



QRxPharma Limited

ABN 16 102 254 151

**Annual report
for the year ended 30 June 2020**

QRxPharma Limited ABN 16 102 254 151
Annual report - 30 June 2020

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Corporate directory

Directors	Anthony Jefferies Matthew Worner Lee Christensen
Secretary	Vincent Fayad
Principal registered office in Australia	Suite 6 Level 5/189 Kent St Sydney NSW 2000
Share register	Link Market Services Limited Level 12 680 George Street Sydney NSW 2000
Auditor	Pitcher Partners Level 16 Tower 2 Darling Park 201 Sussex Street Sydney NSW 2000
Bankers	Westpac Banking Corporation Level 9 Keycorp Tower 799 Pacific Highway Chatswood NSW 2067
Website address	www.qrxpharma.com.au

Letter from the Board

Dear Shareholder,

The focus of the Company throughout the year has been identifying business opportunities that will assist the reinstatement of the Company's securities to official quotation on the Australian Securities Exchange (ASX). It has not otherwise traded.

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

Sincerely,

A handwritten signature in blue ink, appearing to be 'Anthony Jefferies', with a long, wavy horizontal line extending to the right.

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 2020.

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:

Anthony Jefferies
Matthew Worner
Lee Christensen

The directors have been directors for the whole of the financial year unless otherwise stated.

Principal activities

The company did not trade during the year ended 30 June 2020.

Results and Review of Operations

The Company reported a total loss for the year ended 30 June 2020 of \$42,685 .
The year ended 30 June 2020 operating results are attributed to the following:

- o General and administration expense of \$44,603 ; and
- o At 30 June 2020, the Group holds cash and cash equivalents of \$32,490.

As detailed in Note 1 (b) of the financial statements have been prepared on a going concern basis.

No dividends were paid or declared since the start of the financial year.

Significant changes in the state of affairs

No significant changes in the state of affairs of the Group occurred 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 Company during the 2020 financial year was cost minimisation with an effort to identify 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 2020, the Group holds cash and cash equivalents of \$32,490. As detailed in Note 1b of the Financial Report the financial statements have been prepared on the going concern basis.

Business Risks

The board continues to review all strategic alternatives for the Company and its assets, which will impact on the assessment of relevant specific risks that have the potential to affect the Company'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 Company.

Information on directors

Anthony Jefferies *Non-Executive Director*

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

The Academy of Legal Training Pty Ltd

Special responsibilities

Nil.

Interests in shares and options

Mr. Jefferies holds no shares in the Company.

Matthew Worner *Non-Executive Director*

Experience and expertise

Mr. Worner is corporate and commercial lawyer with over 20 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 holds no shares in the Company.

Lee Christensen *Non-Executive Director*

Experience and expertise

Mr. Christensen is a director of CXlaw in Western Australia. Lee has previously in the senior partner of Gadens/Dentons in Perth and has practised law for over 30 years. He has experience in insolvency, finance, commercial and corporate law and regularly acts for both private and publicly listed companies."

Other current directorships

Chairman of Titanium Sands Ltd and the interim chairman of Empire Resources Ltd.

Former directorships in last 3 years

Chairman of Quantify Technology Holdings Ltd

Special responsibilities

Nil.

Interests in shares and options

Mr. Christensen holds no shares in the Company.

Directors Attendance at Meetings

	Full meetings of directors		Meetings of non-executive directors		Meetings of committees					
					Audit and risk		Nominations		Remuneration	
	A	B	A	B	A	B	A	B	A	B
Anthony Jefferies	-	-	-	-	-	-	-	-	-	-
Matthew Worner	-	-	-	-	-	-	-	-	-	-
Lee Christensen	-	-	-	-	-	-	-	-	-	-

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 company had no key management personnel apart from the directors during the year ended 30 June 2020. Directors fees accrued totalled \$30,000. At balance date a total of \$60,000 is payable to the directors.

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 2020.

Indemnification

The Company has entered into Deeds of Indemnity, with each of the directors 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.

Insurance of officers

During the 2020 financial year neither of the Company' nor its officers had any insurance cover.

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).

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 7.

Auditor

Pitcher Partners continued as auditor of the Company during the year.

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.

A handwritten signature in blue ink, appearing to read 'Anthony Jefferies', with a stylized flourish extending to the right.

