

Noxopharm Limited

ABN 50 608 966 123



Annual Report

For the Period from 27 October to 30 June 2016



Contents

| | |
|---|---------|
| Chairman's Letter | Page 01 |
| CEO Report | Page 02 |
| Intellectual Property Report | Page 04 |
| Directors' Report | Page 05 |
| Auditor's Independence Declaration | Page 31 |
| Statement of Comprehensive Income | Page 32 |
| Statement of Financial Position | Page 33 |
| Statement of Changes in Equity | Page 34 |
| Statement of Cash flows | Page 35 |
| Notes to the Financial Statements | Page 36 |
| Directors' Declaration | Page 51 |
| Independent auditor's report to the members | Page 52 |
| Shareholder Information | Page 55 |
| Corporate directory | Page 57 |

Chairman's Letter

Dear Shareholder,

Following our recent capital raising and listing, we are pleased to present to you the Noxopharm 2016 Annual Report. Noxopharm is an ASX listed Australian drug development company with its primary focus on the development of drugs to address the problem of resistance of cancer cells to standard therapies, the major hurdle facing improved survival prospects for cancer patients.

What we are attempting to do carries important implications for cancer patients. For many cancers, survival rates either have barely moved over the last 2-3 decades or are still unacceptably poor. The 10-year survival prospects for cancers of the pancreas (1% of patients), lungs (5%), throat (12%), brain (13%), stomach (15%) and ovary (35%) being examples.

It is against this background of lack of significant progress that Noxopharm has been created with what we believe is a realistic prospect of making a meaningful difference in the Company's lead drug candidate, NOX66. The Noxopharm Directors believe that the Company's technology, its value proposition compared to other less substantive cancer treatments, and its considerable global market, all combine to give the Company the potential to create considerable shareholder value.

Capital Management and 2016 Results

As a drug development company, the Company's capital objective is to reach regulatory approval for NOX66 by taking it through the necessary clinical study programs in a number of key drug markets. This is a 4-5 year pathway that will require the injection of additional funds as NOX66 progresses through its various regulatory steps.

Between November 2015 and April 2016, the Company raised \$715,500 in seed capital, and \$6M with a successful IPO. Those funds are anticipated to carry the NOX66 development program through to proof-of-concept, the critical first milestone towards eventual marketing approval.

Noxopharm incurred a loss of \$704,725 for the year ended 30 June 2016, reflecting the cost of the IPO and the establishment of the foundations that have allowed the Company to be in the clinic within a matter of months following its IPO.

Our policy is to maintain a prudent approach towards capital management that balances appropriate working capital requirements of the business with maintaining an optimal capital structure.

Board, Governance and Management

The Board is committed to ensuring that the Noxopharm business is conducted in accordance with high standards of corporate governance. This, together with strong management, creates a positive culture for shareholders, employees and contractors.

On behalf of the Board, let me close by thanking you our shareholders for your support during the IPO process, and to our management and personnel for bringing Noxopharm to this position. As Chairman, I look forward to an exciting year as we continue with the development of NOX66 and the hope that we believe it holds in bringing dramatic improvements in the management of cancer.



Peter Marks
Chairman

Noxopharm came into being as a private company in November 2015. On the way to the IPO, capital was raised that allowed the Company to lay the foundations that would enable us to hit the ground running once we raised the targeted \$6M at the IPO. The 6 weeks since the IPO have indeed been about a lot of 'running'.

At the heart of the Company's business is an understanding of how to get compounds with a phenolic chemical structure to reach cancer tissue in a way that will enable them to work. Getting them to work in virtually any other part of the body doesn't present any problem the problem lies just with cancer tissue. It is a problem that has baffled a lot of people for a long time, with Noxopharm confident that it finally has the answer.

The first phenolic drug out of the blocks to have this knowledge applied is idronoxil, in my view the most powerful and most specific sensitiser of cancer cells to standard chemotherapy and radiotherapy.

The last few months have been devoted to getting our inaugural clinical study up and running. This has been designed as a proof-of-concept clinical study, the proof that we are seeking being that idronoxil (in the dosage formulation, NOX66) can make late-stage cancers of various types respond to the standard of care cytotoxic drug, carboplatin. This is termed 'salvage therapy', where little or no response normally would be expected despite carboplatin being one of the most powerful of all chemotherapy drugs. We're looking for two outcomes: the first is to see if NOX66 can make the cancer respond to carboplatin (regular dosages) by going into remission and remaining in remission for a significant period; the second takes this one step further by seeing if we can achieve this positive anti-cancer effect with a dosage of carboplatin that would be too low to produce any meaningful anti-cancer effect under normal circumstance. If NOX66 can turn that low carboplatin dosage into an effective dosage, then we will have achieved a unique and important outcome, offering the prospect of a highly effective chemotherapy regimen with little or no side-effects.

We also recently announced our intention to extend this into NOX66 + radiotherapy clinical studies. The plan is to have two such studies up and running in 1Q17, again, looking to see if a dosage of radiation termed 'palliative' because of its intent to shrink rather than permanently kill a cancer, can be induced to provide a durable remission by the presence of idronoxil. These 2 studies currently are being bedded down and details will be forthcoming.

Any clinical study requires significant logistical support; having three running concurrently is a major task. The manufacture of idronoxil, its formulation into NOX66, the necessary QA/QC controls, the selection of hospital sites, the obtaining of all necessary local and federal approvals, the design of data capture methods, and the appointment of CROs to oversee the studies, are all matters that either have been dealt with or are in the final stages of being put in place.

A team is being assembled that will have the required experience to run such an ambitious clinical program. Dr Marinella Messina, our Clinical Affairs Manager, myself (with the experience of 33 clinical studies) and a group of external consultants, are more than up to the task. Over time, we will bring more people in-house so that by the end of 2017 we envisage a modest-sized clinical and regulatory affairs team working in conjunction with CROs both in Australia and Europe.

A key aspect of these 3 studies is the need to reach the point of proof-of-concept in a relatively short time. Phase 1 studies typically are all about answering questions of safety, and, depending on size, take up to 2 years to complete. Phase 2 studies are meant to provide proof-of-concept answers, also taking about 2 years to complete.

CEO Report

My goal is to reach the point of proof-of-concept within 18 months, with the two radiotherapy studies potentially reaching that point earlier.

Behind the clinical program is an ambitious pre-clinical program designed to deliver the next generation of NOX66 drug candidates as well as opening up novel areas of clinical application. The medical and commercial potential of NOX66 as it stands are considerable and might be considered enough; but the long-term vision for Noxopharm is growth and longevity, and that means steadily building a product portfolio which the Company is well positioned to do organically.

While science and technology are the drivers of the Company, the corporate face is equally important, particularly given that the market largely is shielded from day-to-day progress in those key drivers. We will continue to strive for a high level of communication with our shareholders, as well as conducting regular roadshows in Australia and Asia in an effort to bring the Company and its potential to the attention of as many professional investors as possible.

The coming year promises to be an exciting journey. Like all drug development journeys, it is sure to have its fair share of surprises, disappointments and successes. It's the 'success' that I focus on and believe in, with 'success' in our case representing a potential major shift in the way cancer of all types are managed.

I welcome all shareholders who are prepared to join me on that journey.

Yours sincerely



Graham Kelly
Managing Director and CEO

Intellectual Property Report

The Company has a vigorous strategy of pursuing patent protection of its IP assets on the advice of its consultant patent attorneys. A number of provisional patent applications have been lodged in this calendar year and await lodgement of final specifications

Directors' Report

Your Directors present their report on Noxopharm Limited for the period ended 30 June 2016. Noxopharm was incorporated on 27 October 2015 and therefore this is the first financial report that has been prepared.

Directors and Company Secretary

The following persons held office as directors of Noxopharm Limited during the financial period.

| | |
|---|-----------------------------|
| Dr. Graham Kelly, Managing Director and Chief Executive Officer | (appointed 27 October 2015) |
| Mr. Peter Marks, Non-Executive Chairman | (appointed 15 March 2016) |
| Dr. Ian Dixon, Non-Executive Director | (appointed 15 March 2016) |
| Mr. Phillip Hains, Company Secretary | (appointed 15 March 2016) |

Principal activities

The Company's principal activity in the course of the financial year were the research and development of NOX66 in the field of adjuvant therapy in chemotherapy and radiotherapy. There were no significant changes in the nature of the Company's principal activity during the financial year.

Dividends

No dividends were paid or proposed in the current period.

Results

The loss of the Company after providing for income tax amounted to \$704,725.

Additional information on the operations and financial position of the Company and its business strategies and prospects is set out in the CEO's and Chairman's report.

Material business risks

The Company is subject to normal business risk, including but not limited to interest rate movements, labour conditions, government policies, securities market conditions, exchange rate fluctuations and a range of other factors which are outside the control of the Board and Management.

More specific material risks of the biotechnology sector and the Company include, but are not limited to:

- *Scientific, Technical & Clinical* - product development requires a high level of scientific rigour, for which the outcomes cannot be known beforehand. Activities are experimental in nature so the risk of failure or delay is material. Key development activities, including clinical trials and product manufacture, are undertaken by specialist contract organisations; and there are risks in managing the quality and timelines of these activities
- *Regulatory* - products and their testing, may not be approved by, or be delayed by regulatory bodies whose approvals are necessary before products can be sold in market.
- *Financial* - the Company currently, and since inception, does not generate sufficient income to cover operating expenses and no assurance can be given that such funding will be available, if required. The Company relies on capital funding to cover its operating expenses
- *Intellectual Property (IP)* - commercial success requires the ability to develop, obtain and maintain commercially valuable patents, trade secrets and confidential information. Gaining and maintaining the IP across multiple countries; and preventing the infringement of the

Material business risks (continued)

Company's exclusive rights involves management of complex legal, scientific and factual issues. The Company must also operate without infringing upon the IP of others.

