QRxPharma Limited

ABN 16 102 254 151

Annual report
for the year ended 30 June 2018

QRxPharma Limited ABN 16 102 254 151
Annual report - 30 June 2018

Contents

	Page
Corporate directory	1
Letter from the Board	2
Directors' report	3
Auditor's Independence Declaration	13
Corporate governance statement	14
Financial report	21
Directors' declaration	47
Independent auditor’s report to the members of QRxPharma Limited	48
Shareholder information	51

Corporate directory

Directors	Timothy P Heesh (resigned on 25 July 2018) John P Rainbow (resigned on 25 July 2018) Anthony Jefferies (Appointed 23 March 2018) Matthew Worner (Appointed on 25 July 2018) Lee Christensen (Appointed on 25 July 2018)
Secretary	Cameron Jones
Principal registered office in Australia	Suite 201 697 Burke Road Camberwell VIC 3124
Share register	Link Market Services Limited Level 12 680 George Street Sydney NSW 2000
Auditor	Pitcher Partners Level 22 MLC Centre 19 Martin Place Sydney NSW 2000
Bankers	Westpac Banking Corporation Level 9 Keycorp Tower 799 Pacific Highway Chatswood NSW 2067 Silicon Valley Bank 3003 Tasman, Santa Clara California 95054 U.S.A.
Stock exchange listings	QRxPharma Limited shares were listed on the Australian Securities Exchange until 23 May 2018. Listing Code: QRX
Website address	www.qrxpharma.com

Letter from the Board

Dear Shareholder,

The key events throughout this year have been as follows:

- 20 November 2017 - the Company held its 2017 Annual General Meeting and the appointment of Pitcher Partners was ratified by shareholders.
- 23 May 2018 – The Company was removed from the Official List of the ASX in accordance with Listing Rule 17.12; and
- 28 June 2018 – The Company entered into a Share Sale and Purchase Agreement in order to facilitate the Proposed Transaction. The aim of the proposed transaction is to obtain control of garnet producing plant and mining tenements in the Hart's Range area of the Northern Territory

The focus of the Company has been identifying business opportunities that will assist the reinstatement of the Company's securities to official quotation on the Australian Securities Exchange (ASX).

We thank you for your patience and we look forward further updating shareholders.

Sincerely,

Anthony Jefferies
Non-Executive Director

Directors' report

Your directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of QRxPharma Limited (referred to hereafter as the Company) and the entities it controlled at the end of, or during, the year ended 30 June 2018.

Directors
The following persons were directors of QRxPharma Limited during the whole of the financial year and up until the date of this report, unless otherwise indicated:

Timothy Heesh (Resigned on 25 July 2018)
John Rainbow (Resigned on 25 July 2018)
Anthony Jefferies (Appointed 23 March 2018)
Matthew Worner (Appointed on 25 July 2018)
Lee Christensen (Appointed on 25 July 2018)

Principal activities
The principal activities of the Group had been the development and commercialisation of biopharmaceutical products based on largely Australian research, targeting global markets with the initial efforts being focused on the US and European markets.

On 28 June 2018 the Company entered into a Share Sale and Purchase Agreement in order to facilitate the Proposed Transaction. The aim of the proposed transaction is to obtain control of garnet producing plant and mining tenements in the Hart's Range area of the Northern Territory.

The Harts Range Garnet Project is located 140km northeast of Alice Springs in the Northern Territory and comprises two Mineral Leases, two Exploration Licenses, a bore field, wet concentration plant and accommodation village. A mineral separation plant is located 30km northwest of Alice Springs.
The objective of the Harts Range Project is to mine sand and extract garnet for use in the abrasive industry as a non-toxic filter medium in water and softening applications. This represents a more environmentally palatable product than those currently used in such applications and processes.
The Mineral Leases cover an area of 7,345Ha and the surrounding Exploration Licences are 216km^2. All water extraction, mining and processing activities are carried out within the boundaries of the Mineral Leases.

Harts Range has the potential to develop into a major global supplier of industrial abrasives. The Mineral Leases and Exploration Licences contain world-class garnet and hornblende resource that is capable of producing all industrial abrasive grades required by the market and a JORC compliant measured resource sufficient to support a mine life of 50 years.

The processing facilities at Harts Range can produce 125,000 tonnes per annum or garnet products and 93,000 tonnes per annum of hornblende.

Results and Review of Operations

The Company reported total loss for the year ended 30 June 2018 of $463,484 (30 June 2017: $422,282). The year ended 30 June 2018 operating results are attributed to the following:

- Restructuring expense of $91,273 (2017: $5,639)
- General and administration expense of $377,861 (2017: $374,910); and
- Employment benefit expense of $0 (2017: $44,224).

At 30 June 2018, the Group holds cash and cash equivalents of $199,578 (30 June 2017: $626,297). As detailed in Note 1 (b) of the financial statements have been prepared on a going concern basis.

As referred to in the previous annual report, the Applicant in the group proceedings against the directors filed an application on 15 September 2017 seeking orders dealing with, amongst other things, the form of lists of discovery documents by the Respondents (**Discovery List Application**).

The relevant lists included documents over which QRx made a claim for legal professional privilege. Because the Application concerned claims for privilege made on behalf of QRx, QRx was joined to the Proceeding as a respondent on the basis that it be treated as a party to the Proceeding but only in respect of the Application and matters incidental thereto.

The Discovery List Application was heard by Yates J on 5 October 2017. On 20 October 2017, Yates J dismissed the Discovery List Application insofar as it concerned QRx and ordered that the Applicant pay QRx's costs of and incidental to the application: *Kenquist Nominees Pty Limited v Campbell (No 3)* [2017] FCA 1230.

On 16 November 2017, the Applicant filed a further interlocutory application seeking orders requiring the respondents to produce documents over which QRx claimed legal professional privilege (**Privilege Application**). QRx resisted this application, which was heard before Thawley J on 3 May 2018.

On 18 June 2018, Thawley J delivered judgment in respect of the Privilege Application, substantially upholding QRx's claims for legal professional privilege: *Kenquist Nominees Pty Limited v Campbell (No 5)* [2018] FCA 853. Formal orders have not yet been entered in respect of the Privilege Application.

Dividends - QRxPharma Limited
Loss per share

	2018 Cents	2017 Cents
(a) Basic loss per share		
Loss from continuing operations attributable to the ordinary equity holders of the Company	**(0.3)**	(0.3)
(b) Diluted loss per share		
Loss from continuing operations attributable to the ordinary equity holders of the Company	**(0.3)**	(0.3)

No dividends were paid or declared since the start of the financial year (2017: $nil).

Significant changes in the state of affairs
No significant changes in the state of affairs of the Group were noted during the financial year that have not otherwise been disclosed in this report or in the financial statements.

Matters subsequent to the end of the financial year

No significant events have occurred after the balance date which would have a material impact on the financial results of the Group.

Business strategies and future prospects

The major focus for the Group during the 2018 financial year was cost minimisation. The focus of the Group has transitioned to identifying business opportunities that will assist the reinstatement of the Company's securities to official quotation on the Australian Securities Exchange (ASX).

As at 30 June 2018, the Group holds cash and cash equivalents of $199,578 (2017: $626,297). As detailed in note 1 (b) of the Financial Report the financial statements have been prepared on the going concern basis. This matter has been considered by the Group's auditors Pitcher Partners. The Independent auditors' report to the members of QRxPharma Limited is on pages 47 to 49 of this Annual Report.

Business Risks

The board continues to review all strategic alternatives for the Group and its assets, which will impact on the assessment of relevant specific risks that have the potential to affect the Group's achievement of any long term financial success.

Environmental regulation
There are no particular and significant environmental regulations under a law of the Commonwealth or of a State or Territory of Australia affecting the Group.

Information on directors

Timothy Heesh *Non-Executive Director* (resigned on 25 July 2018)
Experience and expertise
Mr Heesh, is a Chartered Accountant and Registered and Official Liquidator. Tim is the founding director of TPH Insolvency and has been providing quality business insolvency advice for over 25 years across Australia. Tim has vast experience in the insolvency arena and has developed strong expertise across numerous sectors. Tim is a member of the Chartered Accountants in Australia and New Zealand and the Australian Restructuring, Insolvency and Turnaround Association.

Other current directorships
Nil

Former directorships in last 3 years
Nil.

Special responsibilities
Chair until 25 July 2018.

Interests in shares and options
Mr Heesh does not hold any shares or options in the Group.

John Rainbow *Non-Executive Director* (resigned on 25 July 2018)
Experience and expertise
Mr Rainbow, is a qualified in New South Wales to practice as a lawyer and holds an unrestricted practicing certificate. John is a senior consultant at Watson Mangioni Lawyers and has been a legal practitioner for over 25 years both in private practice and as in-house counsel. John is an experienced company director.

Other current directorships
Nil

Former directorships in last 3 years
Nil.

Special responsibilities
Nil.

Interests in shares and options
Mr Rainbow does not hold any shares or options in the Group.

Anthony Jefferies *Non-Executive Director* (Appointed 23 March 2018)
Experience and expertise
Mr Jefferies, is a partner at Gillis Delaney law firm. Anthony's experience spans a broad range of commercial litigation work for individuals, corporate and financial institutions including disputes arising out of fraud investigations and general litigation; joint venture and shareholder disputes; initiating and defending claims for urgent injunctive relief; leasing and other property and construction litigation and insolvency disputes. He also represents clients in alternative dispute resolution such as mediations, expert determinations and arbitrations. He has represented both private individuals and publicly listed companies in a number of high-profile cases. Anthony has extensive experience in managing complex and sensitive disputes for both the public and private sectors.