Anthony Jefferies
Non-Executive Director

Sydney
2 December 2021

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201 Sussex Street
Sydney NSW 2000

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GPO Box 1615
Sydney NSW 2001

p. +61 2 9221 2099
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**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 2020, 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.



M A GODLEWSKI
Partner

PITCHER PARTNERS
Sydney

2 December 2021

QRxPharma Limited ABN 16 102 254 151

Annual report - 30 June 2020

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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 6
Level 5/189 Kent St
Sydney NSW 2000.

The financial statements were authorised for issue by the directors on 2 December 2021. The directors have the power to amend and reissue the financial statements.

All press releases, financial reports and other information are available at the registered office of the Company.

QRxPharma Limited
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2020

	Notes	2020 \$	2019 \$
Revenue from continuing operations	5	17	9,435
Depreciation and amortisation	6	-	(122)
Restructuring expense		-	(11,700)
General and Administration expense		(44,603)	(189,345)
Net foreign exchange (loss) / gain		1,901	(1,669)
Loss before income tax		(42,685)	(193,401)
Income tax benefit	7	-	-
Loss from continuing operations		(42,685)	(193,401)
Loss for the year		(42,685)	(193,401)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		-	-
Other comprehensive income for the year, net of tax		-	-
Total comprehensive (loss) for the year		(42,685)	(193,401)
Loss for the year is attributable to:			
Owners of QRxPharma Limited		(42,685)	(193,401)
Non-controlling interests		-	-
		(42,685)	(193,401)
Total comprehensive (loss) is attributable to:			
Owners of QRxPharma Limited		(42,685)	(193,401)
Non-controlling interests		-	-
		(42,685)	(193,401)

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

QRxPharma Limited
Consolidated statement of financial position
As at 30 June 2020

	Notes	2020 \$	2019 \$
ASSETS			
Current assets			
Cash and cash equivalents	8	<u>32,490</u>	<u>37,686</u>
Total current assets		<u>32,490</u>	<u>37,686</u>
Non-current assets			
Plant and equipment		<u>-</u>	<u>-</u>
Total non-current assets		<u>-</u>	<u>-</u>
Total assets		<u>32,490</u>	<u>37,686</u>
LIABILITIES			
Current liabilities			
Trade and other payables	9	<u>114,979</u>	<u>77,490</u>
Total current liabilities		<u>114,979</u>	<u>77,490</u>
Non-current liabilities			
Total non-current liabilities		<u>-</u>	<u>-</u>
Total liabilities		<u>114,979</u>	<u>77,490</u>
Net assets		<u>(82,489)</u>	<u>(39,804)</u>
EQUITY			
Contributed equity	10	<u>155,341,513</u>	<u>155,341,513</u>
Reserves	11(a)	<u>13,494,292</u>	<u>13,494,292</u>
Accumulated losses	11(b)	<u>(168,853,762)</u>	<u>(168,811,077)</u>
Capital and reserves attributable to owners of QRxPharma Limited		<u>(17,957)</u>	<u>24,728</u>
Non-controlling interests	12	<u>(64,532)</u>	<u>(64,532)</u>
Total equity		<u>(82,489)</u>	<u>(39,804)</u>

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

**Attributable to the owners of
QRxPharma Limited**

Balance at 30 June 2018

Transactions with owners in their capacity as owners:

Balance at 30 June 2019

Transactions with owners in their capacity as owners:

Balance at 30 June 2020

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QRxPharma Limited
Consolidated statement of cash flows
For the year ended 30 June 2020

	Notes	2020 \$	2019 \$
Cash flows from operating activities			
Payments to suppliers and employees (inclusive of goods and services tax)		(7,114)	(170,567)
Receipts from customers and Interest received	5	<u>17</u>	<u>10,344</u>
Net cash (outflows) from operating activities	16	(7,097)	(160,223)
Cash flows from investing activities		<u> </u>	<u> </u>
Net cash (outflows) from investing activities		-	-
Net cash inflows from financing activities		<u> </u>	<u> </u>
Net increase/ (decrease) in cash and cash equivalents		(7,097)	(160,223)
Cash and cash equivalents at the beginning of the financial year		37,686	199,578
Effects of exchange rate changes on cash and cash equivalents		<u>1,901</u>	<u>(1,669)</u>
Cash and cash equivalents at end of year	8	<u>32,490</u>	<u>37,686</u>

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

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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 2019 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 2 December 2021.

