iX Biopharma Ltd.

(Company Registration No. 200405621W)

UNAUDITED FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2019

1(a)(i) A statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group 3 months ended		
	30.09.19 S$'000	30.09.18 # S$'000	Incr/(Decr) %
Continuing Operations			
Revenue	120	101	19%
Cost of sales	(355)	(204)	74%
Gross loss	**(235)**	**(103)**	128%
Other income	219	299	(27%)
Expenses			
- Research and development	(715)	(1,376)	(48%)
- Sales and marketing	(648)	(416)	56%
- General and administrative	(1,360)	(1,266)	7%
- Others †	(544)	(430)	27%
- Finance expense	(62)	(60)	3%
Total expenses	(3,329)	(3,548)	(6%)
Loss from continuing operations before income tax	**(3,345)**	**(3,352)**	0%
Income tax (expenses)/credit	-	-	
Loss from continuing operations	**(3,345)**	**(3,352)**	0%
Discontinued Operation			
Profit from operation, net of tax	-	111	n.m.
Profit from discontinued operation	-	111	n.m.
Total loss	**(3,345)**	**(3,241)**	3%
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation			
- Gain	366	316	16%
Other comprehensive income, net of tax	366	316	16%
Total comprehensive loss	**(2,979)**	**(2,925)**	2%

Note

During 3Q19, the Group disposed its entire laboratory testing business held under Chemical Analysis Pty Ltd ("CAPL") and the disposal of CAPL was completed on 15 March 2019. Accordingly, the Group decided to account and report all laboratory testing activities of CAPL, prior to its disposal as part of Discontinued Operation in the current financial year and re-presented its comparative in the Consolidated Statement of Comprehensive Income.

† *Comprises net currency exchange (losses) / gains principally due to unrealised translation differences arising from foreign currency deposits.*

n.m. : not meaningful
Incr/(Decr) : Increase / (Decrease)

1(a)(ii) The following items (with appropriate breakdowns and explanations), if significant, must either be included in the income statement or in the notes to the income statement for the current financial period reported on and the corresponding period of the immediately preceding financial year:

Total loss of the Group is arrived at after charging/crediting the following:

		Group		
		3 months ended		
	Note	30.09.19 S$'000	30.09.18 S$'000	Incr/ (Decr) %
After crediting:				
Research and development tax incentive	(i)	110	146	(25%)
Interest income		39	51	(24%)
After charging:				
Share-based payment expense	(ii)	102	77	32%
Depreciation and amortisation expense		260	370	(30%)
Currency exchange losses - net		544	430	27%
Interest expense		62	65	(5%)

(i) The research and development (R&D) tax incentive is a programme administered jointly by the Australian Taxation Office and Innovation Australia which provides a rate of 43.5% refundable tax offset for expenditure incurred for eligible R&D activities. (See Note 8 for details)

(ii) The share-based payment expense was due to amortisation of the fair value of the share options granted to employees over the vesting period.

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	30.09.19 S$'000	30.06.19 S$'000	30.09.19 S$'000	30.06.19 S$'000
ASSETS				
Current assets				
Cash and cash equivalents	13,725	15,872	12,083	14,308
Trade and other receivables	670	1,425	11,801	10,871
Other current assets	239	362	134	171
Inventories	831	850	-	-
	15,465	18,509	24,018	25,350
Non-current assets				
Deposits – operating lease	81	81	81	81
Intangible assets	455	460	102	102
Property, plant and equipment	7,528	7,636	234	256
Right of use assets	499	-	499	-
Investments in subsidiaries	-	-	1,966	1,966
	8,563	8,177	2,882	2,405
Total assets	24,028	26,686	26,900	27,755
LIABILITIES				
Current liabilities				
Trade and other payables	2,135	2,310	1,247	1,149
Borrowings	218	211	23	23
Lease liabilities	362	-	362	-
Provision	11	10	-	-
	2,726	2,531	1,632	1,172
Non-current liabilities				
Provision	41	36	-	-
Borrowings	3,500	3,620	74	80
Lease liabilities	139	-	139	-
	3,680	3,656	213	80
Total liabilities	6,406	6,187	1,845	1,252
NET ASSETS	17,622	20,499	25,055	26,503
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	71,525	71,525	71,525	71,525
Other reserves	2,679	2,211	610	508
Accumulated losses	(56,582)	(53,237)	(47,080)	(45,530)
Total equity	17,622	20,499	25,055	26,503

1(b)(ii) In relation to the aggregate amount of the group's borrowings and debt securities, specify the following as at the end of the current financial period reported on with comparative figures as at the end of the immediately preceding financial year.

	30.9.19			30.6.19		
	Unsecured	Secured	Total	Unsecured	Secured	Total
Amount repayable in one year or less	362	218	580	-	211	211
Amount repayable after one year	139	3,500	3,639	-	3,620	3,620
Total	**501**	**3,718**	**4,219**	**-**	**3,831**	**3,831**

Unsecured loans are lease liabilities recognised under SFRS(I) 16. Secured loans are bank borrowings and secured over land and building, certain plant and equipment, motor vehicles and certain bank deposits of subsidiaries of the Group.