Other current directorships
Nil

Former directorships in last 3 years
Nil.

Special responsibilities
Nil.

Interests in shares and options
Mr Jefferies does not hold any shares or options in the Group.

Matthew Worner *Non-Executive Director* (Appointed 25 July 2018)
Experience and expertise
Matt Worner is corporate and commercial lawyer with over 17 years' experience. Matt has advised a number of Australian companies on matters such as IPO's, back door listings, secondary capital raisings, shareholder meetings, corporate governance and general commercial matters

Matt has held commercial, legal and company secretarial roles with several ASX and AIM listed Companies both in Australia and the United Kingdom, including Tap Oil Limited, Pura Vida Energy Limited and Otto Energy Limited.
Other current directorships
Talon Petroleum Limited.

Former directorships in last 3 years
Nil.

Special responsibilities
Nil.

Interests in shares and options
Mr Worner does not hold any shares or options in the Group.

Lee Christensen *Non-Executive Director* (Appointed 25 July 2018)
Experience and expertise
Lee is a director of CXlaw in Western Australia. Lee has previously in the senior partner of Gadens/Dentons in Perth and has practiced law for over 30 years. He has experience in insolvency, finance, commercial and corporate law and regulary acts for both private and publicly listed companies."

Other current directorships
Chairman of Titanium Sands Ltd, Quantify Technology Holdings Ltd and the interim chairman of Empire Resources Ltd.

Former directorships in last 3 years
Nil.

Special responsibilities
Nil.

Interests in shares and options
Mr Christensen does not hold any shares or options in the Group.

					Meetings of committees					
	Full meetings of directors		Meetings of non - executive directors		Audit and risk		Nominations		Remuneration	
	A	B	A	B	A	B	A	B	A	B
Timothy Heesh	5	5	-	-	-	-	-	-	-	-
John Rainbow	5	5	-	-	-	-	-	-	-	-
Anthony Jefferies	-	-	-	-	-	-	-	-	-	-

A = Number of meetings attended.
B = Number of meetings held during the time the director held office or was a member of the committee during the year.

Remuneration Report

The directors are pleased to present the Group's 2018 remuneration report which sets out remuneration information for QRxPharma Limited's non-executive directors, executive director and other key management personnel.

Directors and key management personnel disclosed in this report

The directors and other key management personnel of the Group during and since the end of the financial year were:

Name	Position
Non-executive and executive directors	
Timothy Heesh	Non-Executive Director (Resigned 25 July 2018)
John Rainbow	Non-Executive Director (Resigned 25 July 2018)
Anthony Jefferies	Non-Executive Director (Appointed 23 March 2018)
Lee Christensen	Non-Executive Director (Appointed 25 July 2018)
Matthew Worner	Non-Executive Director (Appointed 25 July 2018)

Except as noted, the named persons held their current position for the whole of the financial year and since the end of the financial year.

Role of the remuneration committee

The remuneration committee is a committee of the board. It is primarily responsible for making recommendations to the board on:

• remuneration levels of executive directors and other key management personnel;
• the over-arching executive remuneration framework and operation of the incentive plan; and
• key performance indicators and performance hurdles for the executive team.

Their objective is to ensure that remuneration policies and structures are fair and competitive and aligned with the long-term interests of the Group. In doing this, the remuneration committee may seek advice from independent remuneration consultants. No remuneration consultants were engaged during the current financial year.

The Corporate Governance Statement provides further information on the role of this committee.

Non-executive directors remuneration policy

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors.

During the 2018 financial year the non-executive director fees for Timothy Heesh, John Rainbow and Anthony Jefferies were as follows:

Period	Amount (including superannuation)
1 July 2017 to 30 June 2018	$5,475 per month

The annual director remuneration at the time of this report for is $65,700 each including superannuation apportioned to the days in office.

Non-executive directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at $400,000 per annum and was approved by shareholders at the Annual General Meeting on 24 April 2007.

Retirement allowances for non-executive directors

There are no retirement allowances for non-executive directors, in line with guidance from the ASX Corporate Governance Council on non-executive directors' remuneration. Superannuation contributions required under the Australian superannuation guarantee legislation continue to be made where applicable.

The Board approved John Rainbow to provide consulting fees in relation to the proposed acquisition in addition to his Director's fees received.

Remuneration report (continued)

Executive remuneration policy and framework
The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms with market practice for delivery of reward. The board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency
- capital management

The Group has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the organisation.

Executive remuneration policy and framework
Alignment to shareholders' interests:

- focuses on sustained growth in share price as well as focusing the executive on key non-financial drivers of value
- attracts and retains high calibre executives.

Alignment to program participants' interests:

- rewards capability and experience
- reflects competitive reward for contribution to growth in shareholder wealth
- provides recognition for contribution.

The framework provides a blend of fixed pay, and short and long-term incentives.

The executive pay and reward framework has three components:

- base pay and benefits, including superannuation
- short-term performance incentives, and
- long-term incentives through participation in the QRxPharma Limited Employee Share Option Plan.

The combination of these comprises the executive's total remuneration.

Base pay and benefits
Structured as a total employment package which may be delivered as a combination of cash and prescribed non-financial benefits at the executives' discretion.

Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. Base pay for executives is reviewed annually and every two years a market survey is conducted to ensure the executive's pay is competitive with the market. An executive's pay is also reviewed on promotion.

There are no guaranteed base pay increases included in any executives' contracts.

Executives receive other incidental benefits.

Superannuation
The Group does not maintain a Group superannuation plan. The Group makes fixed percentage contributions for Australian resident employees to complying third party superannuation funds and where requested, for US resident employees to complying pension plans.

Short-term incentives
A variable cash incentive component is payable annually dependent upon achievement of performance targets. Individual performance targets are set by reference to components of the Group's business plan for which the individual executive is responsible. Maximum bonuses are available to 50% of base pay.

Each executive has a target short-term incentive opportunity depending on the accountabilities of the role and impact on the organisation. Each year, the remuneration committee considers the appropriate targets and key performance indicators (KPI's) for each executive. For the year ended 30 June 2018, no short-term incentives were set.

Long-term incentives
Long-term incentives are provided to certain executives through participation in the QRxPharma Limited Employee Share Option Plan, which was approved by shareholders at the extraordinary general meeting of members held on 24 April 2007.

Remuneration report (continued)

The QRxPharma Limited Employee Share Option Plan is designed to provide long-term incentives for executives to deliver long-term shareholder value and as an additional mechanism to attract and retain high calibre executives. Participation in the plan is at the board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits. The vesting period for each option issued up to 31 December 2008 is 3 years, or as varied by the board, one-third vesting 12 months from the date of grant and the balance vesting equally each year over the remaining two year period. Options issued from 1 January 2009 generally vest over 3 years with the initial vesting on the first anniversary of the date of the grant and subsequent vesting in 8 equal tranches on the first day of each calendar quarter over the following 2 years. Most option grants generally have a seven year life, after which time, if they are not exercised, the options are forfeited. Options are granted under the plan for no consideration.

Details of the remuneration of the directors and the key management personnel (as defined in AASB 124 *Related Party Disclosures)* of QRxPharma Limited and the Group are set out in the following tables.

Key management personnel and other executives of QRxPharma Limited and the Group are the same.

2018	Short-term employee benefits				Post-employment benefits		Long-term benefits	
Name	Cash salary and fees $	Cash bonus $	Annual leave $	Other $	Super-annuation $	Retirement benefits	Long service leave $	Total $
Non-executive directors								
Timothy Heesh	65,700	-	-	-	-	-	-	65,700
John Rainbow	60,000	-		39,360[1]	5,700	-	-	105,060
Anthony Jefferies	12,060	-		-	-	-	-	12,060
Total key management personnel compensation (Group)	**137,760**	**-**		**39,360**	**5,700**	**-**	**-**	**182,820**

[1] The Board approved John Rainbow to provide consulting fees in relation to the proposed acquisition in addition to his Director's fees received.

2017	Short-term employee benefits				Post-employment benefits		Long-term benefits	
Name	Cash salary and fees $	Cash bonus $	Annual Leave paydown $	Other $	Super-annuation $	Retirement benefits $	Long service leave $	Total $
Non-executive directors								
Richard S Treagus	10,065	-	-	-	-	-	-	10,065
Bruce A Hancox	10,065	-	-	-	-	-	-	10,065
Timothy Heesh	38,325	-	-	-	-	-	-	38,325
John Rainbow	35,000	-	-	-	3,325	-	-	38,325
Sub-total non-executive directors	**93,455**	**-**	**-**	**-**	**3,325**	**-**	**-**	**96,780**
Other key management personnel (Group)								
Chris J Campbell [1]	34,084	-	10,450	-	3,238	-	5,012	52,784
Total key management personnel compensation (Group)	**127,539**	**-**	**10,450**	**-**	**6,563**	**-**	**5,012**	**149,564**

[1]Chris J Campbell's employment ceased on 19 August 2016

Remuneration report (continued)

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

	Fixed - Cash salary and fees		At risk - Cash bonus	
	2018	2017	**2018**	2017
Directors of QRxPharma Limited				
Timothy Heesh	**100%**	100%	**0%**	0%
John Rainbow	**100%**	100%	**0%**	0%
Anthony Jefferies (from 23 March 2018)	**100%**	100%	**0%**	0%

Share-based compensation

Options

Options over shares in QRxPharma Limited are granted under the QRxPharma Limited Employee Share Option Plan (ESOP). The ESOP is designed to provide long-term incentives for executives to deliver long-term shareholder returns.

The maximum number of options available to be issued under the ESOP is 10% of diluted ordinary share capital in the Company as at the date of issue of the relevant options. All employees and directors are eligible to participate in the ESOP, but do so at the invitation of the remuneration committee. The term of option issues is determined by the remuneration committee.