- *Key personnel* - the Company's success and achievements against timelines depend on key members of its highly qualified, specialised and experienced management and scientific teams. The ability to retain and attract such personnel is crucial.

In accordance with good business practice the Company's management actively and routinely employs a variety of risk management strategies. These are broadly described in the corporate governance statement.

Event since the end of the financial year

The Company finalised its IPO and listed with the ASX on 9 August 2016. 30,000,000 Ordinary Fully Paid Shares were issued at \$0.20 raising \$6,000,000 before costs. Funds raised will be used for the immediate pre-clinical phase of NOX66.

No further matters or circumstances have arisen since the end of the reporting period which significantly affected or may significantly affect the operations of the economic entity, the result of those operations or the state of affairs of the economic entity in subsequent financial years.

Significant changes in state of affairs

On 9 August 2016 Noxopharm Limited listed on the Australian Securities Exchange (ASX:NOX).

There were no other significant changes during the current financial year.

Likely developments and expected results of operation

The Company has initiated 4 pre-clinical studies intended to supplement the Company's IP assets and potentially to provide drug candidates to the Company's clinical pipeline.

The key steps taken in this regard are:

- a) The appointment of a Senior Scientist (Dr Kate Porter) to oversee the programs; and
- b) Commissioning of research contracts with Monash University and various private contractors

Environmental regulation

The Company is not affected by any significant environmental regulation in respect of its operations.

Directors' Report *(continued)*

Information on Directors

Dr. Graham Kelly *Managing Director and Chief Executive Officer*

| | | |
|---------------------------------|---|------------|
| Experience and expertise | <p>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.</p> <p>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.</p> <p>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.</p> <p>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 Ltd in order to commercialise NOX66.</p> | |
| Other directorships | N/A | |
| Date of appointment | 27 October 2015 | |
| Interests in shares and options | Interest in shares | 31,257,568 |
| | Interest in options | 12,075,000 |

Directors' Report *(continued)*

Information on Directors (continued)

Peter Marks *Non-Executive Chairman*

| | | |
|---------------------------------|---|---------|
| Experience and expertise | <p>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.</p> <p>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, Chairman of Armadale Capital Plc (AIM listed) since 2009, and Non-Executive Director of Emefcy Group Limited (ASX listed) since 2015.</p> <p>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.</p> <p>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.</p> | |
| Other directorships | Prana Biotechnology Limited (ASX: PBT) Since 29 July 2005, Emefcy Limited (ASX: EMC) Since 12 May 2015 | |
| Date of appointment | 15 March 2016 | |
| Interests in shares and options | Interest in shares | 500,000 |
| | Interest in options | 200,000 |

Directors' Report *(continued)*

Information on Directors *(continued)*

Dr. Ian Dixon, *Non-Executive Director*

| | | |
|---------------------------------|--|-----------|
| Experience and expertise | <p>Ian has a PhD in biomedical engineering from Monash University and an MBA from Swinburne University. 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 manufacturing automation and product development 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.</p> <p>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 investor and executive.</p> <p>In 2002 Ian was the co-founder of Genscreen Pty Ltd, a biotechnology incubator with a particular focus on cancer therapeutics. Amongst a number of projects, Genscreen developed a novel first-in-class anticancer drug based on anti-tropomyosin technology which was out-licensed to Novogen Ltd in 2013. During this time Ian also had experience in the regenerative medicine and cancer immunotherapy fields as a non-executive director of Cell Therapies Ltd.</p> <p>In 2011 Ian co-founded Cynata Inc and helped to progress the commercialisation of what has become the Cymerus technology of Cynata Therapeutics Ltd (ASX-CYP).</p> <p>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.</p> | |
| Other directorships | N/a | |
| Date of appointment | 15 March 2016 | |
| Interests in shares and options | Interest in shares | 1,766,426 |
| | Interest in options | 700,000 |

Mr. Phillip Hains, *Company Secretary*

| | | |
|--------------------------|--|--|
| Experience and expertise | <p>Phillip is a Chartered Accountant and specialist in the public company environment. He has served the needs of a number of public company boards of directors and related committees. He has over 20 years' experience in providing accounting, administration, compliance and general management services. He holds a Masters of Business Administration from RMIT and a Public Practice Certificate from the Institute of Chartered Accountants of Australia.</p> | |
| Other directorships | N/a | |
| Date of appointment | 15 March 2016 | |

Directors' Report *(continued)*

Meetings of Directors

The numbers of meetings of the Company's board of directors and of each board committee held during the period ended 30 June 2016, and the numbers of meetings attended by each director were:

| | Full meetings of directors | |
|------------------|----------------------------|-----------------------------|
| | Number of meetings held | Number of meetings attended |
| Dr. Graham Kelly | 5 | 5 |
| Mr. Peter Marks | 5 | 5 |
| Dr. Ian Dixon | 5 | 5 |

Remuneration Report (Audited)

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

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

- (a) Principles used to determine the nature and amount of remuneration
- (b) Details of remuneration
- (c) Service agreements
- (d) Share-based compensation
- (e) Key management personnel disclosures

(a) 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 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.

Remuneration Report *(continued)*

(a) Principles used to determine the nature and amount of remuneration *(continued)*

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 Pay

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.

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

At the date of this report the Company does not currently operate an Executive Share Option Plan ("ESOP"). The Company plans to put to shareholders the adoption of an ESOP scheme at 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 company. 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 NOX66 within specified time frame.
- The CEO currently has the following performance conditions:
 - Undertake first clinical trial within 12 months of listing on the ASX – Payment A\$35,000
 - Undertake second clinical trial within 12 months of listing on the ASX – Payment A\$35,000

Remuneration Report *(continued)*

(a) Principles used to determine the nature and amount of remuneration *(continued)*

These performance conditions were chosen as the clinical trials are crucial to the long term performance of the company.

Performance conditions will be satisfied on the enrolment of the first patient in each clinical trial, which marks the commencement of the trial.

No performance base remuneration was paid during the current financial year.

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).

Use of remuneration consultants

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

As the Company was recently incorporated and listed on the ASX (9 August 2016) there is no current link between the Company's remuneration policy and its 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.

(b) Details of Remuneration

Amounts of remuneration

Key Management Personnel (KMP) of the Company are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company receiving the highest remuneration. Details of the remuneration of the KMP of the Company are set out in the following tables.

The key management personnel of the Company consisted of the following Directors of Noxopharm Limited:

| | |
|------------------|---|
| Dr. Graham Kelly | Managing Director and Chief Executive Officer |
| Mr. Peter Marks | Non-Executive Chairman |
| Dr. Ian Dixon | Non-Executive Director |

Directors' Report (continued)

Remuneration Report (continued)

(b) Details of remuneration (continued)

| 2016 | Short-term benefits | | Non-monetary | Post-employment benefits | | Total | % of total remuneration related to performance |
|------------------|----------------------|--------------|--------------|--------------------------|----------------|-------|--|
| | Cash salary and fees | Annual leave | | Superannuation | | | |
| | \$ | \$ | \$ | \$ | \$ | \$ | |
| Directors | | | | | | | |
| Dr. Graham Kelly | 166,040 | 11,336 | - | 12,872 | 190,248 | | -% |
| Mr. Peter Marks | 43,750 | - | - | - | 43,750 | | -% |
| Dr. Ian Dixon | 29,166 | - | - | - | 29,166 | | -% |
| Total | 238,956 | - | - | 12,872 | 251,828 | | |

Remuneration report (continued)

(c) Service agreements

Executives

| | |
|-----------------------------|--|
| Name: | Dr. Graham Kelly |
| Title: | Managing Director and Chief Executive Officer |
| Agreement commenced: | 09 August, 2016. Dr Kelly was on a pre-IPO agreement prior to this date |
| Term of agreement: | Open |
| Termination Details: | Notice period of 90 days by Executive or the Company; 12 months by Company without cause |

Non-Executive Directors

| | |
|-----------------------------|------------------------|
| Name: | Mr. Peter Marks |
| Title: | Non-Executive Chairman |
| Agreement commenced: | 01 March 2016 |
| Term of agreement: | Open |
| Termination Details: | Nil |

| | |
|-----------------------------|------------------------|
| Name: | Dr. Ian Dixon |
| Title: | Non-Executive Director |
| Agreement commenced: | 01 March 2016 |
| Term of agreement: | Open |
| Termination Details: | Nil. |

(d) Key management personnel disclosures

Founders performance shares

In the current period founders performance shares were issued to the initial seed capital investors of the Company (two of which were directors) as part of their capital injection.

Dr. Ian Dixon received 366,426 founders performance shares and Dr. Graham Kelly received 6,877,568. Under the terms of the founders shares, the Company must perform and reach market capitalisation value of A\$50 million on or before the 28 February 2021, before the shares can be converted to ordinary fully paid listed shares.

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 Company, including their personally related parties, is set out below:

Directors' Report *(continued)*

Remuneration report *(continued)*

(e) Key management personnel disclosures *(continued)*

Shareholding (continued)

| 2016 | Balance at start of year | Balance at date of appointment | Granted as compensation | Net change other (1) | Balance at end of year |
|------------------------|--------------------------|--------------------------------|-------------------------|----------------------|------------------------|
| Ordinary shares | | | | | |
| Dr. Graham Kelly | - | - | - | 31,257,568 | 31,257,568 |
| Peter Marks | - | - | - | 500,000 | 500,000 |
| Dr. Ian Dixon | - | - | - | 1,766,426 | 1,766,426 |
| Total | - | - | - | 33,523,994 | 33,523,994 |

(1) Net change other represents shares acquired by the Directors as part of pre Initial Public Offering (IPO) raisings.

