Phylogica Limited

ACN 098 391 961

Appendix 4D

Half-Year Report

Period ended 31 December 2018

Results for announcement to the market

Operating Performance	% Increase/ (Decrease)	31 Dec 2018 $'000	31 Dec 2017 $'000
Revenue from ordinary activities	(57%)	47	110
(Loss) from ordinary activities after tax attributable to members	(73%)	(946)	(3,521)
Net (loss) for the half year attributable to members	(73%)	(946)	(3,521)

Comment

The decrease in net loss compared to the previous half year is due to the once off expenditure of $1.5 million in respect of consulting fees for the company's business development and scientific program strategy for 2018 which was incurred in the first half of 2017, the receipt of a $40,000 EMDG grant in 2017 together with the overall reduction in expenditure during the 6-month period ended 31 December 2018.

Dividends

There are no dividend or distribution reinvestment plans in operation and there have been no dividend or distribution payments during the financial half year ended 31 December 2018.

Net tangible assets per ordinary security	31 December 2018	31 December 2017
Net tangible assets	$9,349,753	$5,552,960
Number of shares on issue at reporting date	2,442,856,658	2,135,523,317
Net tangible assets per ordinary security	0.38 cents	0.26 cents

Control Gained or Lost over Entities

Not applicable

Associates and joint ventures

Not applicable

Foreign Entities Accounting Framework

Not applicable

Audit/Review Status

This Appendix 4D and the attached interim financial statements are based on accounts which have been subjected to review. The accounts are not subject to dispute or qualification.

The attached interim financial statements for the half year ended 31 December 2018 form part of this Appendix 4D. This half year report is to be read in conjunction with the Phylogica Limited 2018 annual financial statements and the notes contained therein.

BREAKTHROUGH PEPTIDE THERAPEUTICS

Phylogica Limited

ACN 098 391 961

Condensed
Interim Financial Statements

For the Half Year Ended 31 December 2018

Contents

Corporate Directory

Directors
Mr Alan Tribe
Chairman

Dr Rohan Hockings
Executive Director CEO

Dr Bernard Hockings
Non-Executive Director

Company Secretary
Mr Kevin Hart

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Website
www.phylogica.com

Incorporated in Western Australia
October 2001

Listed on:
Australian Securities Exchange (ASX)
Home Exchange: Perth

The directors present their interim report on Phylogica Limited (referred to in these financial statements as "the Company" or "Phylogica") together with the financial statements for the half year ended 31 December 2018 and the review report thereon.

DIRECTORS

The Directors who held office at any time during or since the end of the half-year are:

Executive	
Dr Rohan Hockings	Executive Director, CEO (Appointed as Executive Director 30 November 2018)
Dr Robert Hayes	Chief Scientific Officer (Resigned as Executive Director 30 November 2018)
Non-executive	
Mr Alan Tribe	Non-executive Chairman
Dr Bernard Hockings	Non-executive Director
Mr Sahm Nasseri	Non-executive Director (resigned as Non-executive Director 8 February 2019)

Unless otherwise indicated, all Directors held their position as a Director throughout the entire half year and up to the date of this report.

REVIEW OF OPERATIONS

Delivering drug cargoes across cell membranes is the major challenge in the development of a revolutionary new class of drugs. Cell Penetrating Peptides (CPPs) can overcome this challenge and provide access to the 'undruggable genome' – the highest value drug targets that exist inside cells. Phylogica owns the world's most structurally diverse peptide library and is using these libraries to identify a new generation of highly efficient CPPs.

The half year ended 31 December 2018 has largely been directed towards planning for a series of pivotal outcomes in 2019. The Company has made the strategic decision to 'build its platform' in the context of Anti-Sense Oligonucleotide (ASO) cargoes. Intracellular delivery of ASOs is emerging as a highly prospective trend in the global Pharmaceutical industry. Phylogica is positioning itself to benefit from this trend through the progression of CPP-ASO conjugates towards the clinic across a range of indications. The Company's objective over the coming 12 months is to initiate Investigational New Drug (IND)-enabling studies for its most advanced candidate/s and to take the Company to within reach of the clinic at the conclusion of 2019.

Successful translation of existing pre-clinical data to therapeutic *in vivo* outcomes will transform Phylogica. Realisation of these outcomes will leave the Company with:

- A scaleable platform that can rapidly build on formal pre-clinical validation across multiple cargoes/cargo classes in different therapeutic areas/indications;
- Lead assets that are in IND-enabling studies on the path to the clinic to drive clinical validation of the platform; and
- A refreshed IP portfolio based around new composition of matter claims protecting our CPPs (broadly framed through the Company's deep understanding of the link between peptide sequence and desired therapeutic outcomes – leveraging advanced analytics capability to achieve this breadth).