Details of options over ordinary shares in the Company provided as remuneration to each director of QRxPharma Limited and each of the key management personnel of the parent entity and the Group are set out below. When exercisable, each option is convertible into one ordinary share of QRxPharma Limited. Further information on the options is set out in note 21 to the financial statements. The plan rules contain a restriction on removing the “at risk” aspect of instruments granted to executives. Plan participants may not enter into any transaction designed to remove the “at risk” aspect of an instrument before it vests.

	Number of options granted during the year	Value of options at grant date $	Number of options vested during the year
Directors of QRxPharma Limited			
Timothy Heesh	-	-	-
John Rainbow	-	-	-
Anthony Jefferies	-	-	-

Lapsed options

There were no options that lapsed during the financial year, in relation to options granted to key management personnel as part of their remuneration:

Shares provided on exercise of remuneration options

There were no ordinary shares in the Company provided as a result of the exercise of remuneration options to each director of QRxPharma Limited and other key management personnel of the Group in the year to 30 June 2018.

The following tables show the number of:

(i) Options over ordinary shares in the Company

(ii) Ordinary shares in the Company that were held during the financial year by key management personnel of the Group, including their close family members and entities related to them.

There were no shares granted during the reporting period as compensation.

Remuneration report (continued)

(i) Option holdings

The numbers of options over ordinary shares in the Company held during and since the end of the financial year by each director of QRxPharma Limited and other key management personnel of the Group, including their personally related parties, are set out below.

2018 Name	Balance at start of the year	Granted as compensation	Exercised	Net other changes	Balance at end of the year	Vested and exercisable	Unvested
Directors of QRxPharma Limited							
Timothy P Heesh	-	-	-	-	-	-	-
John P Rainbow	-	-	-	-	-	-	-
Anthony Jefferies	-	-	-	-	-	-	-

(ii) Share holdings

The numbers of shares in the Company held during and since the financial year by each director of QRxPharma Limited and other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

2018 Name	Balance at the start of the year	Received during the year on the exercise of options	Net other changes during the year	Balance at the end of the year/ cessation of Directorship
Directors of QRxPharma Limited				
Ordinary shares				
Timothy P Heesh	-	-	-	-
John P Rainbow	-	-	-	-
Anthony Jefferies	-	-	-	-

Shares under option
There are no unissued ordinary shares of QRxPharma Limited under option at the date of this report.

Shares issued on the exercise of options
No ordinary shares of QRxPharma Limited were issued during the year ended 30 June 2018 on the exercise of options granted under the QRxPharma Limited Employee Option Plan. No further shares have been issued since that date. No amounts are unpaid on any of the shares.

Indemnification
The Company has entered into Deeds of Indemnity, Access and Insurance with each of the directors and executive officers of the Group against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors and executive officers of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. Whilst these agreements stipulate that the Company will meet the amount of any such liabilities, including costs and expenses the DOCA limits any indemnification claims to amounts if and to the extent to which the Company is paid in relation to those claims pursuant to an insurance policy responding to such claims only. The Company is obligated to maintain Directors and Officers liability insurance contracts (D&O Policy) except where the insurance is not readily available as defined in the relevant Deed of Indemnity, Access and Insurance.

Insurance of officers
During the 2016 financial year the Company' had limited D&O cover being an Extended Reporting option which terminated on 31 May 2016. The directors have not included details of the nature of liabilities covered nor the amount of the premium paid in respect to D&O Policy (inclusive of the Extended Reporting Option), as such, disclosure is prohibited under the terms of the contracts. The Company has not yet secured a new D&O Policy.

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 Group are important.

No non-audit services were provided by the appointed auditor during the year (Pitcher Partners). (2017: $nil).

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 12.

Auditor
Pitcher Partners was the appointed auditor of the Company during the year.

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

Rounding of amounts

In accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, the amounts in the director's report and in the financial report have been rounded to the nearest dollar.

Anthony Jefferies
Director

Sydney
27 August 2018

PITCHER PARTNERS
ACCOUNTANTS • AUDITORS • ADVISORS

Level 22 MLC Centre
19 Martin Place
Sydney NSW 2000
Australia

Postal Address:
GPO Box 1615
Sydney NSW 2001
Australia

Tel: +61 2 9221 2099
Fax: +61 2 9223 1762

www.pitcher.com.au
sydneypartners@pitcher.com.au

Pitcher Partners is an association of independent firms
Melbourne | Sydney | Perth | Adelaide | Brisbane | Newcastle

AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF QRxPHARMA LIMITED
ABN 16 102 254 151

In relation to the independent audit for the year ended 30 June 2018, the best of my knowledge and belief there have been:

(i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*; and

(ii) No contraventions of any applicable code of professional conduct.

This declaration is in respect of QRxPharma Limited and the entities it controlled during the year.

Mark Godlewski

M A GODLEWSKI
Partner
PITCHER PARTNERS
Sydney
27 August 2018

Corporate governance statement

QRxPharma Limited (Company) and the board are committed to achieving and demonstrating the highest standards of corporate governance. The board guides and monitors the Group's activities on behalf of shareholders. In developing policies and setting standards, the board considers the Australian Securities Exchange (ASX) Corporate Governance Principles and Recommendations (3rd Edition). The Company and its controlled entities together are referred to as the Group in this statement.

During the 2018 financial year the board was increased to three non-executive directors with Anthony Jefferies joining the board on 23 March 2018.

On 19 May 2016 the only senior executive Chief Financial Officer (CFO) / Company Secretary Chris Campbell received notice of his termination and his employment ceasing on 19 August 2016. From this point on the Group did not employ any senior executives. This remained at 30 June 2018.

A description of the Group's main corporate governance practices is set out below. Given the above circumstances, the Group could not fully comply with all aspects of the ASX Corporate Governance Principles and Recommendations - 3rd Edition (Principles) through the 2018 financial year.

Principle 1: Lay solid foundations for management and oversight

The relationship between the board and senior management is critical to the Group's long-term success. The directors are responsible to the shareholders for the performance of the Group in both the short and the longer term and seek to balance sometimes competing objectives in the best interests of the Group as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Group is properly managed.

1.1 Responsibilities of the Board

The responsibilities of the board include:

- facilitating accountability to the Group and its shareholders;
- ensuring timely reporting to shareholders;
- providing strategic guidance to management including contributing to the development of and approving the corporate strategy
- reviewing and approving business plans, the annual budget and financial plans including available resources and major capital raising or expenditure initiatives
- overseeing and monitoring:
    - organisational performance and the achievement of the Group's strategic goals and objectives
    - compliance with the Group's corporate governance policies and procedures
    - progress in relation to the Company's diversity objectives and compliance with its diversity policy
    - progress of major capital expenditures and other significant corporate projects including any acquisitions or divestments
- monitoring financial performance including approval of the annual and half-year financial reports and liaison with the Company's auditors
- appointment, performance assessment and, if necessary, removal of the CEO
- ratifying the appointment and/or removal and contributing to the performance assessment for the members of the senior management team
- ensuring there are effective management processes in place and approving major corporate initiatives
- enhancing and protecting the reputation of the organisation
- overseeing the operation of the Group's system for compliance and risk management reporting to shareholders
- ensuring appropriate resources are available to senior management.

Day to day management of the Group's affairs and the implementation of the corporate strategy and policy initiatives are formally delegated by the board to the CEO and senior executives. With a significant reduction in headcount, many of these delegations reverted to the board, particularly as the office of CEO has been vacant since 16 January 2015.

Subject to the Administrator being in place through to 23 December 2015 and the limitations of there being only two directors for part of the year with an additional director joining on 23 May 2018, the board operated in accordance with the broad principles set in the Board Charter a copy of which is available at www.*qrxpharma.com/corporate-governance*.

1.2 Director appointment and election

The Company conducts appropriate background checks before it appoints a person or puts forward to shareholders a new candidate for election as a director. The Company also provides shareholders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director in the notice of meeting provided to shareholders. This includes information relevant to shareholders to be able to assess the director's skills and competencies, industry experience, time commitments and other relevant information in their consideration of that election.

The commitments of non-executive directors are considered by the nomination committee prior to the directors' appointment to the board of the Company.

The Company's Constitution specifies that all directors excluding the Managing Director (if appointed) must retire from office no later than the third annual general meeting (AGM) following their last election.

1.3 Written Agreements with Directors and Senior Executives

Formal letters of appointment were issued to Timothy Heesh and John Rainbow upon appointment in October 2016.

A formal letter of appointment was issued to Anthony Jefferies upon appointment in March 2018.

Senior executives are required to sign employment agreements that set out the key terms of their employment.

1.4 Company Secretary

The Company Secretary supports the effective functioning of the board and its committees. The Company Secretary is accountable directly to the board, through the Chair, on all matters to do with the proper functioning of the board. The directors have direct access to the Company Secretary.

1.5 Diversity objectives and achievement

The Company values diversity and recognises the benefits it can bring to the organisation's ability to achieve its goals. Accordingly, the Company has a Diversity Policy a copy of which is available at *www.qrxpharma.com/corporate-governance.*

This policy outlines the establishment of the Company's diversity objectives in relation to gender, age, cultural background and ethnicity. It includes requirements for the board to establish measurable objectives for achieving diversity, and for the board to assess annually both the objectives, and the Company's progress in achieving them.

With the significant reduction in headcount the board set aside establishing and reviewing measurable objectives to achieve diversity. At 30 June 2018 there were no females on the board nor holding a senior executive role.