(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 2019.

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 2020, the Group incurred a net loss of \$42,685 and had net cash outflows from operating activities of \$7,097. As at 30 June 2020, the Group holds cash and cash equivalents of \$32,490.

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 2020 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

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the Company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value adjusted for transaction costs, except where the instrument is classified as fair value through profit or loss, in which case transaction costs are immediately recognised as expenses in profit or loss.

Classification of financial assets

Financial assets recognised by the Company are subsequently measured in their entirety at either amortised cost or fair value, subject to their classification and whether the Company irrevocably designates the financial asset on initial recognition at fair value through other comprehensive income (FVtOCI) in accordance with the relevant criteria in AASB 9.

Financial assets not irrevocably designated on initial recognition at FVtOCI are classified as subsequently measured at amortised cost, FVtOCI or fair value through profit or loss (FVtPL) on the basis of both:

- (a) the Company's business model for managing the financial assets; and
- (b) the contractual cash flow characteristics of the financial asset.

Classification of financial liabilities

Financial liabilities classified as held-for-trading, contingent consideration payable by the Company for the acquisition of a business, and financial liabilities designated at FVtPL, are subsequently measured at fair value.

All other financial liabilities recognised by the Company are subsequently measured at amortised cost.

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

l) 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.

m) 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 18.

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.

n) 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.

o) 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.

p) 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).

q) Parent entity financial information

The financial information for the parent entity, QrxPharma Limited 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.

r) 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:

	2020 \$	2019 \$
Financial assets		
Cash and cash equivalents	32,490	37,686
Trade and other receivables	-	-
Other financial assets	-	-
	<u>32,490</u>	<u>37,686</u>
Financial liabilities		
Trade and other payables	114,979	77,490
	<u>114,979</u>	<u>77,490</u>

(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:

	2020 \$	2019 \$
Cash at bank	<u>29,720</u>	<u>27,819</u>
	<u>29,720</u>	<u>27,819</u>

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 2020 was \$nil (2019: \$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 2020, 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 2020. 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

	2020	2019
	\$	\$
Other	-	9,091
Interest	<u>17</u>	<u>344</u>
	<u>17</u>	<u>9,435</u>

6 Expenses

	2020	2019
	\$	\$
Loss before income tax includes the following specific expenses:		
<i>Depreciation and amortisation</i>		
Plant and equipment	<u>-</u>	<u>122</u>

7 Income tax benefit

	2020	2019
	\$	\$
(a) Numerical reconciliation of income tax expense to prima facie tax payable		
Loss from continuing operations before income tax expense	<u>(42,685)</u>	<u>(193,401)</u>
Tax at the Australian tax rate of 27.50% (2019 – 27.5%)	<u>(11,738)</u>	<u>(53,185)</u>
	<u>-</u>	<u>-</u>
Adjustment for current tax of prior periods	-	-
Income tax losses not recognised	<u>(11,738)</u>	<u>(53,185)</u>
Income tax expense	<u>-</u>	<u>-</u>
	<u>2020</u>	<u>2019</u>
	\$	\$
(b) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	<u>132,260,480</u>	<u>132,217,795</u>
Potential tax benefit @ 27.5% (2019: 27.5%)	<u>36,371,632</u>	<u>36,359,894</u>

No deferred tax asset has been recognised for the tax losses and timing differences generated from operations 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.

(c) Tax consolidation legislation

QRxPharma Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 7 December 2002.

8 Current assets – Cash and cash equivalents

	2020 \$	2019 \$
Current		
Cash at bank	32,490	37,686
	<u>32,490</u>	<u>37,686</u>

9 Current liabilities – Trade and other payables

	2020 \$	2019 \$
Trade payables	-	4,318
Other payables and accruals	<u>114,979</u>	<u>73,172</u>
	<u>114,979</u>	<u>77,490</u>

10 Contributed equity

	2020 No. Shares	2019 Shares	2020 \$	2019 \$
Share capital				
Ordinary shares - fully paid	<u>164,190,969</u>	<u>164,190,969</u>	<u>155,341,513</u>	<u>155,341,513</u>

(b) Movements in ordinary share capital:

Date	Details	Number of shares	\$
30 June 2019	Balance	<u>164,190,969</u>	<u>155,341,513</u>
30 June 2020	Balance	<u>164,190,969</u>	<u>155,341,513</u>

(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

There were no options outstanding at 30 June 2020.