Option holding

The number of options over ordinary shares in the Company held during the year by each Director and other Key Management Personnel, including their personally related parties, are set out below.

| 2016 | Balance at start of year | Options expired or lapsed | Net change other (1) | Balance at end of year | Vested and exercisable | Unvested |
|------------------|--------------------------|---------------------------|----------------------|------------------------|------------------------|-------------------|
| Directors | | | | | | |
| Dr. Graham Kelly | - | - | 12,075,000 | 12,075,000 | - | 12,075,000 |
| Peter Marks | - | - | 200,000 | 200,000 | - | 200,000 |
| Dr. Ian Dixon | - | - | 700,000 | 700,000 | - | 700,000 |
| Total | - | - | 12,975,000 | 12,975,000 | - | 12,975,000 |

(1) Net change other represents free attaching options issued to Directors as part of their participation in pre IPO raisings. One option was received for every two shares subscribed for.

Related party transactions

There are no related party transactions during the year ended 30 June 2016.

END OF REMUNERATION REPORT

Shares under option

Unissued ordinary shares

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

| Date options granted | Expiry date | Exercise price of options | Number under option |
|----------------------|------------------|---------------------------|---------------------|
| 31 January 2016 | 28 February 2021 | \$0.30 | 357,500 |
| 31 January 2016 | 28 February 2021 | \$0.30 | 3,277,858 |
| 31 January 2016 | 28 February 2021 | \$0.30 | 18,950,358 |
| | | | 22,585,716 |

No option holder has any right under the options to participate in any other share issue of the Company or any other entity. No options have been exercised in the current period.

Remuneration report *(continued)*

Insurance of officers and indemnities

(a) 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 liability and the amount of the premium.

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

(b) Indemnity of auditors

The Company has not, during or since 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.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

Non-Audit Services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Company are important.

Details of the amounts paid or payable to the auditor (William Buck) for audit and non-audit services provided during the period are set out below:

| | 2016 |
|---|---------------|
| | \$ |
| Audit and review of financial statements | 19,000 |
| Other assurance services – Due Diligence Review | 6,000 |
| | <u>25,000</u> |

The Directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are of the opinion that the services as disclosed in note 6 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board*, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

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 on page 20.

Corporate governance statement

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Noxopharm Limited support and adhere to good corporate governance practices. The Company's corporate governance statement is available on the Company's website together with the Board Skills Matrix at <http://www.noxopharm.com>.

ASX Corporate Governance Council Principles and Recommendations

The Company has adopted systems of control and accountability as the basis for the administration of corporate governance. The Board is committed to administering the policies and procedures with openness and integrity commensurate with Company's needs.

The Board seeks, where appropriate, to provide accountability levels that meet or exceed the ASX Corporate Governance Council's Principles and Recommendations. Section 7.2 contains a table setting out information in respect of the Company's compliance with *The Corporate Governance Principles and Recommendations (3rd Edition)* as published by ASX Corporate Governance Council on 27 March 2014 (**Recommendations**). The Recommendations replace and update the prior version of the corporate governance recommendations published by the ASX Corporate Governance Council.

Copies of the Company's corporate governance procedures, policies and practices are available the Company website at www.noxopharm.com.

Board of Directors

The Board is responsible for corporate governance of the Company. The Board is responsible for the following matters:

- ensuring the Company's conduct and activities are ethical and carried out for the benefit of its stakeholders;
- development of corporate strategy, implementation of business plans and performance objectives;
- reviewing, ratifying and monitoring systems of risk management, codes of conduct, internal control systems and legal and regulatory compliance;
- monitoring senior executives' performance and implementation of strategy;
- determining appropriate remuneration policies;
- allocating resources and ensuring appropriate resources are available to management;
- approving and monitoring the budgets, progress of major capital expenditure, capital management and acquisitions and divestitures; and
- approving and monitoring financial and other reporting.

The Company is committed to the circulation of relevant materials to Directors in a timely manner to facilitate Directors' participation in the Board discussions on a fully-informed basis.

Composition of the Board

Election of Board members is substantially the province of the shareholders in a general meeting. However, subject thereto, the Company is committed to the following principles:

- the Board is to comprise Directors with a blend of skills, experience and attributes appropriate for the Company and its business; and

- the principal criterion for the appointment of new Directors is their ability to add value to the Company and its business.

If any vacancies arise on the Board, all Directors will be involved in the search and recruitment of a replacement. The Board believes corporate performance is enhanced when it has an appropriate mix of skills and experience. Any director appointed during the year to fill a casual vacancy or as an addition to the current Board, holds office until the next annual general meeting and is then eligible for re-election by the shareholders.

Board charter and policies

The Board has adopted a charter, which formally recognised its responsibilities functions, power and authority and composition. This charter sets out other things which are important for effective corporate governance including:

- a detailed definition of 'independence';
- a framework for the identification of candidates for appointment to the Board and their selection (including undertaking appropriate background checks);
- a framework for individual performance review and evaluation;
- proper training to be made available to Directors both at the time of their appointment and on an on-going basis;
- basic procedures for meetings of the Board and its committees including frequency, agenda, minutes and private discussion of management issues among non-executive Directors;
- ethical standards and values (in a detailed code of corporate conduct);
- dealings in securities (in a detailed code for securities transactions designed to ensure fair and transparent trading by Directors and senior management and their associates); and
- communications with shareholders and the market.

Independent professional advice

In accordance to section 9.1 of the Board Charter, subject to approval from the Chairman, each Director has the right to seek independent legal or other professional advice at the Company's expense on all matters necessary for that Director to make fully informed and independent decisions.

Remuneration arrangements

The total maximum remuneration of Non-Executive Directors is initially set by the Constitution and subsequent variation is by ordinary resolution of Shareholders in general meeting in accordance with the Constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of Non-Executive Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each Non-Executive Director. The aggregate remuneration for Non-Executive Directors is set at \$500,000 per annum. Directors are also entitled to be paid reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors.

Trading policy

The Board has adopted a securities trading policy that sets out the guidelines on the sale and purchase of securities in the Company by its key management personnel. The policy generally provides that written notification to the Company Secretary must be obtained prior to trading.

External audit

The Company in general meetings is responsible for the appointment of the external auditors of the Company, and the Board from time to time will review the scope, performance and fees of those external auditors.

Audit and Risk committee

Where Director numbers permit, the Audit and Risk Committee will consist of at least two members. Where possible, members will be appointed by the Board from amongst the Non-Executive Directors, and the majority of which shall be independent Directors. In addition, the Audit and Risk Committee will comprise:

- at least one member who has an understanding of the industry in which the Company operates. Members who can read and understand financial statements and are otherwise financially literate;

The committee's responsibilities include:

- reviewing the overall conduct of the external audit process, including the independence of all parties to the process;
- reviewing the performance of external auditors;
- considering the reappointment and proposed fees of the external auditor;
- where appropriate, seeking tenders for the audit and where a change of external auditor is recommended, arrange submissions to the shareholders for shareholder approval;
- corporate risk assessment (including economic, environmental and social sustainability risks) and compliance with internal controls;
- overseeing the risk management system;
- monitor and review the propriety of any related party transactions;
- reviewing the quality and accuracy of all published reports; and
- reviewing the accounting function and ongoing application of appropriate accounting and business policies and procedures.

Meetings shall be held at least quarterly to review and discuss financial issues and the financial statements. A broad agenda is laid down for each regular meeting according to an annual cycle. The committee may invite the external auditors to attend each of its meetings.

Remuneration and Nomination Committee

The purpose of this committee is to:

- assist the Board and report to it on remuneration and related policies and practices (including remuneration of senior management and non-executive Directors); and
- assist the Board and make recommendations to it about the appointment of new Directors (both executive and non-executive) and senior management.

The committee's functions include:

- review and evaluation of market practices and trends on remuneration matters;
- recommendations to the Board about the Company's remuneration policies and procedures;
- oversight of the performance of senior management and non-executive Directors;
- recommendations to the Board about remuneration of senior management and non-executive Directors; and
- review the Company's reporting and disclosure practices in relation to the remuneration of Directors and senior executives.

Meetings shall be held at least annually and more often as required.

Diversity Policy

The Board has adopted a diversity policy which provides a framework for the Company to achieve, amongst other things, a diverse and skilled workforce, a workplace culture characterised by inclusive practices and behaviours for the benefit of all staff, improved employment and career development opportunities for women and a work environment that values and utilises the contributions of employees with diverse backgrounds, experiences and perspectives.

Departures from Recommendations

The Board has assessed the Company's practice against the Guidelines and outlines its assessment as per the following pages.