1.6 Board, committee and director performance

The performance of the board and board committees are reviewed periodically. Given the circumstances that prevailed during the 2018 financial year the board has not undertaken a self-assessment of its collective performance and its committees.

1.7 CEO and senior executive performance

The performance of the CEO and senior executives are reviewed annually. With the significant reduction in headcount the board set aside the review process. No senior executive roles remained at 30 June 2018.

The office of CEO has been vacant since 16 January 2015.

Principle 2: Structure the board to add value

2.1 Board committees

There were no board committees in operation during the year ended 30 June 2018.

2.1.1 Nominations committee

The members of the Nominations Committee were John Rainbow and Timothy Heesh being independent, non-executive directors.

During the 2018 financial year, the committee's composition did not comply with the Principles in that it did not include at least three members but was suitably structured and qualified to fully discharge its responsibilities at the relevant stage of the Company's development.

Given the circumstances that prevailed during the year the Nomination Committee did not meet.

The main responsibilities of the committee are to:

- conduct an annual review of the membership of the board having regard to present and future needs of the Company and to make recommendations on board composition and appointments
- conduct an annual review of and conclude on the independence of each director
- propose candidates for board vacancies
- oversee the annual performance assessment program
- oversee board succession, including the succession of the Chair, and reviewing whether succession plans are in place to maintain an appropriately balanced mix of skills, experience and diversity on the board
- manage the processes in relation to meeting board diversity objectives
- assess the effectiveness of the induction process.

Whilst the Nominations Committee may recommend new director candidates, it is the full board that is responsible for the actual appointment of new directors, and any candidate appointed must stand for election at the next annual general meeting of the Company. The committee's nomination of existing directors for reappointment is also not automatic and is contingent on their past performance, contribution to the Company and the current and future needs of the board and Company.

2.2 Board skills

The board seeks to ensure that:

- at any point in time, its membership represents an appropriate balance between directors with experience and knowledge of the Group and directors with an external or fresh perspective
- the size of the board is conducive to effective discussion and efficient decision-making
- the board is giving careful consideration to the composition of the board and the optimum mix of skills and experience required for the Company at this stage.

The board assessed its capabilities against the above and considered that it collectively had the appropriate experience given the circumstances that prevailed during the 2018 financial year.

2.3 Board members

Details of the members of the board, their experience, expertise, qualifications and term of office are set out in the directors' report under the heading "Information on directors" on page 4. At the end of the 2018 financial year and up to the date of signing of the directors' report there are now three non-executive directors with the inclusion of Anthony Jefferies as at 23 March 2018.

Timothy Heesh, John Rainbow and Anthony Jefferies are considered independent directors.

The number of meetings of the Company's board of directors and of each board committee held during the year ended 30 June 2018, and the number of meetings attended by each director is disclosed on page 5 of the Annual Report.

2.4 Directors' independence

The board has adopted specific principles in relation to directors' independence. These state that to be deemed independent, a director must be a non-executive and the board should consider whether the director:

- is a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company
- is or has been employed in an executive capacity by the Company or any other Group member, within three years before commencing to serve on the board
- within the last three years has been a principal of a material professional adviser or a material consultant to the Company or any other Group member, or an employee materially associated with the service provided
- is a material supplier or customer of the Company or any other Group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer
- has a material contractual relationship with the Company or a controlled entity other than as a director of the Group
- is free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Group.

The board regularly assesses director independence having regard to the criteria outlined in the Principles. To enable this process, the directors must provide all information that may be relevant to the assessment. During the 2018 financial year Timothy Heesh, John Rainbow and Anthony Jefferies consider themselves to be independent.

2.5 Chairman and Chief Executive Officer (CEO)

The Chair is responsible for leading the board, ensuring directors are properly briefed in all matters relevant to their role and responsibilities, facilitating board discussions and managing the board's relationship with the Group's senior executives. With the current board of two independent non-executive directors, the Company has yet to appoint a Chair of the board

The CEO is responsible for implementing Group strategies and policies. As part of the headcount reduction, the office of CEO has been vacant since 16 January 2015.

2.6 Director induction and professional development

All new directors participate in an informal induction programme that covers the operation of the board and its committees, and an overview of the Group's core programmes, key strategy, financial and relevant operational documents.

Principle 3: Act ethically and responsibly

3.1 Code of Conduct

The Company adopted a statement of values and a Code of Conduct (the Code) which has been fully endorsed by the board and applies to all directors and employees. The Code is regularly reviewed and updated as necessary to ensure it reflects the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the Group's integrity and to take into account legal obligations and reasonable expectations of the Company's stakeholders.

In summary, the Code requires that at all times all Company personnel act with the utmost integrity, objectivity and in compliance with the letter and the spirit of the law and Company policies.

A copy of the Code is available on the company's website at *www.qrxpharma.com/corporate-governance*.

Principle 4: Safeguard integrity in corporate reporting

4.1 Audit and Risk Committee

The members of the Audit and Risk Committee are Timothy Heesh and John Rainbow, being independent, non-executive directors.

Details of directors' qualifications and attendance at audit committee meetings are set out in the directors' report on pages 4 to 5.

During the 2018 financial year, the committee's composition did not comply with the Principles in that it did not include at least three members but was suitably structured and qualified to fully discharge its responsibilities at the relevant stage of the Company's development.

The main responsibilities of the committee include:

- review, assess and approve the annual full and concise reports, the half-year financial report and all other financial information published by the Company or released to the market
- assist the board in reviewing the effectiveness of the organisation's internal control environment covering:
    - effectiveness and efficiency of operations
    - reliability of financial reporting
    - compliance with applicable laws and regulations
- oversee the effective operation of the risk management framework
- recommend to the board the appointment, removal and remuneration of the external auditors, and review the terms of their engagement, the scope and quality of the audit and assess performance
- consider the independence and competence of the external auditor on an ongoing basis
- review and approve the level of non-audit services provided by the external auditors and ensure it does not adversely impact on auditor independence
- review and monitor related party transactions and assess their propriety
- report to the board on matters relevant to the committee's role and responsibilities.

In fulfilling its responsibilities, the Audit and Risk Committee:

- receives regular reports from management and the external auditors
- meets with external auditors at least twice a year, or more frequently if necessary
- reviews the processes the CEO and CFO have in place to support their certifications to the board
- reviews any significant disagreements between the auditors and management, irrespective of whether they have been resolved
- meets separately with the external auditors at least twice a year without the presence of management
- provides the external auditors with a clear line of direct communication at any time to either the Chair of the Audit and Risk Committee or the Chair of the board.

The Audit and Risk Committee has authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party.

4.2 CEO and CFO Declarations for financial statements

Before the board approves the Company's financial statements, the CEO and CFO/or CFO equivalent are required to provide a declaration that, in their opinion, 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.

As the office of CEO has been vacant since 16 January 2015, and the office of CFO vacant from 19 August 2017 the current Company Secretary, Cameron Jones provided a declaration to the board in respect of the financial statements for the year ended 30 June 2018.

4.3 External auditors

The Company and Audit and Risk Committee policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually. The current external auditors, Pitcher Partners were appointed in December 2016. It is Pitcher Partners' policy to rotate audit engagement partners on listed companies at least every five years.

An analysis of fees paid to the external auditors, including a breakdown of fees for non-audit services, is provided in the directors' report and in note 15 to the financial statements. It is the policy of the external auditors to provide an annual declaration of their independence to the Audit and Risk Committee.

The external auditor attends each annual general meeting (AGM) and is available to answer shareholder questions about the conduct of the audit and the preparation and content of the Auditor's Report.

Principles 5: Make timely and balanced disclosure

5.1 Continuous disclosure

The Company has a Continuous Disclosure Policy that focuses on continuous disclosure of any information concerning the Group that a reasonable person would expect to have a material effect on the price of the Company's securities.

The Company Secretary has been nominated as the person responsible for communications with the ASX. This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

All disclosures made to the ASX, and all information provided to analysts or the media during briefings are promptly posted on the Company's website. Procedures have also been established for reviewing whether any price sensitive information has been inadvertently disclosed and, if so, this information is also immediately released to the market. A copy of the Continuous Disclosure Policy is available on the Company's website at *www.qrxpharma.com/corporate-governance*.

Principle 6: Respect the rights of security holders

6.1 Information on website

The Company provides information about itself and its governance on its website at *www.qrxpharma.com.*

6.2 Communication with investors

The Company has a Shareholder Communication Policy to promote communication with shareholders. The Company recognises that shareholders may not be aware of all company developments at all times, notwithstanding the release of information to the ASX in accordance the Company's continuous disclosure policy and the law. A copy of the Shareholder Communication Policy is available on the Company's website at *www.qrxpharma.com/corporate-governance*.

6.3 Participation at Annual General Meeting (AGM)

The board encourages full participation by shareholders at the AGM to ensure high level of director accountability to shareholders and to enhance shareholders' identification with the Group's strategy and goals. The AGM provides an opportunity for the board to communicate with shareholders through both the Chairman's and CEO address. Shareholders are given the opportunity, through the Chairman, to ask general questions of the board.

The AGM is generally held in November each year. The Notice of Meeting and related Explanatory Notes are distributed to shareholders in accordance with the requirements of the Corporations Act.

6.4 Electronic communication with the company and its share registry

The Company gives shareholders the option to receive communications from, and send communications to the Company and its share registry. All shareholders have the option to receive a copy of the Company's annual report electronically. In addition, the Company seeks to provide opportunities for shareholders to participate through electronic means. All Company announcements, details of Company meetings and financial reports for the last three years are available on the Company's website. Where possible, the Company arranges for advance notification of significant Group briefings and makes them widely accessible, including through the use of mass communication mechanisms as may be practical.