RESULTS OF OPERATIONS

The operating loss after tax for the half year ended 31 December 2018 was $945,554 (31 December 2017: loss after tax $3,520,673 (including once off expenditure of $1.5 million in respect of consulting fees for the Company's business development and scientific program strategy)).

The accounting standards do not permit the capitalisation of development expenditure in circumstances where the Company cannot demonstrate probable future economic benefits derived from the results of the expenditure. The expenditure incurred in relation to obtaining and maintaining patent protection is allowed to be capitalised under the standards but the Company has adopted a policy of expensing such expenditure as it is incurred. All research expenditure is expensed as incurred.

From this amount the following expenditures have been undertaken (all amounts $ million, excluding the impact of tax):

Research & Development:	**Prior to 30 June 2017**	**Year to 30 June 2018**	**Half Year to 31 December 2018**	**Total**
Contract Research	27.74	5.42	2.0	35.16
Personnel (allocation)	7.69	-	-	7.69
Laboratory Consumables	6.79	1.32	0.79	8.9
	42.22	6.74	2.79	51.75
IP Maintenance	3.9	0.22	0.05	4.17
	46.12	6.96	2.84	55.92

Financial Position

The Company's cash position at 31 December 2018 was $10.6 million. Expenditure for the half year was $3.8 million.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration under s307C of the Corporations Act 2001 is set out on the following page and forms part of the Directors' report for the half-year ended 31 December 2018.

Signed in accordance with a resolution of the directors pursuant to s306(3) of the Corporations Act 2011.

Mr Alan Tribe
Chairman
28 February 2019

HLB MANN JUDD
ADVISORY AND ACCOUNTING

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Phylogica Limited for the half-year ended 31 December 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) any applicable code of professional conduct in relation to the review.

B McVeigh

Perth, Western Australia
28 February 2019

B G McVeigh
Partner

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Condensed Statement of Comprehensive Income

For the half year ended 31 December 2018

	Note	**31 Dec 2018** **$**	**31 Dec 2017** **$**
Continuing Operations			
Interest Income		47,010	71,493
Other Income		250	40,000
Contract Research Costs		(2,001,223)	(2,110,601)
Personnel Expenses		(603,901)	(667,793)
Depreciation		(40,124)	(41,456)
Professional Services		(284,229)	(1,921,448)
Travel and Accommodation		(39,796)	(146,833)
Intellectual Property Maintenance		(51,957)	(87,993)
Laboratory Consumables		(787,457)	(724,985)
Occupancy costs		(1,299)	(5,566)
Other Operating Expenses		(86,948)	(96,305)
Loss Before Income Tax Expense		(3,849,674)	(5,691,487)
Income Tax Benefit		2,904,120	2,170,814
Net Loss for the Period	*3*	**(945,554)**	**(3,520,673)**
Other Comprehensive Income for the Period		-	-
Total Comprehensive Loss for the Period		**(945,554)**	**(3,520,673)**

		Cents	**Cents**
Basic Loss Per Share	*9*	(0.04)	(0.17)
Diluted Loss Per Share	*9*	(0.04)	(0.17)

The condensed statement of comprehensive income is to be read in conjunction with the accompanying notes to the financial statements.

Condensed Statement of Financial Position

As at 31 December 2018

	Note	**31 Dec 2018 $**	**30 June 2018 $**
Current assets			
Cash and cash equivalents		10,615,435	3,147,306
Trade and other receivables	*5*	168,059	128,344
Prepayments		31,198	-
Total current assets		10,814,962	3,275,650
Non-current assets			
Plant and equipment		170,199	143,404
Financial assets		-	-
Total non-current assets		170,199	143,404
Total assets		10,984,891	3,419,054
Current liabilities			
Trade and other payables	*10*	1,635,138	1,771,777
Total current liabilities		1,635,138	1,771,777
Total liabilities		1,635,138	1,771,777
Net assets		**9,349,753**	1,647,277
Equity			
Issued capital	*2*	61,951,088	53,334,289
Reserves		1,191,943	1,160,712
Accumulated losses		(53,793,278)	(52,847,724)
Total equity		**9,349,753**	1,647,277

The condensed statement of financial position is to be read in conjunction with the accompanying notes to the financial statements.