(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.

11 Reserves and accumulated losses

	2020 \$	2019 \$
(a) Reserves		
Share-based payments reserve	12,635,278	12,635,278
Foreign currency translation reserve	403,466	403,466
Transactions with non-controlling interest reserve	<u>455,548</u>	<u>455,548</u>
	<u>13,494,292</u>	<u>13,494,292</u>

Movements:

<i>Share-based payments reserve</i>		
Balance 1 July 2019	12,635,278	12,635,278
Option expense / (write-back)	-	-
Balance 30 June 2020	<u>12,635,278</u>	<u>12,635,278</u>

<i>Foreign currency translation reserve</i>		
Balance 1 July 2019	403,466	403,466
Currency translation differences arising during the year	-	-
Balance 30 June 2020	<u>403,466</u>	<u>403,466</u>

<i>Transactions with non-controlling interest reserve</i>		
Balance 1 July 2019	455,548	455,548
Balance 30 June 2020	<u>455,548</u>	<u>455,548</u>

(b) Accumulated losses

Movements in accumulated losses were as follows:

	2020 \$	2019 \$
Balance at 1 July 2019	(168,811,077)	(168,617,676)
Net loss for the year	<u>(42,685)</u>	<u>(193,401)</u>
Balance 30 June 2020	<u>(168,853,762)</u>	<u>(168,811,077)</u>

(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.

12 Non-controlling interests

	2020 \$	2019 \$
Interests in:		
Share capital	122,122	122,122
Reserves	122,122	122,122
Retained earnings	<u>(308,776)</u>	<u>(308,776)</u>
	<u>(64,532)</u>	<u>(64,532)</u>

13 Remuneration of auditors

	2020 \$	2019 \$
Auditor of the Group		
<i>Audit</i>		
Audit of the financial statements		
Pitcher Partners Advisors	10,000	10,000
Total remuneration for audit and other assurance services	<u>10,000</u>	<u>10,000</u>

14 Commitments

Operating Leases

The Company had no lease commitments.

15 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	
			2020	2019
			%	%
The Lynx Project Pty Limited	Australia	Ordinary	100	100
Haempatch Pty Limited	Australia	Ordinary /Preference	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

(b) Key management personnel

The Company had no key management personnel apart from the directors during the year ended 30 June 2020. Director fees accrued totalled \$30,000. At balance date a total of \$60,000 is payable to the directors.

(c) Outstanding balances

The Company had no sums owed to any related party at 30 June 2020.

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

	2020 \$	2019 \$
Loss for the year	(42,685)	(193,401)
Depreciation and amortisation	-	122
Net exchange differences on cash and cash equivalents	(1,901)	1,669
(Gain)/ Loss on disposal / retirement of fixed assets	-	-
Change in operating assets and liabilities		
(Increase)/decrease in other receivables and prepayments	-	14,291
(Decrease)/increase in trade creditors, accruals and provisions	37,489	17,096
Net cash outflow from operating activities	<u>(7,097)</u>	<u>(160,223)</u>

17 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	2020 \$	2019 \$
Current assets	32,490	37,686
Non-Current assets	-	-
Total assets	<u>32,490</u>	<u>37,686</u>
Current liabilities	142,680	105,191
Non-Current liabilities	-	-
Total liabilities	<u>142,680</u>	<u>105,191</u>
<i>Shareholders' equity</i>		
Issued capital	155,341,514	155,341,514
Share based payment reserve	12,172,315	12,172,315
Accumulated losses	<u>(167,624,019)</u>	<u>(167,581,334)</u>
	<u>(110,190)</u>	<u>(67,505)</u>

	2020 \$	2019 \$
Loss for the year	<u>(42,685)</u>	<u>(193,401)</u>
Total loss	<u>(42,685)</u>	<u>(193,401)</u>

(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 2020 or at 30 June 2019.

(d) Commitments of the parent entity

The company did not have any commitments for leases or any other obligations at 30 June 2020.

18 Share-based payments

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 but is no longer operable.

19 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 9 to 28 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 2020 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
Non-Executive Director

Sydney
2 December 2021

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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 2020, 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 2020 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 (including independence standards)* "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.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Corporate Directory, Directors Report, 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 2020, 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.

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.



M A GODLEWSKI
Partner

2 December 2021



PITCHER PARTNERS
Sydney