Directors' Report (continued)

| PRINCIPLES AND RECOMMENDATIONS | COMPLY (YES/NO) | EXPLANATION |
|---|-----------------|--|
| <p>Principle 1: Lay solid foundations for management and oversight</p> <p>Recommendation 1.1 A listed entity should have and disclose a charter which sets out the respective roles and responsibilities of the Board, the chair and management; and includes a description of those matters expressly reserved to the Board and those delegated to management.</p> | Yes | <p>The Company has adopted a Corporate Governance Charter, which is available on the Company's website (www.noxopharm.com)</p> <p>The Corporate Governance Charter sets out, among other things, specific responsibilities of the Board, requirements as to the Board's composition, the roles and responsibilities of the Chairman and management, Director's access to Company records and information, details of the Board's relationship with management.</p> |
| <p>Recommendation 1.2 A listed entity should:</p> <ul style="list-style-type: none"> undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director. | Yes | <p>Appropriate checks have been undertaken in respect of each Director and information will be provided to security holder at the time of election or re-election as appropriate.</p> |
| <p>Recommendation 1.3 A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.</p> | Yes | <p>The Company has entered into written agreements with each director and senior executive.</p> |
| <p>Recommendation 1.4 The company secretary of a listed entity should be accountable directly to the Board, through the chair, on all matters to do with the proper functioning of the Board.</p> | Yes | <p>This is consistent with the Charter and corporate structure of the Company. The Company Secretary has a direct relationship with the Board in relation to these matters and operates independently of the executives.</p> |
| <p>Recommendation 1.5 A listed entity should:</p> <ul style="list-style-type: none"> have a diversity policy which includes requirements for the Board: <ul style="list-style-type: none"> (i) to set measurable objectives for achieving gender diversity; and | Partially | <p>The Company has adopted a diversity policy, a copy of which is available on the Company's website (www.noxopharm.com).</p> <p>The Board, in consultation with the Remuneration & Nomination Committee, will set measurable objectives for achieving diversity, in particular gender diversity, in accordance with this policy and the diversity targets set by the Board from time to time and will review the effectiveness and relevance of these measurable objectives on an annual basis. As the Company only recently listed on ASX in August 2016,</p> |

Directors' Report (continued)

| PRINCIPLES AND RECOMMENDATIONS | COMPLY (YES/NO) | EXPLANATION |
|---|-----------------|---|
| <p>(ii) to assess annually both the objectives and the entity's progress in achieving them;</p> <ul style="list-style-type: none"> • disclose that policy or a summary or it; and • disclose as at the end of each reporting period: <ul style="list-style-type: none"> (i) the measurable objectives for achieving gender diversity set by the Board in accordance with the entity's diversity policy and its progress towards achieving them; and (ii) either: <ul style="list-style-type: none"> (a) the respective proportions of men and women on the Board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or (b) the entity's "Gender Equality Indicators", as defined in the Workplace Gender Equality Act 2012. | | <p>measurable objectives have not yet been determined, it is intended that such objectives will be determined during the 2017 financial year.</p> <p>The Company's diversity gender as at 27 September 2016 is detailed below:</p> <ul style="list-style-type: none"> • Women on the board: 0 of 3 (0%) • Women in senior executive positions: 1 of 2 (50%) • Women in the organisation: 2 of 2 (100%). |
| <p>Recommendation 1.6 A listed entity should:</p> <ul style="list-style-type: none"> • have and disclose a process for periodically evaluating the performance of the Board, its committees and individual directors; and • disclose in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process. | Yes | <p>The Corporate Governance Charter sets out a process for performance evaluation processes. The Chairman determines the evaluation criteria and process, based on inputs from the Board and the Remuneration and Nomination Committee.</p> <p>The Board reviews at least annually its overall performance, as well as the performance of its committees and individual directors.</p> <p>As the Company listed on ASX during the 2017 financial year, performance reviews in respect of the 2016 financial year have not been completed. Performance reviews will be conducted during the 2017 financial year.</p> |
| <p>Recommendation 1.7 A listed entity should:</p> <ul style="list-style-type: none"> • have and disclose a process for periodically evaluating the performance of its senior executives; and | Yes | <p>The Chairman, with assistance and inputs from the Remuneration and Nomination Committee, assesses the performance of senior executives at least annually.</p> <p>As the Company listed on ASX during the 2017 financial year, performance reviews in respect of the 2016 financial year have not been completed. Performance reviews will be conducted during the 2017 financial year.</p> |

Directors' Report (continued)

| PRINCIPLES AND RECOMMENDATIONS | COMPLY (YES/NO) | EXPLANATION |
|--|-----------------|---|
| <ul style="list-style-type: none"> disclose in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process. | | |
| <p>Principle 2: Structure the Board to add value</p> <p>Recommendation 2.1</p> <p>The Board of a listed entity should:</p> <ul style="list-style-type: none"> have a nomination committee which: <ul style="list-style-type: none"> <i>(i) has at least three members, a majority of whom are Independent Directors; and</i> <i>(ii) is chaired by an Independent Director, and disclose:</i> <i>(iii) the charter of the committee;</i> <i>(iv) the members of the committee; and</i> <i>(v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</i> if it does not have a nomination committee, disclose that fact and the processes it employs to address Board succession issues and to ensure that the Board has the appropriate balance of skills, experience, independence and knowledge of the entity to enable it to discharge its duties and responsibilities effectively. | Yes | <p>A Remuneration and Nomination Committee has been established with its own Charter. The Committee comprises of the three Board members and is Chaired by Independent Director, Ian Dixon.</p> <p>Copy of the Remuneration and Nomination Committee Charter is available from the company's website www.noxopharm.com</p> <p>Details of Board committee meetings held and meeting attendance of each member is set out in the Directors Report.</p> |
| <p>Recommendation 2.2</p> <p>A listed entity should have and disclose a Board skill matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership.</p> | Yes | <p>The Company's Corporate Governance Charter sets out the procedures for selecting and appointing Directors which includes a commitment to ensuring a balance of skill and experience necessary for the conduct of the Company's activities.</p> <p>The Company's Board skills matrix is available from the company's website www.noxopharm.com.</p> |

Directors' Report (continued)

| PRINCIPLES AND RECOMMENDATIONS | COMPLY (YES/NO) | EXPLANATION |
|--|-----------------|---|
| <p>Recommendation 2.3</p> <p>A listed entity should disclose:</p> <ul style="list-style-type: none"> the names of the directors considered by the Board to be Independent Directors; if a director has an interest, position, association or relationship of the type described in Box 2.3 of the ASX Corporate Governance Principles and Recommendation (3rd Edition), but the Board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the Board is of that opinion; and the length of service of each director | Yes | <p>The Company considers the following Directors to be independent:</p> <ul style="list-style-type: none"> - Peter Marks – appointed 15 March 2016 - Ian Dixon – appointed 15 March 2016 <p>The Board notes the following directors are deemed not independent for the purposes of the Guidelines:</p> <ul style="list-style-type: none"> - Graham Kelly – appointed 27 October 2015 |
| <p>Recommendation 2.4</p> <p>A majority of the Board of a listed entity should be Independent Directors.</p> | Yes | |
| <p>Recommendation 2.5</p> <p>The chair of the Board of a listed entity should be an Independent Director and, in particular, should not be the same person as the CEO of the entity.</p> | Yes | The Chair of the Company is Peter Marks, an independent Director and the Managing Director and Chief Executive Officer is Graham Kelly. |
| <p>Recommendation 2.6</p> <p>A listed entity should have a program for inducting new directors and providing appropriate professional development opportunities for continuing directors to develop and maintain the skills and knowledge needed to perform their role as a director effectively.</p> | Yes | This is consistent with the Board Charter. The Company is committed to procuring appropriate professional development opportunities for Directors so that they may develop and maintain the skill and knowledge needed to perform their roles effectively, whether this be by informal program or otherwise. |
| <p>Principle 3: Act ethically and responsibly</p> <p>Recommendation 3.1</p> | Yes | The Company's Corporate Governance Charter includes a Code of Conduct, which sets out a framework to enable Directors to achieve the highest possible standards in the discharge of their duties and to give a clear understanding of |

Directors' Report (continued)

PRINCIPLES AND RECOMMENDATIONS

A listed entity should:

- have a code of conduct for its directors, senior executives and employees; and
- disclose that code or a summary of it.

COMPLY (YES/NO) EXPLANATION

best practice in corporate governance. A copy of the Corporate Governance Charter is available at the Company's website (www.noxopharm.com)

Principle 4: Safeguard integrity in corporate reporting

Recommendation 4.1

The Board of a listed entity should:

- have an audit committee which:
 - has at least three members, all of whom are Non-Executive Directors and a majority of whom are Independent Directors; and
 - is chaired by an Independent Director, who is not the chair of the Board, and disclose:
 - the Charter of the Committee;
 - the relevant qualifications and experience of the members of the committee; and
 - in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
- if it does not have an Audit Committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.

Yes

The Company has established an Audit and Risk Management Committee to assist and report to the Board. The Committee comprises of the three Board members and is Chaired by Independent Director, Ian Dixon.

Copy of the Audit and Risk Committee Charter can be obtained from the company's website www.noxopharm.com.

Details of Board committee meetings held and meeting attendance of each member is set out in the Directors Report.

Recommendation 4.2

The Board of a listed entity should, before it approves the entity's financial statements for a financial period, receive

Yes

This is consistent with the approach adopted by the Audit and Risk Committee and Board.

