUPERFUND NO 2 A/C)	5,451,000	4.45
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	3,702,224	3.02
RHLC PTY LTD (RHLC S/F A/C)	2,650,000	2.16
SUBURBAN HOLDINGS PTY LIMITED (SUBURBAN SUPER FUND A/C)	2,597,225	2.12
HELIUM MANAGEMENT PTY LTD (HELIUM S/F A/C)	1,766,246	1.44
BERNE NO 132 NOMINEES PTY LTD (331898 A/C)	1,527,523	1.25
CITICORP NOMINEES PTY LIMITED	1,462,941	1.19
CST CAPITAL PTY LTD (CST INVESTMENTS FUND A/C)	1,208,132	0.99
HALCYON NOMINEES PTY LTD (HALCYON SUPER FUND A/C)	1,115,002	0.91
JOHN W KING NOMINEES PTY LTD	1,036,060	0.85
MR DAVID HANNON	1,000,000	0.82
MR KENNETH JOSEPH HALL (HALL PARK A/C)	900,000	0.73
UURO PTY LTD	860,000	0.70
MR TIMOTHY FRANK ROBERTSON	850,000	0.69
FARJOY PTY LTD	830,000	0.68
MR COLIN JAMES EASTERBROOK & MRS JANET ELIZABETH EASTERBROOK (C & J EASTERBROOK SUPER A/C)	725,000	0.59
MR JOHN SELLERS	700,000	0.57
	<u>75,197,217</u>	<u>61.35</u>

Unquoted equity securities

There are no unquoted equity securities.

Substantial holders

There are no substantial holders in the company.

Noxopharm Limited
Shareholder information
30 June 2019

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Options

All quoted and unquoted options do not carry any voting rights.

There are no other classes of equity securities.

ASX Listing Rule 3.13.1 and 14.3

The Annual General Meeting is scheduled to be held on 20 November 2019.