Principle 7: Recognise and manage risk

7.1 Audit and Risk Committee

The board is responsible for satisfying itself annually, or more frequently as required, that management has developed and implemented a sound system of risk management and internal control. Detailed work on this task is delegated to the Audit and Risk Committee and reviewed by the full board as detailed in the Risk Management Policy. A copy of the Risk Management Policy is available on the Company's website at *www.qrxpharma.com/corporate-governance*.

7.2 Risk assessment and management

The Audit and Risk Committee is responsible for ensuring there is an adequate framework in relation to risk management, compliance and internal control systems. In providing this oversight, the committee:

- reviews the framework and methodology for risk identification, the degree of risk the Company is willing to accept, the management of risk and the processes for auditing and evaluating the Company's risk management system
- reviews Group-wide objectives in the context of the abovementioned categories of corporate risk
- reviews and, where necessary, approves guidelines and policies governing the identification, assessment and management of the Company's exposure to risk
- reviews and approves the delegations of financial authorities and addresses any need to update these authorities on an annual basis, and
- reviews compliance with agreed policies.

The committee recommends any actions it deems appropriate to the board for its consideration.

Management is responsible for designing, implementing and reporting on the adequacy of the Company's risk management and internal control system and has to report to the Audit and Risk Committee and the board on the effectiveness of:

- the risk management and internal control system during the year, and
- the Company's management of its material business risks.

No formal review was undertaken in the financial year ending 30 June 2018.

7.3 Internal audit function

Given the size of the Company, there is no internal audit function. As detailed in section 7.2 detailed risk assessments are carried out in respect of a wide range of items, and where appropriate and possible, risk mitigation strategies are implemented to minimise the chance of the risks occurring, and to minimise any impact where a risk eventuates.

7.4 Sustainability risks and management

The Company monitors its exposure to risks, including economic, environmental and social sustainability risks. Material risks identified for the Company, including economic risk, are set out in the Directors' Report at page 4.

Principle 8: Remunerate fairly and responsibly

8.1 Remuneration Committee

The members of the Remuneration Committee are Timothy Heesh and John Rainbow, being independent, non-executive directors. Given the circumstances that prevailed during the year the Remuneration Committee did not meet.

The Remuneration Committee assists the board to discharge its responsibilities to attract and retain senior executives and directors who will create value for shareholders. The Remuneration Committee advises the board on remuneration and incentive policies and practices generally, and makes specific recommendations on remuneration packages and other terms of employment for senior executives and directors.

8.2 Non-executive and executive remuneration

Each member of the senior executive team signs a formal employment contract at the time of their appointment covering a range of matters including their duties, rights, responsibilities and any entitlements on termination. Each role has a position description which is reviewed by the CEO (or the committee in the case of the CEO) and the relevant executive. Further information on directors' and executives' remuneration is set out in the Directors' Report under the heading "Remuneration Report".

Executive directors and senior management receive a mix of fixed pay, performance based remuneration and stock options.

Non-executive director remuneration consists of director fees and does not include any bonus payments. No stock options have been issued to the current board members. Non-executive directors do not receive termination/retirement benefits, whereas executive directors and senior management are entitled to termination payments in accordance with the terms of their contracts.

8.3 Prohibition on hedging of unvested/restricted entitlements

Participants in the Company's equity based remuneration plan (QRxPharma Limited Employee Share Option Plan) are not permitted to enter into any transactions that would limit the economic risk of issued Options. This prohibition is specifically addressed in the rules of the Share Option Plan (rather than in the Company's Securities Trading Policy). Pursuant to these rules an Option holder may not assign, transfer or encumber in any way issued Options. This does not prevent the exercise in accordance with the terms and conditions of this Share Option Plan of Options by the estate of a deceased Option holder. The Company has not issued any other unvested entitlements that could be subject to hedging.

Contents

Page

Financial report

Consolidated statement of profit or loss and other comprehensive income	22
Consolidated statement of financial position	23
Consolidated statement of changes in equity	24
Consolidated statement of cash flows	25
Notes to the consolidated financial statements	26
Directors' declaration	47
Independent auditor’s report to the members of QRxPharma Limited	48
Shareholder information	53

These financial statements are the consolidated financial statements of the consolidated entity consisting of QRxPharma Limited and its subsidiaries. The financial statements are presented in the Australian currency.

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

Suite 201, 697 Burke Road
Camberwell VIC 3124.

The financial statements were authorised for issue by the directors on 28 September 2018. The directors have the power to amend and reissue the financial statements.

Through the use of the internet, we have ensured that our corporate reporting is timely and complete. All press releases, financial reports and other information are available at the Investor Relations tab on our website: www.qrxpharma.com.

	Notes	2018 $	2017 $
Revenue from continuing operations	5	**2,408**	8,141
Employee benefits expense	6	**-**	(44,224)
Depreciation and amortisation	6	**(243)**	(731)
Restructuring expense		**(91,273)**	(5,639)
General and Administration expense		**(377,861)**	(374,910)
Net foreign exchange (loss) / gain		**3,485**	(4,919)
Loss before income tax		**(463,484)**	(422,282)
Income tax benefit	7	**-**	-
Loss from continuing operations		**(463,484)**	(422,282)
Loss for the year		**(463,484)**	(422,282)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		**159**	(292)
Other comprehensive income for the year, net of tax		**159**	(292)
Total comprehensive (loss) for the year		**(463,325)**	(422,574)
Loss for the year is attributable to:			
Owners of QRxPharma Limited		**(463,484)**	(422,282)
Non-controlling interests		**-**	-
		(463,484)	(422,282)
Total comprehensive (loss) is attributable to:			
Owners of QRxPharma Limited		**(463,325)**	(422,574)
Non-controlling interests		**-**	-
		(463,325)	(422,574)
Earnings per share for loss attributable to the ordinary equity holders of the Company:		Cents	Cents
Basic loss per share	19	**(0.3)**	(0.3)
Diluted loss per share	19	**(0.3)**	(0.3)

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

	Notes	2018 $	2017 $
ASSETS			
Current assets			
Cash and cash equivalents	8	**199,578**	626,297
Trade and other receivables	9	**14,291**	11,930
Total current assets		**213,869**	638,227
Non-current assets			
Plant and equipment	10	**122**	365
Other financial assets	8	**-**	14,806
Total non-current assets		**122**	15,171
Total assets		**213,991**	653,398
LIABILITIES			
Current liabilities			
Trade and other payables	11	**60,394**	36,476
Total current liabilities		**60,394**	36,476
Non-current liabilities			
Total non-current liabilities		**-**	-
Total liabilities		**60,394**	36,476
Net assets		**153,597**	616,922
EQUITY			
Contributed equity	12	**155,341,513**	155,341,513
Reserves	13(a)	**13,494,292**	13,494,133
Accumulated losses	13(b)	**(168,617,676)**	(168,154,192)
Capital and reserves attributable to owners of QRxPharma Limited		**218,129**	681,454
Non-controlling interests	14	**(64,532)**	(64,532)
Total equity		**153,597**	616,922

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

	Attributable to the owners of QRxPharma Limited							
	Contributed Equity $	**Share-based Payments Reserve $**	**Foreign Currency Translation Reserve $**	**Transactions with Non-Controlling Interest Reserve $**	**Accumulated Losses $**	**Total $**	**Non-controlling Interests $**	**Total Equity $**
Balance at 30 June 2016	**155,341,513**	**12,635,278**	**403,599**	**455,548**	**(167,731,910)**	**1,104,028**	**(64,532)**	**1,039,496**
Loss for the year	-	-	-	-	(422,282)	(422,282)	-	(422,282)
Other comprehensive income	-	-	(292)	-	-	(292)	-	(292)
Total comprehensive loss for the year	-	-	(292)	-	(422,282)	(422,574)	-	(422,574)
Transactions with owners in their capacity as owners:								
Contributions of equity, net of transaction costs	-	-	-	-	-	-	-	-
Employee share scheme	-	-	-	-	-	-	-	-
	-	-	-	-	(422,282)	(422,574)	-	(422,574)
Balance at 30 June 2017	**155,341,513**	**12,635,278**	**403,307**	**455,548**	**(168,154,192)**	**681,454**	**(64,532)**	**616,922**
Loss for the year	-	-	-	-	(463,484)	(463,484)	-	(463,484)
Other comprehensive income	-	-	159	-	-	159	-	159
Total comprehensive loss for the year	-	-	159	-	(463,484)	(463,325)	-	(463,325)
Transactions with owners in their capacity as owners:								
Contributions of equity, net of transaction costs	-	-	-	-	-	-	-	-
Employee share scheme	-	-	-	-	-	-	-	-
	-	-	159	-	(463,484)	(463,325)	-	(463,325)
Balance at 30 June 2018	**155,341,513**	**12,635,278**	**403,466**	**455,548**	**(168,617,676)**	**218,129**	**(64,532)**	**153,597**

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

	Notes	**2018** **$**	2017 $
Cash flows from operating activities			
Payments to suppliers and employees (inclusive of goods and services tax)		**(447,950)**	(555,777)
		(447,950)	(555,777)
Interest received	5	**2,408**	8,141
Net cash (outflows) from operating activities	18	**(445,542)**	(547,636)
Cash flows from investing activities			
Net cash (outflows) from investing activities		**-**	-
Net cash inflows from financing activities		**-**	-
Net increase/ (decrease) in cash and cash equivalents		**(445,542)**	(547,636)
Cash and cash equivalents at the beginning of the financial year		**641,103**	1,193,886
Effects of exchange rate changes on cash and cash equivalents		**4,017**	(5,147)
Cash and cash equivalents at end of year	8	**199,578**	641,103

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

Contents of the notes to the consolidated financial statements

		Page
1	Summary of significant accounting policies	27
2	Financial risk management	34
3	Critical accounting estimates and judgements	35
4	Segment information	35
5	Revenue	36
6	Expenses	36
7	Income tax benefit	36
8	Cash and cash equivalents	37
9	Trade and other receivables	37
10	Plant and equipment	37
11	Trade and other payables	38
12	Contributed equity	39
13	Reserves and accumulated losses	40
14	Non-controlling interests	41
15	Remuneration of auditors	41
16	Commitments	41
17	Related party transactions	42
18	Reconciliation of loss after income tax to net cash outflow from operating activities	43
19	Loss per share	43
20	Parent entity financial information	44
21	Share-based payments	45
22	Events occurring after the balance sheet date	46

1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of QRxPharma Limited and its subsidiaries. QRxPharma is a company domiciled in Australia.

a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, Interpretations and other authoritative pronouncements issued by the Australian Accounting Standards Board and the Corporations Act 2001. QRxPharma Limited is a for-profit entity for the purpose of preparing the financial statements.