Condensed Statement of Cash Flows

For the half year ended 31 December 2018

	Note	31 Dec 2018 $	31 Dec 2017 $
Cash flows from operating activities			
Other income received		-	40,000
Cash paid to suppliers and employees		(4,084,741)	(5,072,258)
Cash used in operations		(4,084,741)	(5,032,258)
R&D Tax rebate		2,904,120	-
Interest received		31,701	56,175
Net cash used in operating activities		(1,148,920)	(4,976,083)
Cash flows from investing activities			
Acquisition of property, plant and equipment		-	(210,075)
Disposal of property, plant and equipment		250	-
Net cash provided by/(used in) investing activities		250	(210,075)
Cash flows from financing activities			
Net proceeds from the issue of share capital	*2*	8,616,799	135,031
Net cash provided by financing activities		8,616,799	135,031
Net increase/(decrease) in cash and cash equivalents		7,468,129	(5,051,127)
Cash and cash equivalents at 1 July		3,147,306	9,939,943
Cash and cash equivalents at 31 December		**10,615,435**	**4,888,816**

This condensed statement of cash flows is to be read in conjunction with the accompanying notes to the financial statements.

Condensed Statement of Changes in Equity

For the half year ended 31 December 2018

	Note	**Issued Capital $**	**Accumulated Losses $**	**Reserves $**	**Total $**
Balance at 1 July 2017		53,209,076	(45,413,727)	1,063,701	8,859,050
Loss attributable to members of the Company		-	(3,520,673)	-	(3,520,673)
Other comprehensive income		-	-	-	-
Total comprehensive loss		-	(3,520,673)	-	(3,520,673)
Shares issued		135,031	-	-	135,031
Share based payments	*11*	-	-	79,552	79,552
Balance at 31 December 2017		**53,344,107**	**(48,934,400)**	**1,143,253**	**5,552,960**
Balance at 1 July 2018		53,334,289	(52,847,724)	1,160,712	1,647,277
Loss attributable to members of the Company		-	(945,554)	-	(945,554)
Other comprehensive income		-	-	-	-
Total comprehensive loss		-	(945,554)	-	(945,554)
Shares issued		9,120,000	-	-	9,120,000
Costs of share issue		(503,201)	-	-	(503,201)
Share based payments	*11*	-	-	31,231	31,231
Balance at 31 December 2018		**61,951,088**	**(53,793,278)**	**1,191,943**	**9,349,753**

This condensed statement of changes in equity is to be read in conjunction with the accompanying notes to the financial statements.

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

Phylogica Limited is a company domiciled in Australia.

The annual financial statements of the Company as at and for the year ended 30 June 2018 are available upon request from the Company's registered office at the address or at the web site shown earlier in this report.

(a) Statement of Compliance

The interim financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards AASB 134: Interim financial reporting and the Corporations Act 2001. Compliance with AASB 134 ensures compliance with IAS 34: Interim Financial Reporting.

The interim financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the annual financial statements of the Company as at and for the year ended 30 June 2018 and any public announcements made by the Company during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

The interim financial statements of the Company for the six months ended 31 December 2018 were authorised for issue by the directors on 28 February 2019.

(b) Basis of preparation

The half-year financial report has been prepared on a historical cost basis. Cost is based on the fair value of the consideration given in exchange for assets. The company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

For the purpose of preparing the interim financial statements, the half year has been treated as a discrete reporting period.

(c) Accounting Policies and Methods of Computation

The accounting policies and methods of computation adopted are consistent with those of the previous financial year and corresponding interim reporting period. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

(d) Segment Reporting

Operating segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the board of Phylogica Limited.

(e) Significant Accounting Judgments and Key Estimates

The preparation of an interim financial report in conformity with AASB 134 *Interim Financial Reporting* requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

In preparing these interim financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended 30 June 2018.

(f) Financial Risk Management

The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended 30 June 2018.

(g) Adoption of New and Revised Standards

Standard and Interpretations applicable to 31 December 2018

In the half year ended 31 December 2018, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the half year reporting periods beginning on or after 1 July 2018.

As a result of this review, the Company has initially applied AASB 9 from July 2018.

Due to the transition methods chosen by the Company in applying AASB 9, comparative information throughout the interim financial statements has not been restated to reflect the requirements of the new standard.

AASB 9 *Financial Instruments*

AASB 9 replaces AASB 139 *Financial Instruments: Recognition and Measurement* and makes changes to a number of areas including classification of financial instruments, measurement, impairment of financial assets and hedge accounting model.