Directors' Report (continued)

| PRINCIPLES AND RECOMMENDATIONS | COMPLY (YES/NO) | EXPLANATION |
|--|-----------------|--|
| <p>from its CEO and CFO a declaration that the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</p> <p>Recommendation 4.3 A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.</p> | Yes | Noxopharm's auditor will be requested to attend the AGM and shareholders will be entitled to ask questions in accordance with the Corporations Act and these Guidelines. |
| Principle 5: Make timely and balanced disclosure | | |
| <p>Recommendation 5.1 A listed entity should:</p> <ul style="list-style-type: none"> • have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and • disclose that policy or a summary of it. | Yes | The Company has a written Communication and Disclosure Policy which forms part of its Corporate Governance Charter, copy of which can be obtained from the Company's website www.noxopharm.com |
| Principle 6: Respect the rights of security holders | | |
| <p>Recommendation 6.1 A listed entity should provide information about itself and its governance to investors via its website.</p> | Yes | Information about the Company and its governance is available in the Corporate Governance Charter which can be found on the Company's website www.noxopharm.com |
| <p>Recommendation 6.2 A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.</p> | Yes | The Company has adopted a Communication and Disclosure Policy which forms part of its Board Charter, copy of which is available at the Company's website www.noxopharm.com |
| <p>Recommendation 6.3 A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.</p> | Yes | The Communication and Disclosure Policy referred to above, contains policies and processes aimed to facilitate and encourage participation at meetings. Links are made available at the Company's website to information released to the ASX. Shareholders are encouraged to participate in, and raise questions at, all shareholder meetings. |

Directors' Report (continued)

| PRINCIPLES AND RECOMMENDATIONS | COMPLY (YES/NO) | EXPLANATION |
|---|-----------------|--|
| <p>Recommendation 6.4</p> <p>A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.</p> | Yes | The Company has instructed its share registry to facilitate this option for investors, as well as future shareholders at appropriate times. Shareholders can elect to receive communications from the Company by email and the majority of communications to the Company can be made by email. |
| <p>Principle 7: Recognise and manage risk</p> | | |
| <p>Recommendation 7.1</p> <p>The Board of a listed entity should:</p> <ul style="list-style-type: none"> have a committee or committees to oversee risk, each of which: <ul style="list-style-type: none"> <i>(i) has at least three members, a majority of whom are independent directors; and</i> <i>(ii) is chaired by an independent director, and disclose:</i> <i>(iii) the charter of the committee;</i> <i>(iv) the members of the committee; and</i> <i>(v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</i> if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the process it employs for overseeing the entity's risk management framework. | Yes | <p>The Company has a combined Audit and Risk Committee to oversee risk. The Committee comprises of the three Board members and is Chaired by Independent Director, Ian Dixon.</p> <p>Copy of the Audit and Risk Committee Charter can be obtained from the company's website www.noxopharm.com.</p> <p>Details of Board committee meetings held and meeting attendance of each member is set out in the Directors Report.</p> |
| <p>Recommendation 7.2</p> <p>The Board or a committee of the Board should:</p> <ul style="list-style-type: none"> review the entity's risk management framework with management at least annually to satisfy itself that it continues to be sound, to determine whether there have | Yes | The risk management framework is established within the Audit and Risk Committee Charter. The Committee review the Company's risk profile and processes at least quarterly and report to the Board. |

Directors' Report (continued)

| PRINCIPLES AND RECOMMENDATIONS | COMPLY (YES/NO) | EXPLANATION |
|--|-----------------|--|
| <p>been any changes in the material business risks the entity faces and to ensure that they remain within the risk appetite set by the Board; and</p> <ul style="list-style-type: none"> disclose in relation to each reporting period, whether such a review has taken place. | | |
| <p>Recommendation 7.3 A listed entity should disclose:</p> <ul style="list-style-type: none"> if it has an internal audit function, how the function is structured and what role it performs; or if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes. | Yes | <p>The Company does not have an internal audit function due to the Company's limited number of employees and relative nature and scale of its operations, and the costs of having an internal audit function.</p> <p>Adequate risk management policies and internal control processes are in place. The Audit and Risk Committee is responsible to evaluate the effectiveness of its risk management systems and internal control processes, and it reports directly to the Board.</p> |
| <p>Recommendation 7.4 A listed entity should disclose whether, it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.</p> | Yes | <p>The entity does not have material exposure in these areas, other than as disclosed in the key risks section of the Company's Prospectus dated 24 June 2016. The Company will review risks applicable to its operations in accordance with its risk management policies.</p> |
| <p>Principle 8: Remunerate fairly and responsibly</p> <p>Recommendation 8.1 The Board of a listed entity should:</p> <ul style="list-style-type: none"> have a remuneration committee which: <ul style="list-style-type: none"> (i) has at least three members, a majority of whom are independent directors; and (ii) is chaired by an independent director, and disclose: <ul style="list-style-type: none"> (iii) the charter of the committee; (iv) the members of the committee; and (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual | Yes | <p>The Board has established a Remuneration & Nomination Committee to assist the Board to discharge its responsibilities in relation to remuneration and issues relevant to remuneration policies and practices, including those for senior management and nonexecutive Directors. The Committee comprises of the three Board members and is Chaired by Independent Director, Ian Dixon.</p> <p>Copy of the Remuneration and Nomination Committee Charter is available from the company's website www.noxopharm.com</p> <p>Details of Board committee meetings held and meeting attendance of each member is set out in the Directors Report.</p> |

Directors' Report (continued)

| PRINCIPLES AND RECOMMENDATIONS | COMPLY (YES/NO) | EXPLANATION |
|---|-----------------|--|
| <p>attendances of the members at those meetings; or</p> <ul style="list-style-type: none"> if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive. | | |
| <p>Recommendation 8.2</p> <p>A listed entity should separately disclose its policies and practices regarding the remuneration of Non-Executive Directors and the remuneration of executive directors and other senior executives and ensure that the different roles and responsibilities of Non-Executive Directors compared to executive directors and other senior executives are reflected in the level and composition of their remuneration.</p> | Yes | The remuneration policies are set out in the Board Charter and the remuneration report of the Company's annual report disclose the Company's policies and practices regarding the remuneration of executive, non-executive and senior management. |
| <p>Recommendation 8.3</p> <p>A listed entity which has an equity-based remuneration scheme should:</p> <ul style="list-style-type: none"> have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and disclose that policy or a summary of it. | Yes | In accordance with the Company's share trading policy, participants in any equity based incentive scheme are prohibited from entering into any transaction that would have the effect of hedging or otherwise transferring the risk of any fluctuation in the value of any unvested entitlement in the Company's securities to any other person. |

Directors' Report *(continued)*

This report is made in accordance with a resolution of directors.

A handwritten signature in black ink, appearing to read 'Peter Marks', with a stylized flourish at the end.

Mr. Peter Marks
Non-Executive Chairman

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

I declare that, to the best of my knowledge and belief during the year ended 30 June 2016 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.

A handwritten signature in blue ink that reads 'William Buck'.

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

A handwritten signature in blue ink that reads 'J. C. Luckins'.

J. C. Luckins
Director

Dated 30 September 2016

**CHARTERED ACCOUNTANTS
& ADVISORS**

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Melbourne VIC 3000

PO Box 185
Toorak VIC 3142

Telephone: +61 3 9824 8555

williambuck.com

Statement of Comprehensive Income

For the period from 27 October to 30 June 2016

| | Note | 30-Jun-16 |
|--|------|------------------|
| | | \$ |
| <u>Other Income</u> | | |
| Interest Revenue | 2 | 355 |
| <u>Expenses from Operating Activities</u> | | |
| Corporate Administration Expenses | 3 | (198,538) |
| Research and Development Expenses | | (143,129) |
| Depreciation Expense | | (3,346) |
| Finance Fee expenses | | (2,013) |
| Consulting, Employee & Director Expenses | 3 | (345,468) |
| Travel and Entertainment expenses | | (12,586) |
| Other Expenses | | - |
| Loss from Operating Activities, before income tax | | (704,725) |
| Income Tax Expense | 4 | - |
| Loss for the Period | | (704,725) |
| Other Comprehensive Income for the year | | - |
| Total Comprehensive Loss for the Period | | (704,725) |
| <i>Losses per share:</i> | | |
| Basic losses per share | | 2.82 |
| Diluted losses per share | | 2.82 |

The accompanying notes form part of these financial statements.



Statement of Financial Position

As at 30 June 2016

| | Note | 30-Jun-16 \$ |
|--------------------------------------|------|-----------------|
| ASSETS | | |
| Current Assets | | |
| Cash and Cash Equivalents | 7 | 160,960 |
| Trade and Other Receivables | 8 | 38,852 |
| Other Financial Assets | | 9,557 |
| Other Assets | 9 | 96,780 |
| Total Current Assets | | 306,149 |
| Non-Current Assets | | |
| Property, Plant and Equipment | 10 | 16,579 |
| Total Non-Current Assets | | 16,579 |
| TOTAL ASSETS | | 322,728 |
| LIABILITIES | | |
| Current Liabilities | | |
| Trade and other payables | 11 | 283,249 |
| Employee Entitlements | | 13,604 |
| Total Current Liabilities | | 296,853 |
| Total Non-Current Liabilities | | - |
| TOTAL LIABILITIES | | 296,853 |
| NET ASSETS | | 25,875 |
| EQUITY | | |
| Issued capital | 13 a | 730,600 |
| Retained earnings | | (704,725) |
| TOTAL EQUITY | | 25,875 |

The accompanying notes form part of these financial statements.