(i) New and amended standards adopted by the Group
None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2017 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

(ii) Compliance with IFRS
The consolidated financial statements of QRxPharma Limited also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The consolidated financial statements were authorised for issue by the Board of Directors on 28 September 2018.

(iii) Historical cost convention
These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

(iv) Critical accounting estimates
The preparation of financial statements in conformity with Australian International Financial Reporting Standards (AIFRS) requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

(v) Early adoption of standards
The Group has elected not to apply any pronouncement before their operative date in the annual reporting period beginning 1 July 2017.

b) Going concern

The financial statements have been prepared on the going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

During the year ended 30 June 2018, the Group incurred a net loss of $463,484 (2017: $422,282) and had net cash outflows from operating activities of $445,542 (2017: $547,636). As at 30 June 2018, the Group holds cash and cash equivalents of $199,578 (2017: $626,297).

The going concern assessment has been made on the assumption that the Group will continue to settle its liabilities arising in the ordinary course of its existing business with minimal operations.

The Board will continue to review potential opportunities for the Group and consider additional strategies to be undertaken by the Group. In the event that the Group commences any due diligence activities associated with any of the opportunities identified, then the Group is likely to incur additional costs for which it is likely to seek funding. At the date of this report no such opportunities have been identified. The cash flow forecast prepared by the Company does not include the costs associated with any due diligence activities.

In the event the potential opportunities are identified and the Company is unable to obtain funding to pursue such opportunities, significant uncertainty would exist as to the ability of the Company and the Group to continue as going concerns and therefore whether they will realise its assets and extinguish its liabilities in the normal course of business.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Company and the Group not continue as going concerns.

c) Principles of consolidation

(i) Subsidiaries
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of QRxPharma Limited ("Company" or "parent entity") as at 30 June 2018 and the results of all subsidiaries for the year then ended. QRxPharma Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) which are controlled by the Company. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if and only if the Company has all the following:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

(ii) Changes in ownership interests
The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of QRxPharma Limited.

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets and liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a jointly-controlled entity or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss.

d) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors.

e) Foreign currency translations

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is QRxPharma Limited's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses are presented in the income statement on a net basis within other income or net foreign exchange loss.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognised in other comprehensive income.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position
- income and expenses for each profit and loss item are translated at the exchange rate on the date of the transactions, and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are recognised in the profit and loss as part of the gain or loss on sale where applicable.

f) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns and trade allowances. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on current available information, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Interest income
Interest income is recognised on a time proportion basis using the effective interest method.

g) Income tax

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

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, the deferred income tax is 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 balance sheet date 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 for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Tax consolidation legislation
QRxPharma Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, QRxPharma Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right.

h) Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

i) Cash and cash equivalents

For the statement of cashflows presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

j) Investments and other financial assets

Classification
The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

(i) Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges.

(ii) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet (note 9).

(iii) Held-to-maturity investments
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

(iv) Available-for-sale financial assets
Available-for-sale financial assets, comprising principally equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of the reporting period. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Measurement
At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category is presented in profit or loss within other income or other expenses in the period in which they arise.

Impairment
The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

(i) Assets carried at amortised cost
For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

(ii) Assets classified as available-for-sale
If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

k) Plant and equipment

Plant and equipment are stated at historical costs less accumulated depreciation.

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

- Plant and equipment	4-5 years

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

l) Intangible assets

(i) Intellectual property
Costs incurred in acquiring intellectual property are capitalised and amortised on a straight line basis of the period of the expected benefit.

Costs include only those costs directly attributable to the acquisition of the intellectual property.

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 (note 1(h)).

(ii) Research and development
Research expenditure on internal development projects is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will, after considering its commercial and technical feasibility, be completed and generate future economic benefits and its costs can be measured reliably. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life.

m) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date.

n) Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (note 16). Payments made under operating leases (net of any incentive received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

o) Employee benefits

(i) Wages and salaries
Liabilities for wages and salaries, including non-monetary benefits expected to be settled wholly within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Annual leave and long service leave
The liability for long service leave and annual leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Retirement benefit obligations
The Group does not maintain a Group superannuation plan. The Group makes fixed percentage contributions for all Australian resident employees to complying third party superannuation funds. The Group's legal or constructive obligation is limited to these contributions.

Contributions to complying third party superannuation funds are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iv) Share-based payments
Share-based compensation benefits are provided to employees via the QRxPharma Limited Employee Share Option Plan. Information relating to this scheme is set out in note 21.

The fair value of options granted under the QRxPharma Limited Employee Share Option Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The fair value of the options granted is adjusted to reflect market vesting conditions, but excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in the income statement with a corresponding adjustment to equity.

(v) Bonus plans
The Group recognises a liability and an expense for bonuses in accordance with the terms of employment contracts. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(vi) Employee benefit on-costs
Employee benefit on-costs, are recognised and included in the employee benefit liabilities and costs when the employee benefits to which they relate are recognised.

(vii) Termination benefits
Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or to providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

p) Contributed Equity

Ordinary shares are classified as equity.

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

q) Earnings per share

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

(ii) Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

r) 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.

s) Rounding of amounts

In accordance with ASIC Corporations (Rounding in Financial / Director's Reports) Instrument 2016/191, the amounts in the directors' report and in the financial report have been rounded to the nearest dollar (where indicated).

t) Parent entity financial information

The financial information for the parent entity, QRxPharma Limited, disclosed in note 20 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries, associates and joint venture entities
Investments in subsidiaries are accounted for at cost in the financial statements of QRxPharma Limited.

(ii) Tax consolidation legislation
QRxPharma Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, QRxPharma Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right.

(iii) Share-based payments
The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution to that subsidiary undertaking. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

u) New accounting standards and interpretations

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period, resulting in no changes to accounting policy changes and no changes to recognition and measurement.

Various other Standards and Interpretations were on issue but were not yet effective at the date of authorisation of the financial report. The issue of these Standards and Interpretations does not affect the Group's present policies and operations. The Directors anticipate that the adoption of these Standards and Interpretations in future periods will not materially affect the amounts recognised in the financial statements of the Group but may change the disclosure presently made in the financial statements of the Group.

2 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as foreign exchange contracts to hedge certain risk exposures from time to time. Derivatives are exclusively used for hedging purposes, not as trading or other speculative instruments. Cash and cash equivalents are invested exclusively with 'A' rated financial institutions, at a minimum, with capital preservation being the stated investment objective. Risk management is carried out under policies approved by the board of directors.

The Group holds the following financial instruments:

	2018 **$**	2017 $
Financial assets		
Cash and cash equivalents	**199,578**	626,297
Trade and other receivables	**14,291**	11,930
Other financial assets	**-**	14,806
	213,869	653,033
Financial liabilities		
Trade and other payables	**60,394**	36,476
	60,394	36,476

(a) Market risk

(i) Foreign exchange risk
The Group is currently exposed to foreign exchange risk arising from currency exposure to the US dollar. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency.

The Group's exposure to foreign currency risk at the reporting date was as follows:

	2018 **$**	2017 $
Cash at bank	**110,129**	102,451
Other financial asset	**-**	14,806
	110,129	**117,257**

Group sensitivity
The Group's exposure to foreign exchange movements is not material.

(ii) Price risk
The Group and the parent entity are not exposed to equity securities price risk or commodity price risk.

(iii) Cash flow and interest rate risk
The Group's main interest rate risk arises from the holding of cash and cash equivalents. During the year, the Group held its funds at bank which limited the exposure of the Group's income and operating cash flows to changes in market interest rates.

The value of borrowings at 30 June 2018 was $nil (2017: $nil), thus limiting the Group's exposure to any cash flow risk in relation to liabilities.

Group sensitivity
The Group's exposure to interest rate movements is not material.

(b) Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are acceptable. At 30 June 2018, cash equivalents were held with financial institutions rated Aa2 / A2 by Moody's.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities.

The Group has experienced recurring operating losses and operating cash outflows since inception to 30 June 2018. Due to negative operating cash flow position, the Group has not committed to any credit facilities and relied upon equity financing through private and public equity investors.

Management monitors rolling forecasts of the Group's liquidity reserve and cash and cash equivalents on the basis of expected cash flows. The Group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these.

(d) Fair value measurements

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

AASB 7 *Financial Instruments: Disclosures* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices for similar instruments and recent transactions are used to estimate fair value.

The carrying value of trade and other payables and receivables are assumed to approximate their fair values due to their short-term nature.

3 Critical accounting estimates and judgements

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.

4 Segment information

As the group has no operations, segment information is not required.