All equity instruments are carried at fair value and the cost exemption under AASB 139 which was used where it was not possible to reliably measure the fair value of an unlisted entity has been removed. Equity instruments which are non-derivative and not held for trading may be designated as fair value through other comprehensive income (FVOCI). Previously classified available-for-sale investments, now carried at fair value are exempt from impairment testing and gains or loss on sale are no longer recognised in profit or loss.

The AASB 9 impairment model is based on expected loss at day 1 rather than needing evidence of an incurred loss, this is likely to cause earlier recognition of bad debt expenses. Most financial instruments held at fair value are exempt from impairment testing.

The Company has applied AASB 9 retrospectively with the effect of initially applying this standard recognised at the date of initial application, being 1 July 2018 and has elected not to restate comparative information. Accordingly, the information presented for 31 December 2017 and 30 June 2018 has not been restated.

There is no material impact to profit or loss or net assets on the adoption of this new standard in the current or comparative periods.

Other than the above, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Company and therefore no material change is necessary to accounting policies.

Standards and Interpretations In Issue not yet adopted

The Directors have also reviewed all of the new and revised Standards and Interpretations in issue not yet adopted that are relevant to the Company and effective for the half year reporting periods beginning on or after 1 January 2019.

As a result of this review, the Director have determined that there is no material impact of the new and revised Standards and Interpretation in issue not yet adopted on the Company and therefore no material change is necessary to accounting policies.

(h) Going Concern

The half year financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The Directors have reviewed the Company's financial position and are of the opinion that the use of the going concern basis is appropriate.

NOTE 2: ISSUED CAPITAL

(i) Issued capital:	**Six Months to 31 Dec 2018 $**	**Year to 30 June 2018 $**
2,442,856,658 ordinary shares fully paid 30 June 2018: 2,138,856,650)	61,951,088	53,334,289
	61,951,088	53,334,289

Movements in capital during the year:

	Six months to December 2018		**Year to June 2018**	
Ordinary Shares	**2018 Shares**	**2018 $**	**Shares**	**$**
Balance at the beginning of the period				
Shares issued during the period:	2,138,856,650	53,334,289	2,120,122,067	53,209,076
- Issued at $0.03	304,000,008	9,120,000	-	-
- Issued at $0.025	-	-	5,401,250	135,031
- Issued for nil consideration	-	-	13,333,333	-
- Share issue costs	-	(503,201)	-	(9,818)
Balance at the end of the year	2,442,856,658	61,951,088	2,138,856,650	53,334,289

Options:

Description	**Number at 30 June 2018**	**Movement During the Half Year**	**Number of Options as at 31 December 2018**	**Expiry Date**	**Exercise Price**
Unquoted Options	10,000,000	-	10,000,000	30 May 2020	$0.06
Unquoted Options	-	10,000,000	10,000,000	16 Nov 2021	$0.039
	10,000,000	**10,000,000**	**20,000,000**		

During the half year to 31 December 2018, 10,000,000 unlisted options were issued on 30 November 2018 to key management personnel (refer Note 11).

NOTE 3: NET LOSS FOR THE PERIOD

The following items are relevant in explaining the financial performance for the half year:

Expenditure	**31 Dec 2018 $**	**31 Dec 2017 $**
Corporate consulting fees	-	1,540,000

Consulting fees in the half year ended 31 December 2017 included one off expenditure of $1.5 million in respect of consulting fees for the company's business development and scientific program strategy (Dec 2018: Nil).

NOTE 4: FUTURE INCOME TAX BENEFIT

Deferred tax assets have not been recognised as at 31 December 2018 because, at this stage of the Company's development, it cannot be considered as "probable" that future taxable profits will be available against which the Company can utilise the benefits.

NOTE 5: TRADE AND OTHER RECEIVABLES	**31 Dec 2018 $**	**30 June 2018 $**
GST receivable	150,134	107,272
Accrued Interest	17,925	2,616
Trade debtors	-	18,456
	168,059	128,344

NOTE 6: SEGMENT INFORMATION

The Company comprises a single business segment comprising discovery and development of novel therapeutics and a single geographical location being Australia. The segment details are therefore fully reflected in the results and balances reported in the interim statement of comprehensive income and statement of financial position.

NOTE 7: EVENTS SUBSEQUENT TO BALANCE DATE

There have been no events subsequent to the balance date which are sufficiently material to warrant disclosure.

NOTE 8: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There are no contingent liabilities or contingent assets as at 31 December 2018.