Statement of Changes in Equity

For the period from 27 October to 30 June 2016

| | Share capital \$ AUD | Reserves \$ AUD | Retained Earnings \$ AUD | Total \$ AUD |
|--|-------------------------|--------------------|-----------------------------|-----------------|
| Balance at 27 October 2015 | - | - | - | - |
| Total comprehensive income/(loss) for the year | - | - | (704,725) | (704,725) |
| Transactions with Equity holders in their capacity as equity holders: | | | | |
| Shares issued net of costs | 715,500 | - | - | 715,500 |
| Performance Shares issued | 15,100 | - | - | 15,100 |
| Balance at 30 June 2016 | 730,600 | - | (704,725) | 25,875 |

The accompanying notes form part of these financial statements

Statement of Cash Flows

For the period from 27 October to 30 June 2016

| | Note | 30-Jun-16 \$ |
|---|----------|------------------|
| Cash Flow Related to Operating Activities | | |
| Payments to suppliers and employees | | (550,070) |
| Interest received | | 355 |
| Net Cash Flows from Operating Activities | | (549,715) |
| Cash Flows Related to Investing Activities | | |
| Payment for purchases of plant and equipment | 10 | (19,925) |
| Net Cash Flows used in Investing Activities | | (19,925) |
| Cash Flow Related to Financing Activities | | |
| Proceeds from issues of securities | 13(a) | 730,600 |
| Net Cash Flows used in Financing Activities | | 730,600 |
| Net Increase/(Decrease) in Cash and Cash Equivalents | | 160,960 |
| Cash and Cash Equivalents at the End of the Year | 7 | 160,960 |

The accompanying notes form part of these financial statements

Notes to the Financial Statements

1 Summary of 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, the first reporting period, unless otherwise stated. The financial statements are for Noxopharm Limited ("the Company").

a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Noxopharm Limited is a for-profit entity for the purpose of preparing the financial statements.

(i) Compliance with IFRS

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

(ii) Historical cost convention

These financial statements have been prepared under the historical cost convention, except for, where applicable, financial assets and liabilities at fair value through profit or loss.

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2016 reporting periods and have not been early adopted by the Company. The Company's assessment of the impact of these new standards and interpretations is set out below.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Notes to the Financial Statements *(continued)*

1 Summary of significant accounting policies *(continued)*

a) Basis of preparation *(continued)*

New standards and interpretations not yet adopted (continued)

| Title of standard | Nature of change | Impact | Mandatory application date |
|---|---|--|---|
| AASB 9 Financial Instruments | AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities and includes a forward-looking 'expected loss' impairment model and a substantially-changed approach to hedge accounting. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. | Due to the basic nature of the entity's financial instruments, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2019. | Accounting periods beginning on or after 1 January 2018 |
| AASB 15 Revenue from Contracts with Customers | AASB 15 – replaces AASB 118 Revenue, AASB 111 Construction Contracts and some revenue-related Interpretations– establishes a new revenue recognition model – changes the basis for deciding whether revenue is to be recognised over time or at a point in time – provides new and more detailed guidance on specific topics (e.g. multiple element arrangements, variable pricing, rights of return, warranties and licensing) – expands and improves disclosures about revenue. | As the entity does not currently generate any revenue the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2019. | Accounting periods beginning on or after 1 January 2018 |
| AASB 16 Leases | AASB 16 – replaces AASB 117 Leases and some lease-related Interpretations– requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases– provides new guidance on the application of the definition of lease and on sale and lease back accounting– largely retains the existing lessor accounting requirements in AASB 117– requires new and different disclosures about leases Interpretations. | The entity does not currently have in place any material lease agreements. Therefore the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2020. | Accounting periods beginning on or after 1 January 2019 |

1 Summary of significant accounting policies (continued)

b) Cash and cash equivalents

Cash and short-term deposits in the Balance Sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

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

c) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment, once they become over due by more than 60 days. A separate account records the impairment.

An allowance for a doubtful debt is made when there is objective evidence that the Company will not be able to collect the debts. The criteria used to determine that there is objective evidence that an impairment loss has occurred include whether the Financial Asset is past due and whether there is any other information regarding increased credit risk associated with the Financial Asset. Bad debts which are known to be uncollectible are written off when identified.

d) Property, plant and equipment

Property, 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: | 4 years | Furniture and fittings: | 10 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 Company policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

e) 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.

1 Summary of significant accounting policies *(continued)*

f) Trade and other payables

Trade and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Company prior to the end of the financial period that are unpaid and arise when the Company 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 Company.

g) 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 income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

h) Share based payments

Equity is valued using the Black Scholes or Binominal method, depending on which is applicable to the type and conditions of the equity issued.

The total amount to be expensed is determined by reference to the fair value of the Equity granted, which includes any market performance conditions and the impact of any non-vesting conditions but excludes the impact of any service and non-market performance vesting conditions. Non-market vesting conditions are included in assumptions about the number of Shares or Options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the company revises its estimates of the number of Options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

1 Summary of significant accounting policies (continued)

i) Goods and Services Tax (GST)

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.

j) Employee benefits

Short-term obligations

Provision is made for the Company'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 Company'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 Company's obligations for employees' annual leave entitlements are recognised as provisions in the Balance sheet.

k) Contributed Equity

Contributed equity consists of ordinary shares and performance shares provided to the founders of the Company. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

The founder's performance shares issued during the 2016 year were valued using the Binominal method. The deemed value arising from this methodology will be expensed over the period up to the expiry of the performance conditions.

l) Research and development costs

Research costs are expensed as incurred.

An intangible asset arising from development expenditure on an internal project is recognised only when the Company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Following initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised over the period of expected benefits from the related project.

The carrying value of an intangible asset arising from development expenditure is tested for impairment annually when the asset is not available for use, or more frequently when an indication of impairment arises during the reporting period.

Notes to the Financial Statements *(continued)*

1 Summary of significant accounting policies (continued)

m) Critical estimates, judgements and errors

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

2 Revenue

| | 30-Jun-16 |
|--|------------|
| | \$ |
| Revenue from non-operating activities | |
| Other Income | 355 |
| Total Revenue and Other Income | 355 |

3 Expense

| | 30-Jun-16 |
|--|----------------|
| | \$ |
| Corporate Administration expenses | |
| Audit and accounting fees | 60,000 |
| Insurances | 5,469 |
| Rental Expense | 12,333 |
| Office Expenses | 5,476 |
| Corporate Administration Expenses | 32,181 |
| Legal Fees | 83,079 |
| | 198,538 |

Notes to the Financial Statements *(continued)*

3 Expense (continued)

| | 30-Jun-16 |
|--|----------------|
| | \$ |
| Consulting, Employee and Director Expenses | |
| Consulting expenses | 16,764 |
| Employee related expenses | 210,032 |
| Superannuation and other employee related expenses | 30,655 |
| Director expenses | 72,916 |
| Share Expense | 15,100 |
| | 345,467 |

4 Income tax expense

| | 30 June 2016 |
|--|------------------|
| | \$ |
| (a) Numerical reconciliation of income tax expense to prima facie tax payable | |
| Loss from continuing operations before income tax expense | (704,725) |
| Income tax benefit calculated at 30% | (211,418) |
| Tax effect of amounts which are not deductible (taxable) in calculating taxable income: | |
| - Other | 1,004 |
| - Share-based payments expenses | 4,530 |
| - Other expenses not deductible | 590 |
| - Deferred tax assets relating to tax losses no recongnised | 180,665 |
| - Temporary differences not recognised | 24,628 |
| Benefits of tax (benefit)/losses not brought to account | - |
| (b) Tax losses | |
| - Unused tax losses for which no deferred tax asset has been recognised | (180,665) |
| - Other | 49,003 |
| - Employee provisions | 4,081 |
| Potential tax benefit @ 30% | (127,581) |

Notes to the Financial Statements *(continued)*

5 Key management personnel

| | 30-Jun-16 |
|------------------------------|----------------|
| | \$ |
| Short-term employee benefits | 238,956 |
| Post-employment benefits | 12,872 |
| Share-based payments | - |
| | <u>251,828</u> |

6 Remuneration of auditors

During the period the following fees were paid or payable for services provided by the auditor its related practices and non-related audit firms:

William Buck

| | 30-Jun-16 |
|---|---------------|
| | \$ |
| <i>Audit and other assurance services</i> | |
| Audit and review of financial statements | 19,000 |
| Other assurance services | |
| Other assurance services - Due Diligence review | 6,000 |
| Total remuneration for audit and other assurance services | <u>25,000</u> |

7 Cash and cash equivalents

| | 30-Jun-16 |
|--------------------------|----------------|
| | \$ |
| Cash at bank and in hand | <u>160,960</u> |

8 Trade and other receivables

| | 30-Jun-16 |
|-------------------|---------------|
| | \$ |
| Trade Receivables | <u>38,852</u> |

Notes to the Financial Statements *(continued)*

9 Other current assets

| | 30-Jun-16 \$ |
|-------------|-----------------|
| Prepayments | <u>96,780</u> |

10 Property, plant and equipment

| | 30-Jun-16 \$ |
|--------------------------|-----------------|
| Cost | 19,925 |
| Accumulated depreciation | <u>(3,346)</u> |
| | <u>16,579</u> |

| | Computer Equipment \$ | Furniture & Fittings \$ | Total \$ |
|--------------------------------|-----------------------------|-------------------------------|----------------|
| Year ended 30 June 2016 | | | |
| Additions | 10,511 | 9,414 | 19,925 |
| Depreciation charge | <u>(1,891)</u> | <u>(1,455)</u> | <u>(3,346)</u> |
| Closing net book amount | <u>8,620</u> | <u>7,959</u> | <u>16,579</u> |

11 Trade and other payables

| | 30-Jun-16 \$ |
|----------------|-----------------|
| Trade payables | <u>283,249</u> |

12 Commitments

Non-cancellable operating leases

| | 30 June 2016 \$ |
|---|--------------------|
| Premises: | |
| - Within one year | 38,940 |
| - Later than one year but not later than five years | <u>58,410</u> |
| | <u>97,350</u> |

Notes to the Financial Statements *(continued)*

13 Equity

(a) Share Capital

| | Note | No: | 30-Jun-16 \$ |
|-----------------------------|-------------|-------------------|-----------------|
| Ordinary fully paid shares | 13 (a) (i) | 45,171,429 | 715,500 |
| Performance Shares | 13 (a) (ii) | 10,000,000 | 15,100 |
| Total Issued Capital | | 55,171,429 | 730,600 |