5 Revenue

	2018 $	2017 $
Interest	**2,408**	8,141
	2,408	8,141

6 Expenses

	2018 $	2017 $
Loss before income tax includes the following specific expenses:		
Employee benefits expense		
Employee benefits expense	**-**	37,661
Defined contribution superannuation expense	**-**	6,563
	-	44,224
Depreciation and amortisation		
Plant and equipment	**243**	731

7 Income tax benefit

	2018 $	2017 $
(a) Numerical reconciliation of income tax expense to prima facie tax payable		
Loss from continuing operations before income tax expense	**(463,484)**	(422,282)
Tax at the Australian tax rate of 27.50% (2017 – 27.5%)	**(127,458)**	(116,128)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share-based payments	**-**	-
	-	-
Adjustment for current tax of prior periods	**-**	15,132
Income tax losses not recognised	**(127,458)**	100,996
Income tax expense	**-**	-

	2018 $	2017 $
(b) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	**131,513,700**	130,345,717
Potential tax benefit @ 27.5% (2017: 27.5%)	**36,166,268**	35,845,072

During the 2017 financial year unused tax losses of subsidiary QRxPharma Inc amounting to approximately $3,835,000 were cancelled as QRxPharma Inc lodged its final tax return in the United States of America.

No deferred tax asset has been recognised for the tax losses and timing differences generated from operations in both Australia and the USA, as the benefit for tax losses will only be obtained if:

(i) the Group derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised

(ii) the Group continues to comply with the conditions for deductibility imposed by tax legislation, and

(iii) no changes in tax legislation adversely affect the Group in realising the benefit from the deduction for the losses.

7 Income tax benefit (continued)

(c) Tax consolidation legislation

QRxPharma Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 7 December 2002. The accounting policy in relation to this legislation is set out in note 1(g).

8 Current assets – Cash and cash equivalents

	2018 $	2017 $
Current		
Cash at bank	**199,578**	626,297
Non-current		
Other financial assets	**-**	14,806
	199,578	641,103

The other financial assets include a USD bank account that has been set aside for the purposes of the liquidation and dissolution of QRxPharma, Inc.

9 Current assets – Trade and other receivables

	2018 $	2017 $
Other receivables	**14,291**	11,930
	14,291	11,930

Information about the Group's exposure to credit risk, foreign currency and interest rate risk in relation to other receivables is provided in note 2.

Due to the short term nature of these receivables, their carrying amount is assumed to approximate their fair value and at 30 June 2018 no receivables were impaired or past due (30 June 2017: $nil).

10 Non-current assets – Plant and equipment

	$
At 1 July 2016	
Cost	39,279
Accumulated depreciation	(38,183)
Net book amount	1,096
Year ended 30 June 2017	
Opening net book amount	1,096
Additions	-
Disposals / retirements	-
Depreciation charge	(731)
Closing net book amount	365

10 Non-current assets – Plant and equipment (continued)	**$**
At 30 June 2017	
Cost	39,279
Accumulated depreciation	(38,914)
Net book amount	365
Year ended 30 June 2018	
Opening net book amount	365
Additions	-
Disposals / retirements	-
Depreciation charge	(243)
Closing net book amount	122
At 30 June 2018	
Cost	39,279
Accumulated depreciation	(39,157)
Net book amount	122

11 Current liabilities – Trade and other payables

	2018	2017
	$	$
Trade payables	**22,134**	10,818
Other payables and accruals	**38,260**	25,658
	60,394	36,476

12 Contributed equity

	2018 No. Shares	2017 Shares	**2018 $**	2017 $
(a) Share capital				
Ordinary shares - fully paid	**164,190,969**	164,190,969	**155,341,513**	155,341,513

(b) Movements in ordinary share capital:

Date	**Details**	**Number of shares**	**$**
30 June 2017	Balance	164,190,969	155,341,513
30 June 2018	Balance	164,190,969	155,341,513

(c) Ordinary shares

Each ordinary shareholder maintains, when present in person or by proxy or by attorney at any general meeting of the Company, the right to cast one vote for each ordinary share held.

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

(d) Options

Information relating to the QRxPharma Limited Employee Share Option Plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year are set out in note 21. Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

(e) Capital risk management

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group predominantly uses equity to finance its operations. In order to maintain or adjust the capital structure, the Group may return capital to shareholders, issue new shares or sell assets.

13 Reserves and accumulated losses

	2018	2017
	$	$
(a) Reserves		
Share-based payments reserve	**12,635,278**	12,635,278
Foreign currency translation reserve	**403,466**	403,307
Transactions with non-controlling interest reserve	**455,548**	455,548
	13,494,292	13,494,133
Movements:		
Share-based payments reserve		
Balance 1 July 2017	**12,635,278**	12,635,278
Option expense / (write-back)	**-**	-
Balance 30 June 2018	**12,635,278**	12,635,278
Foreign currency translation reserve		
Balance 1 July 2017	**403,307**	403,599
Currency translation differences arising during the year	**159**	(292)
Balance 30 June 2018	**403,466**	403,307
Transactions with non-controlling interest reserve		
Balance 1 July 2017	**455,548**	455,548
Balance 30 June 2018	**455,548**	455,548

(b) Accumulated losses

Movements in accumulated losses were as follows:

	2018	2017
	$	$
Balance at 1 July 2017	**(168,154,192)**	(167,731,910)
Net loss for the year	**(463,484)**	(422,282)
Balance 30 June 2018	**(168,617,676)**	(168,154,192)

(c) Nature and purpose of reserves

(i) Share-based payments reserve

The share-based payment reserve is used to recognise:

- the fair value of options issued to employees
- the fair value of shares issued to employees

(ii) Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entity are taken to the foreign currency translation reserve, as described in note 1(e). The reserve will be recognised in profit and loss when the net investment is disposed.

(iii) Transactions with non-controlling interests

This reserve is used to record amounts which may arise as a result of transactions with non-controlling interests that do not result in a loss of control.

14 Non-controlling interests

	2018 **$**	2017 $
Interests in:		
Share capital	**122,122**	122,122
Reserves	**122,122**	122,122
Retained earnings	**(308,776)**	(308,776)
	(64,532)	(64,532)

15 Remuneration of auditors

	2018 **$**	2017 $
Auditor of the Group		
Audit		
Audit of the financial statements		
Pitcher Partners Sydney	**21,294**	22,861
Total remuneration for audit and other assurance services	**21,294**	22,861

16 Commitments

Operating Leases

The Group leases office premises in Sydney, Australia which from January 2015 was renewed on a month-to-month basis. This lease was cancelled in July 2018.

	2018 **$**	2017 $
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**-**	-
Later than one year but not later than five years	**-**	-
	-	-

On 28 June 2018 the Company entered into a Share Sale and Purchase Agreement in order to facilitate the Proposed Transaction. The aim of the proposed transaction is to obtain control of garnet producing plant and mining tenements in the Hart's Range area of the Northern Territory. The memorandum of understanding for the transaction has conditions precedent for QRxPharma Limited to meet.

On 26 April 2018 the Company entered into an agreement with Hall Chadwick to prepare an Independent Experts Report in relation to the proposed transaction, with an estimated fee of $25,000 plus GST.

17 Related party transactions

(a) Subsidiaries

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

Name of entity	Country of incorporation	Class of shares	Equity holding 2018	2017
			%	%
The Lynx Project Pty Limited	Australia	Ordinary	**100**	100
Haempatch Pty Limited	Australia	Ordinary /Preference	**100**	100
QRxPharma, Inc.	USA	Ordinary	**100**	100
Venomics Pty Limited	Australia	Ordinary	**87.4**	87.4
Stealthguard Pty Limited	Australia	Ordinary	**100**	100
Safeguard Therapeutics Pty Limited	Australia	Ordinary	**100**	100

QRxPharma Inc prepared a plan of complete liquidation and dissolution dated 12 September 2016. Based on legal advice a nominal amount of cash is required to be maintained for a minimum period of two years in order to pay any debts that may arise. Upon completion of the two years the Directors of QRxPharma Ltd along with the Authorized Officer of QRxPharma Inc will authorise the transfer of any remaining funds to QRxPharma Ltd and the shares held in QRxPharma Inc will be cancelled at this time.

(b) Key management personnel

	2018 **$**	2017 $
Short-term employee benefits	**137,760**	137,989
Post-employment benefits	**5,700**	11,575
Share-based payments	**-**	-
	143,460	149,564

During the year the company paid consulting fees to John Rainbow of $39,360.

(c) Outstanding balances

At balance date an amount of $15,840 was due and payable to John Rainbow for consulting services and is included in creditors and accruals.

18 Reconciliation of loss after income tax to net cash outflow from operating activities

	2018 $	2017 $
Loss for the year	**(463,484)**	(422,282)
Depreciation and amortisation	**243**	731
Net exchange differences on cash and cash equivalents	**(3,857)**	4,853
(Gain)/ Loss on disposal / retirement of fixed assets	**-**	-
Change in operating assets and liabilities		
(Increase)/decrease in other receivables and prepayments	**(2,362)**	67,912
(Decrease)/increase in trade creditors, accruals and provisions	**23,918**	(198,850)
Net cash outflow from operating activities	**(445,542)**	(547,636)

19 Loss per share

	2018 Cents	2017 Cents
(a) Basic loss per share		
Loss from continuing operations attributable to the ordinary equity holders of the Company	**(0.3)**	(0.3)
(b) Diluted loss per share		
Loss from continuing operations attributable to the ordinary equity holders of the Company	**(0.3)**	(0.3)

(c) Reconciliations of earnings used in calculating earnings per share

	2018 $	2017 $
Basic loss per share		
Loss attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	**(463,484)**	(422,282)
Diluted loss per share		
Loss attributable to the ordinary equity holders of the Company used in calculating diluted earnings per share	**(463,484)**	(422,282)

(d) Weighted average number of shares used as the denominator

	2018 Number	2017 Number
Weighted average number of ordinary shares used as the denominator in calculating basic loss per share	**164,190,969**	164,190,969
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted loss per share	**164,190,969**	164,190,969

(e) Information concerning the classification of securities

Options
Options are considered to be potential ordinary shares. The options are not included in the calculation of diluted earnings per share because they are anti-dilutive. These options could potentially dilute basic earnings per share in the future. Details relating to the options are set out in note 21.