NOTE 9: LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share for the six months ended 31 December 2018 was based on the loss attributable to ordinary shareholders of $945,554 (six months ended 31 December 2017: $3,520,673) and a weighted average number of ordinary shares outstanding during the six months ended 31 December 2018 of 2,192,707,794 (six months ended 31 December 2017: 2,123,968,731), calculated as follows:

	Half Year to	
(i) Loss attributable to ordinary shareholders:	**31 Dec 2018 $**	**31 Dec 2017 $**
Loss for the period:		
- Basic loss	(945,554)	(3,520,673)
(ii) Weighted average number of ordinary shares:		
Number of ordinary shares at 30 June	2,138,856,650	2,120,122,067
Effect of shares issued	53,851,144	3,846,664
Weighted average number of ordinary shares at 31 December	2,192,707,794	2,123,968,731

NOTE 10: TRADE AND OTHER PAYABLES

Current	**31 Dec 2018 $**	**30 June 2018 $**
Trade payables (1)	1,608,257	1,684,260
Accrued expenses	15,177	44,833
Other	11,704	42,684
	1,635,138	1,771,777

(1) Trade payables are non-interest bearing and are normally settled on 30-day terms.

NOTE 11: SHARE BASED PAYMENTS

i. The following share-based payments arrangements existed at 31 December 2018:

Security	**Grant Date**	**Share Based Expense $**
10,000,000 Unquoted options	24 November 2017	13,862
10,000,000 Unquoted options	16 November 2018	17,369
		31,231

ii. Fair value of share options and assumptions for the six months ended 31 December 2018:

During the half year to 31 December 2018, 10,000,000 unlisted options were issued on 30 November 2018 to key management personnel.

All options refer to options over ordinary shares of Phylogica Ltd which are exercisable on a one for one basis.

The fair value of the options is calculated at grant date using a Black–Scholes pricing model and allocated to each reporting period in accordance with the vesting profile of the options.

The value recognised is the portion of the fair value of the options allocated to the reporting period. The factors and assumptions used in determining the fair value on grant date of options issued during the financial period as follows:

Granted during the period:

Number of Options	Grant Date	Expiry Date	Fair Value per Option	Exercise Price	Share Price on Grant Date	Risk Free Interest Rate (%)	Estimated Volatility (%)	Number Vested as at 31 December 2018
10,000,000	16/11/2018	16/11/2021	$0.01263	$0.039	$0.03	2.15	73	-

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility due to publicly available information.

NOTE 12: KEY MANAGEMENT PERSONNEL EXPENSE

Key management personnel receive compensation in the form of short-term employee benefits, post-employment benefits and equity compensation benefits. Key management personnel received total compensation of $578,974 for the six months ended 31 December 2018 (six months ended 31 December 2017: $591,770).

NOTE 13: FINANCIAL INSTRUMENTS

Fair value measurement
Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy.

The three levels are defined based on the observe ability of significant inputs to the measurement, as follows:

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

The following tables shows the levels within the hierarchy of financial assets and liabilities measured at fair value on a recurring basis as at 31 December 2018 and 30 June 2018.

	31 December 2018	30 June 2018	Fair value Heirarchy	Valuation Technique
Financial assets held at fair value through other comprehensive income				
Phoremost shares	-	-	Level 2	Management's assessment using Level 2 inputs

The carrying amount of the current receivables and current payables are considered to be a reasonable approximation of their fair values.

Directors' Declaration

In the opinion of the directors of Phylogica Limited (the Company):

1. the financial statements and notes set out on pages 5 to 13 are in accordance with the Corporations Act 2001 including:

   (a) giving a true and fair view of the financial position of the Company as at 31 December 2018 and of its performance, as represented by the results of its operations and cash flows for the half-year ended on that date; and

   (b) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and

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

Signed in accordance with a resolution of the directors:

Mr Alan Tribe
Chairman

Perth
28 February 2019

HLB MANN JUDD
ADVISORY AND ACCOUNTING

INDEPENDENT AUDITOR'S REVIEW REPORT
To the members of Phylogica Limited

Report on the Condensed Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Phylogica Limited ("the company"), which comprises the condensed statement of financial position as at 31 December 2018, the condensed statement of comprehensive income, the condensed statement of changes in equity and the condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

(a) giving a true and fair view of the company's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and

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

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as 31 December 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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Independence

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

HLB Mann Judd

B McVeigh

HLB Mann Judd
Chartered Accountants

B G McVeigh
Partner

Perth, Western Australia
28 February 2019