(i) *Movements ordinary shares*

| | Number of shares: | 30-Jun-16 \$ |
|--------------------------------|-------------------|-----------------|
| Balance at 27 October 2015 | - | - |
| Shares Issued | 45,171,429 | 715,000 |
| Balance at 30 June 2016 | 45,171,429 | 715,500 |

Details of shares issued in the current period.

| Date | Details | No. | Issue Price \$ | Total Value \$ |
|----------------------------|-----------------------------|-------------------|-------------------|-------------------|
| 11 Nov 2015 | Seed Capital - First Round | 35,000,000 | 0.0001 | 3,500 |
| 11 Nov 2015 | Seed Capital - Second Round | 1,428,572 | 0.0700 | 100,000 |
| 29 Dec 2015 | Seed Capital - Third Round | 1,072,143 | 0.0700 | 75,050 |
| 8 Jan 2016 | Seed Capital - Third Round | 715,000 | 0.0700 | 50,050 |
| 1 Apr 2016 | Seed Capital - Fourth Round | 6,955,714 | 0.0700 | 486,900 |
| Total 2016 Movement | | 45,171,429 | | 715,500 |

(ii) *Movements in founder performance shares*

| | Number of shares: | 30-Jun-16 \$ |
|--|-------------------|-----------------|
| Opening balance | - | - |
| Founders Performance Shares Issued during the period | 10,000,000 | 15,100 |
| Total | 10,000,000 | 15,100 |

Notes to the Financial Statements *(continued)*

13 Equity (continued))

(a) Share Capital (continued)

Details of founder performance shares issued in the current period.

| Date | Details | No. | Issue | Total |
|----------------------------|--------------|-------------------|--------|---------------|
| | | | Price | Value |
| | | | \$ | \$ |
| 8 March 2016 | Seed Capital | 6,320,352 | 0.0015 | 9,544 |
| 8 March 2016 | Seed Capital | 1,424,808 | 0.0015 | 2,152 |
| 8 March 2016 | Seed Capital | 1,331,378 | 0.0015 | 2,010 |
| 8 March 2016 | Seed Capital | 366,246 | 0.0015 | 553 |
| 8 March 2016 | Seed Capital | 278,608 | 0.0015 | 421 |
| 8 March 2016 | Seed Capital | 187,047 | 0.0015 | 282 |
| 8 March 2016 | Seed Capital | 91,561 | 0.0015 | 138 |
| Total 2016 Movement | | 10,000,000 | | 15,100 |

The general terms and conditions of the founders performance shares are as follows:

The Binominal valuation method was used to calculate the value allocated to the Founders Performance shares. These shares were issued to the Founders of the Company with an expiry condition of the Company obtaining A\$50 million in market capitalisation prior to 28 February 2021.

Under the terms of the shares, the Company must reach a market capitalisation of A\$50 million on or before 28 February 2021 before the shares can be converted to listed fully paid ordinary shares. Of the 10 million shares issued, 7,243,994 shares issued to related parties, not considered part of their remuneration.

(ii) *Movements in founder performance shares (continued)*

The following table lists the inputs to the model used to determine the value of the performance shares expensed during the year:

| | |
|---|------------|
| Vesting date | N/A |
| Dividend yield | - |
| Expected volatility | 100% |
| Risk-free interest rate | 2.12% |
| Expected life of founder's performance shares (years) | 4.91 years |
| Founder performance share exercise price | \$0.53 |
| Share price at grant date | \$0.07 |
| Value per founder's performance share | \$0.0371 |

At 30 June 2016 the shares had a deemed price of \$0.07 being the value of the last capital raising as the Company was not listed, there was no market value.

(b) Other reserves

The options reserve is used to recognise the grant date fair value of options issued to employees, directors and suppliers, but not exercised.

| | | |
|-----------------|-------------------|-----------|
| | 2016 | 2016 |
| | Options | \$ |
| Options reserve | 22,585,716 | - |
| | 22,585,716 | - |

Notes to the Financial Statements *(continued)*

13 Equity (continued)

(b) Other reserves (continued)

Details of options issued in the current period

| Details | No. | Issue price | Total value |
|--------------------------------|-------------------|-------------|-------------|
| | | \$ | \$ |
| Seed Capital Investors | 357,500 | - | - |
| Seed Capital Investors | 3,277,858 | - | - |
| Seed Capital Investors | 18,950,358 | - | - |
| Total Issued April 2016 | 22,585,716 | | - |

22,585,716 free attaching options were issued to seed capital investors on the basis of once option for every 2 shares they subscribed for. Free attaching options have the following terms:

- 357,500 Options were issued with an exercise price of \$0.30 and expiry date of 28 February 2021, Options are escrowed until 8 January 2017;
- 3,277,858 Options were issued with an exercise price of \$0.30 and expiry date of 28 February 2021, Options are escrowed until 1 April 2017; and
- 18,950,358 Options were issued with an exercise price of \$0.30 and expiry date of 28 February 2021. Options are escrowed until 9 August 2017.

14 Segment information

The company continues to operate in one segment, being research and development of NOX66 in the field of adjuvant therapy in chemotherapy and radiotherapy. The segment details are therefore fully reflected in the body of the annual report.

15 Cash flow information

Reconciliation of profit after income tax to net cash inflow from operating activities

| | 30-Jun-16 |
|---|------------------|
| | \$ |
| Net Loss for the period | (704,725) |
| Adjustment for Depreciation | 3,346 |
| Change in operating assets and liabilities: | |
| Movements in trade and other receivables | (38,852) |
| Movement in other current assets | (106,337) |
| Movements in trade and other payables | 296,853 |
| Net cash flows used in operating activities | (549,715) |

16 Financial risk management

(a) Financial Instruments

The Company financial instruments consist of cash and cash equivalents, trade and other receivables and trade and other payables.

| | 2016 |
|-----------------------------|-----------|
| | \$ |
| Cash and cash equivalents | 160,960 |
| Trade and other receivables | 38,852 |
| Trade and other payables | (283,249) |

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.

(b) Risk Management

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

The Company'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 Company'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 Company. The Company uses different methods to measure different types of risk to which it is exposed.

(c) Credit Risk

The Company 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 Company. The Company ensures that surplus cash is invested with financial institutions that maintain a high credit rating. The Company's major ongoing customer are Government bodies for the receipt of GST refunds due to the Company from the Australian Taxation Office.

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

(d) Liquidity risk

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.

Subsequent to the end of the reporting period the Company finalised its capital raising and at the date of this report generated cash inflows of \$6m. Therefore, the directors are satisfied that they have the ability to readily meet any outstanding commitments as and when they fall due.

Maturities of financial liabilities

The tables below analyse the Company's financial liabilities into relevant maturity groupings based on their contractual maturities.

Notes to the Financial Statements *(continued)*

16 Financial risk management (continued)

| Contractual maturities of financial liabilities | Less than 6 months | Between 1 and 2 years | | | Between 2 and 5 years | Over 5 years | Total contractual cash flows | Carrying amount (assets)/ liabilities |
|---|--------------------|-----------------------|----|----|-----------------------|--------------|------------------------------|---------------------------------------|
| | | 6 - 12 months | | | | | | |
| At 30 June 2016 | \$ | \$ | \$ | \$ | \$ | \$ | \$ | |
| Trade payables | 283,249 | - | - | - | - | 283,249 | 283,249 | |

(e) Capital management

As discussed in note 18, post balance sheet date the Company has raised capital of \$6m through listing on the Australian Securities Exchange. The directors are therefore confident that the Company has the ability to continue to operate as a going concern and to maximise shareholder value.

17 Contingent liabilities and contingent assets

The Company had no contingent liabilities at 30 June 2016 (2015: nil).

18 Events occurring after the reporting period

The Company underwent a process of due diligence, appointment of a Board of Directors, and pre-IPO capital raise that saw it transform into a public company that listed on the ASX on 9 August 2016, raising A\$6 million in an IPO.

19 Correction of Error in accounting for Noxopharm Ltd Options

Subsequent to the issue of the financial statements for the prospectus period ended 31 March 2016 and subsequent 30 June 2016 unaudited Appendix 4E, as part of the audit of the annual financial statements of the Company, it was determined that an error had been made in relation to the accounting treatment applied to free-attaching options issued to seed capital investors when they subscribed for ordinary shares in the Company.

The financial statements for the prospectus period ended 31 March 2016 and the 30 June 2016 unaudited Appendix 4E issued on 31 August 2016 treated the options as share based payments valued using the Black-Scholes method and expensing the fair value of the options over the vesting period in accordance with AASB 2 – Share Based Payments. The seed capital free-attaching options however do not meet the definition of a share based payment as per AASB 2, paragraph 4, these options were issued to seed capital investors in their capacity as equity holders and are therefore outside the scope of AASB 2.

The unaudited Appendix 4E amounts, net of tax effects have been restated in these financial statements due to the error identified. The following balances in the Balance Sheet and the Statement of Comprehensive Income were accordingly restated.

| | Amounts reported in the unaudited Appendix 4E issued on 31 August 2016 | Adjustment recognised | Amounts reported in these financial statements |
|--|--|-----------------------|--|
| | \$ | \$ | \$ |
| Statement of Profit and Loss and Other Comprehensive Income | | | |
| Consulting, employee & director expenses | 1,183,398 | (837,930) | 345,468 |
| Profit attributable to members of the company | (1,542,655) | 837,930 | (704,725) |
| Statement of Financial Position | | | |
| Accumulated Losses | (1,542,655) | 837,930 | (704,725) |
| Reserves | 837,930 | (837,930) | - |

Notes to the Financial Statements *(continued)*

The loss for the period to 31 March 2016 as per the financial report issued on 30 May 2016 amounted to \$454,508. This loss included an incorrectly recognised options expense of \$194,096. Had this error been identified prior to the issue of the 31 March 2016 financial report, the options expense would have been nil and the loss for the period and accumulated losses therefore reduced to \$260,412. Reserves as reported in the statement of financial position would also have been reduced to nil.