20 Parent entity financial information

(a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

Statement of Financial Position	**2018 $**	2017 $
Current assets	**200,145**	636,031
Non-Current assets	**13,846**	17,367
Total assets	**213,991**	653,398
Current liabilities	**88,095**	64,178
Non-Current liabilities	**-**	-
Total liabilities	**88,095**	64,178
Shareholders' equity		
Issued capital	**155,341,514**	155,341,514
Share based payment reserve	**12,172,315**	12,172,315
Accumulated losses	**(167,387,933)**	(166,924,609)
	125,896	(589,220)

	2018 $	2017 $
Loss for the year	**(463,325)**	(422,574)
Total loss	**(463,325)**	(422,574)

(b) Guarantees entered into by the parent entity

There are no guarantees entered into by the parent entity.

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2018 or 30 June 2017.

(d) Commitments of the parent entity

The parent entity leases office premises in Sydney, Australia which from January 2015 were renewed on a month-to-month basis. It previously leased this property on a longer term basis. This lease was cancelled in July 2018.

	2018 $	2017 $
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**-**	-
Later than one year but not later than five years	**-**	-
	-	-

21 Share-based payments

(a) QRxPharma Employee Share Option Plan (ESOP)

The QRxPharma Limited Employee Share Option Plan (Limited ESOP) was approved by shareholders at the extraordinary general meeting of members held on 24 April 2007.

Under the Limited ESOP shares may be issued by the Company to eligible employees at an exercise price as determined by the remuneration committee, being not less than the share price on the grant date of the options. Any person who is employed by, or is a director, officer, executive or consultant of the Company or any related body corporate of the Company and whom the remuneration committee determines is eligible to participate in the option plan are eligible to participate in the plan. Employees may elect not to participate in the scheme.

The total number of shares that shall be reserved for issuance under the option plan shall not exceed ten per cent (10%) of the Diluted Ordinary Share Capital in the Company as at the date of issue of the relevant options under the option plan, subject to changes in capitalisation as provided in clause 16.3 of the option plan. The approval of the Company's shareholders must be obtained for any amendment to the option plan in relation to:
(a) increasing the maximum aggregate number of shares that may be issued under the option plan;
(b) any change in the class of employees eligible to receive options under the option plan;
(c) any change in the shares reserved for issuance under the option plan; and
(d) substitution of another entity in place of the Company as the issuer of shares under the option plan.

Options will lapse if they are not exercised before the expiration date or if the option holder leaves the employment of the Group.

Options granted under the plan carry no dividend or voting rights. The vesting period for each option issued up to 31 December 2008 is 3 years, or as varied by the board, one-third vesting 12 months from the date of grant and the balance vesting equally each year over the remaining two year period. Options issued from 1 January 2009 generally vest over 3 years with the initial vesting on the first anniversary of the date of the grant and subsequent vesting in 8 equal tranches on the first day of each calendar quarter over the following 2 years. When exercisable, each option is convertible into one ordinary share and entitles the holder to the same ordinary share rights as set out in note 12. Shares issued under the scheme may be sold at the expiration of any Restriction Agreement between the eligible employee and the Company. Such restrictions may be imposed by the remuneration committee upon the grant of options under the option plan and such restrictions will be contained in the Option Agreement between the eligible employee and the Company. In all other respects the shares rank equally with other fully paid ordinary shares on issue (refer to note 12(d)).

(b) Set out below are summaries of options granted under the plans:

Year ended 30 June 2018 Grant Date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Net other changes during the year Number[1]	Balance at end of the year Number	Vested and exercisable at end of the year Number
24 August 2010	24 August 2017	$0.95	50,000	-	-	(50,000)	-	-
1 January 2011	1 January 2018	$1.40	20,000	-	-	(20,000)	-	-
Total			70,000	-	-	(70,000)	-	-
Weighted average exercise price			1.08	-	-	1.08	-	-

[1] These options lapsed during the year ended 30 June 2018

Year ended 30 June 2017 Grant Date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Net other changes during the year Number[1]	Balance at end of the year Number	Vested and exercisable at end of the year Number
24 August 2010	24 August 2017	$0.95	50,000	-	-	-	50,000	50,000
1 January 2011	1 January 2018	$1.40	20,000	-	-	-	20,000	20,000
7 November 2012	7 November 2016	$1.03	200,000	-	-	(200,000)	-	-
13 November 2013	13 November 2017	$0.91	400,000	-	-	(400,000)	-	-
Total			670,000	-	-	(600,000)	70,000	70,000
Weighted average exercise price			0.96	-	-	0.95	1.08	1.08

[1] These options lapsed during the year ended 30 June 2017

There were no share options exercised during the year ended 30 June 2018 (2017 – Nil).

Fair value of options granted
There were no options granted during the year ended 30 June 2018 (2017 – Nil).

22 Events occurring after the balance date

No significant events have occurred after the balance date which would have a material impact on the financial results of the Group.

Directors' declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 22 to 46 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 consolidated entity's financial position as at 30 June 2018 and of their performance for the financial year ended on that date; and

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

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

The directors have been given a declaration by the chief financial officer required by section 295A of the *Corporations Act 2001.*

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

On behalf of the directors.

Anthony Jefferies
Director

Sydney
27 August 2018

PITCHER PARTNERS
ACCOUNTANTS • AUDITORS • ADVISORS

Level 22 MLC Centre
19 Martin Place
Sydney NSW 2000
Australia

Postal Address:
GPO Box 1615
Sydney NSW 2001
Australia

Tel: +61 2 9221 2099
Fax: +61 2 9223 1762

www.pitcher.com.au
sydneypartners@pitcher.com.au

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QRxPHARMA LIMITED
ABN 16 102 254 151
INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF QRxPHARMA LIMITED

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of QRxPharma Limited "the Company" and its controlled entities "the Group", which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

(a) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and
(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1(b) Going Concern in the financial report which discloses that the Group incurred a net loss for the year ended 30 June 2018 of $463,484 and had net cash outflows from operating activities of $445,542. In Note 1(b) it is stated that the Group is dependent on the raising of additional funds for working capital purposes, primarily to continue to review potential opportunities for the Group. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities at the amounts stated in the financial statements in the normal course of business.

Key Audit Matters

Except for the matters described in the Material Uncertainty Related to Going Concern section, we have determined there are no key audit matters to communicate in our audit report.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Corporate Directory, Directors Report, Shareholders Information and Corporate Governance Statement, which was obtained as at the date of our audit report, and any other information included in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 7 to 11 of the directors' report for the year ended 30 June 2018. In our opinion, the Remuneration Report of QRxPharma Limited, for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

Mark Godlewski

M A GODLEWSKI
Partner
27 August 2018

Pitcher Partners

PITCHER PARTNERS SYDNEY
Sydney

Shareholder information

The shareholder information set out below was applicable as at 27 August 2018.

A. Distribution of equity securities

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

	Ordinary Shares
1 - 1,000	386
1,001 - 5,000	492
5,001 - 10,000	364
10,001 - 100,000	856
100,001 and over	195
	2,259

There are 1,455 holders of less than a marketable parcel of ordinary shares.

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	Ordinary shares Number held	Ordinary shares Percentage of issued shares
J P MORGAN NOMINEES AUSTRALIA LIMITED	8,559,420	5.21%
CITICORP NOMINEES PTY LIMITED	7,744,662	4.72%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	6,158,410	3.75%
WERFT PTY LIMITED	4,481,149	2.73%
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD DRP	4,281,250	2.61%
ONE MANAGED INVT FUNDS LTD	4,277,224	2.61%
MACQUARIE SECURITIES (AUSTRALIA) LIMITED	4,129,927	2.52%
AUCKLAND TRUST COMPANY LTD	3,694,250	2.25%
DR GARY WILLIAM PACE & MRS JINNY HAMILTON PACE	3,500,365	2.13%
MRS SUHUA WU	3,046,491	1.86%
NATIONAL NOMINEES LIMITED	2,282,326	1.39%
SPRING RIDGE VENTURES I LP	2,128,673	1.30%
MR JOHN WALDRON HOLADAY	2,031,000	1.24%
AUCKLAND TRUST COMPANY LIMITED	1,800,000	1.10%
AUCKLAND TRUST COMPANY LIMITED	1,794,500	1.09%
FIRST INVESTMENT PARTNERS PTY LTD	1,757,234	1.07%
PHYKAT PTY LTD	1,510,627	0.92%
TESROFF PTY LTD	1,495,055	0.91%
UIIT PTY LIMITED	1,451,621	0.88%
MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED	1,443,470	0.88%
	67,567,654	**41.15%**

C. Substantial holders

Substantial holders in the Company are set out below:

	Number held	Percentage
Ordinary shares		
Allan Gray Investment Management	19,746,950	12.03%
Walker Group Holdings Pty Limited, Auckland Trust Company Limited, Tesroff Pty Limited and Werft Pty Limited	15,653,120	9.53%

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D. Voting rights

The voting rights attaching to each class of equity securities are set out below:

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

(b) Options
No voting rights.