20 Earnings per share

| | 30 June 2016 |
|--------------------------|--------------|
| | \$ |
| Losses per share: | |
| Basic loss per share | 2.82 |
| Diluted loss per share | 2.82 |

As the entity is currently loss making no consideration has been given to the calculation of the diluted loss per share.

| | |
|--|------------------|
| a) Reconciliation of earnings used in calculating earnings per share | |
| Net loss used in the calculation of basic and diluted loss per share | <u>(704,725)</u> |
| b) Weighted average number of shares used as the denominator | |
| Weighted average number of ordinary shares outstanding during the period used in the calculation of basic and diluted loss per share | 25,034,075 |

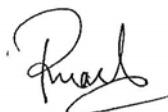
Directors' Declaration

In the directors' opinion:

- (a) the financial statements and notes set out on pages 32 to 50 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the Company's financial position as at 30 June 2016 and of its performance for the period ended on that date, and
- (b) the Chairman and Chief Financial Officer have each declared that:
 - (i) the financial records of the Company for the financial period 27 October to 30 June 2016 have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
 - (ii) the financial statements and notes for the financial period 27 October to 30 June 2016 comply with Accounting Standards; and
 - (iii) the financial statements and notes for the financial period 27 October to 30 June 2016 give true and fair view.
- (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of directors.



Mr. Peter Marks
Non-Executive Chairman

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NOXOPHARM LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Noxopharm Limited (the Company), which comprises the statement of financial position as at 30 June 2016, the statement of profit of loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the period then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility 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 Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

CHARTERED ACCOUNTANTS & ADVISORS

Level 20, 181 William Street
Melbourne VIC 3000

PO Box 185
Toorak VIC 3142

Telephone: +61 3 9824 8555

williambuck.com

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NOXOPHARM LIMITED (CONT)

Auditor's Opinion

In our opinion:

- a) the financial report of Noxopharm Limited is in accordance with the Corporations Act 2001, including:
 - i. giving a true and fair view of the Company's financial position as at 30 June 2016 and of its performance for the period ended on that date; and
 - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Emphasis of Matter

We draw attention to Note 19 to the financial statements which describes the correction of an error identified in the financial statements for the period ended 31 March 2016 issued on 30 May 2016 and the 30 June 2016 unaudited Appendix 4E issued on 31 August 2016 in relation to the accounting treatment of free attaching options issued to seed capital investors. As a result of this, amounts reported in the 30 June 2016 financial statements differ from amounts reported in the previously issued unaudited Appendix 4E.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 15 of the directors' report for the period ended 30 June 2016. 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.

Auditor's Opinion

In our opinion, the Remuneration Report of Noxopharm Limited for the period ended 30 June 2016, complies with section 300A of the Corporations Act 2001.

Matters Relating to the Electronic Presentation of the Audited Financial Report

This auditor's report relates to the financial report of Noxopharm Limited for the period ended 30 June 2016 included on Noxopharm Limited's web site. The company's directors are responsible for the integrity of the Noxopharm Limited's web site. We have not been engaged to report on the integrity of the Noxopharm Limited's web site. The auditor's report refers only to the financial report. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NOXOPHARM LIMITED
(CONT)**

A handwritten signature in blue ink that reads 'William Buck'.

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

A handwritten signature in blue ink that reads 'J. C. Luckins'.

J. C. Luckins
Director

Dated 30 September 2016

Shareholder Information (as at 29 September 2016)

The shareholder information set out below was applicable as at **29 September, 2016**

A. Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

| Holding | Shares |
|------------------|-------------------|
| 1 - 1000 | 2,546 |
| 1,001 - 5,000 | 395,808 |
| 5,001 - 10,000 | 2,572,310 |
| 10,001 - 100,000 | 11,176,020 |
| 100,001 and over | 61,024,745 |
| | <u>75,171,429</u> |

B. Equity security holders

Twenty largest quoted equity security holders

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

| Name | Number held | Ordinary shares Percentage of issued shares |
|---|-------------------|---|
| Milligene Pty Ltd | 24,150,000 | 32.13 |
| DRH Superannuation Pty Ltd | 5,446,429 | 7.25 |
| Anglo Menda Pty Ltd | 5,089,286 | 6.77 |
| Mr David Hannon | 1,535,000 | 2.04 |
| Aquagolf Pty Ltd | 1,400,000 | 1.86 |
| Helium Management Pty Ltd | 1,400,000 | 1.86 |
| Suburban Holdings Pty Ltd | 1,400,000 | 1.86 |
| HSBC Custody Nominees (Australia) Limited - A/c 3 | 1,250,000 | 1.66 |
| Suburban Holdings Pty Ltd | 1,207,143 | 1.61 |
| RAH (STC) Pty Limited | 890,500 | 1.18 |
| Mr John Thom | 814,750 | 1.08 |
| Mr Michael Francis McMahon & Mrs Susan Lesley McMahon | 756,479 | 1.01 |
| JP Morgan Nominees Pty Ltd | 633,000 | 0.84 |
| Mr Kim Ngo | 580,000 | 0.77 |
| Berne No 132 Nominees Pty Ltd | 535,250 | 0.71 |
| JP Morgan Nominees Pty Ltd | 520,000 | 0.69 |
| Lampam Pty Ltd | 500,000 | 0.67 |
| 1215 Capital Pty Ltd | 493,334 | 0.66 |
| Aquagolf Pty Ltd | 464,750 | 0.62 |
| Mr Pierre Ayoub | 450,000 | 0.60 |
| Discover Investments Pty Ltd | 450,000 | 0.60 |
| Urban Alcorp Pty Ltd | 400,000 | 0.53 |
| S3 Consortium Pty Ltd | 375,000 | 0.50 |
| | <u>50,740,921</u> | <u>67.50</u> |

Shareholder Information (as at 29 September 2016) (continued)

C. Substantial holders

Substantial holders in the company are set out below:

| | Number held | Percentage |
|----------------------------|-------------------|---------------|
| Milligene Pty Ltd | 24,150,000 | 32.13% |
| DRH Superannuation Pty Ltd | 8,931,429 | 11.16% |
| Anglo Menda Pty Ltd | 5,804,280 | 7.72% |
| | 38,885,715 | 51.01% |

Shareholder enquiries

Shareholders with enquiries about their shareholdings should contact the share registry:

Automic Pty Ltd
Level 3, 50 Holt Street Surry Hills NSW 2010

Telephone: 1300 288 664 or +61 2 9698 5144
Email: hello@automic.com.au

Change of address, change of name, consolidation of shareholdings

Shareholders should contact the Share Registry to obtain details of the procedure required of any of these changes.

Annual Report

Shareholders do not automatically receive a hard copy of the Company's Annual Report unless they notify the Share Registry in writing. An electronic copy of the Annual Report can be viewed on the company's website www.noxopharm.com

Tax file numbers

It is important that Australian Resident Shareholders, including children, have their tax file number or exemption details noted by the Share Registry

CHES (Clearing House Electronic Subregister System)

Shareholders wishing to move to uncertified holdings under the Australian Securities Exchange CHES system should contact their stockbroker.

Uncertified share register

Shareholding statements are issued at the end of each month that there is a transaction that alters the balance of an individual/company's holding.

Listing rule 4.10.19 disclosure

For the purpose of ASX Listing Rule 4.10.19, the Board confirms that during the period from ASX Listing (09 August 2016) until the signing of the 30 June 2016 Financial accounts on 30 September 2016 the Company used its cash and assets readily convertible to cash in a manner consistent with its stated business objectives.

Corporate Directory

AUSTRALIAN COMPANY NUMBER (ACN)
608 966 123

Noxopharm Limited is a Public Company Limited by shares and is domiciled in Australia.

DIRECTORS

Dr. Graham Kelly
Mr. Peter Marks
Dr. Ian Dixon

Managing Director & CEO
Non-Executive Chairman
Independent Non-Executive Director

COMPANY SECRETARY

Mr. Phillip Hains

REGISTERED OFFICE

Suite 1, Level 6, 50 Queen Street
Melbourne, Victoria, 3000
Australia
Telephone + 61 (0)3 8692 9000
Facsimile: + 61 (0)3 8692 9040

SHARE REGISTRY

Automic Registry Services Pty Ltd
Suite 310, Level 3, 50 Holt Street
Surry Hills, New South Wales, 2010
Australia
Telephone: +61 (0)2 9698 5414
Facsimile: +61 (0)2 8583 3040

SOLICITORS

Freehills Patent Attorneys
101 Collins Street
Melbourne Victoria, 3000
Australia

SOLICITORS

Quinert Rodda & Associates Pty Ltd
Suite 1, Level 6, 50 Queen Street
Melbourne Victoria, 3000
Australia

AUDITORS

William Buck
Level 20, 181 William Street,
Melbourne, Victoria, 3000
Australia
Telephone: + 61 (0)3 9824 8555
Facsimile: + 61 (0)3 9824 8580

BANKERS

National Australia Bank (NAB)
Level 2, 330 Collins Street,
Melbourne, Victoria, 3000
Australia

WEBSITE

www.noxopharm.com

SECURITIES QUOTED

Australian Securities Exchange
- Ordinary Fully Paid Shares (Code: NOX)