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group 3 months ended	
	30.09.19	**30.09.18**
	S$'000	**S$'000**
Cash flows from operating activities		
Total loss after tax	(3,345)	(3,241)
Adjustments for:		
- Deferred government grant income	-	(4)
- Depreciation and amortisation expense	260	370
- Income tax expenses/(credit)	-	(35)
- Interest income	(39)	(51)
- Interest expense	62	65
- Provision	6	(3)
- Research and development tax incentive	(110)	(146)
- Share based payment expense	102	77
- Unrealised currency exchange losses – net	518	312
	(2,546)	(2,656)
Changes in working capital:		
- Trade and other receivables	112	(246)
- Other current assets	120	137
- Trade and other payables	(156)	(2,453)
- Inventories	5	(86)
Cash used in operations	(2,465)	(5,304)
Interest received	27	119
Research and development tax incentive received	742	-
Net cash used in operating activities	(1,696)	(5,185)
Cash flows from investing activities		
Additions to property, plant and equipment	(181)	(526)
Net cash used in investing activities	(181)	(526)
Cash flows from financing activities		
Repayment of borrowings and lease liabilities	(139)	(73)
Interest paid	(62)	(65)
Net cash used in financing activities	(201)	(138)
Net decrease in cash and cash equivalents	(2,078)	(5,849)
Cash and cash equivalents		
Beginning of financial period	14,709	20,666
Effects of currency translation on cash and cash equivalents	(49)	27
End of financial period	12,582	14,844

Note:

A. Cash and cash equivalents comprise the following:

	Group	
	30.9.19	**30.9.18**
	S$'000	**S$'000**
Cash and cash equivalents in Balance Sheet	13,725	15,244
Less: Bank deposits pledged as security for borrowings	(1,143)	(400)
Cash and cash equivalents per consolidated statement of cash flows	12,582	14,844

B. Reconciliation of liabilities arising from financing activities:

				Non-cash changes		
	1 July 2019	**Recognised assets**	**Principal and interest payments**	**Interest expense**	**Foreign exchange movement**	**30 Sep 2019**
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Bank borrowings	3,831		(106)	55	(62)	3,718
Lease liabilities	-	589	(95)	7	-	501

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Attributable to equity holders of the Company				
Group	**Share capital**	**Share based payment reserve**	**Currency translation reserve**	**Accumulated losses**	**Total equity**
	S$'000	S$'000	S$'000	S$'000	S$'000
At 1 July 2019	**71,525**	**508**	**1,703**	**(53,237)**	**20,499**
Profit for the period	-	-	-	(3,345)	(3,345)
Other comprehensive gain for the period	-	-	366	-	366
Total comprehensive gain for the period	-	-	366	(3,345)	(2,979)
Share based payment scheme					
- Value of employees' services	-	102	-	-	102
Total transactions with owners, recognised directly in equity	-	102	-	-	102
At 30 September 2019	**71,525**	**610**	**2,069**	**(56,582)**	**17,622**
At 1 July 2018	71,129	196	441	(50,246)	21,520
Loss for the period	-	-	-	(3,241)	(3,241)
Other comprehensive gain for the period	-	-	316	-	316
Total comprehensive gain/(loss) for the period	-	-	316	(3,241)	(2,925)
Share based payment scheme					
- Value of employees' services	-	77	-	-	77
Total transactions with owners, recognised directly in equity	-	77	-	-	77
At 30 September 2018	**71,129**	**273**	**757**	**(53,487)**	**18,672**

	Attributable to equity holders of the Company			
Company	**Share capital**	**Share based payment reserve**	**Accumulated losses**	**Total equity**
	S$'000	S$'000	S$'000	S$'000
At 1 July 2019	**71,525**	**508**	**(45,530)**	**26,503**
Loss for the period	-	-	(1,550)	(1,550)
Total comprehensive loss for the period	-	-	(1,550)	(1,550)
Share based payment scheme				
- Value of employees' services	-	102	-	102
Total transactions with owners, recognised directly in equity	-	102	-	102
At 30 September 2019	**71,525**	**610**	**(47,080)**	**25,055**
At 1 July 2018	71,129	196	(42,808)	28,517
Loss for the period	-	-	(4,167)	(4,167)
Total comprehensive loss for the period	-	-	(4,167)	(4,167)
Share based payment scheme				
- Value of employees' services	-	77	-	77
Total transactions with owners, recognised directly in equity	-	77	-	77
At 30 September 2018	**71,129**	**273**	**(46,975)**	24,427

Save for the foregoing, there are no (i) changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders.

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

There is no change in the Company's share capital arising from any rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous reported period.

	Number of outstanding share awards / share options	Number of Shares that may be issued upon exercise of options / release of awards
As at 30 September 2019		
iX Performance Share Plan	4,100,000	4,100,000
As at 30 September 2018		
iX Performance Share Plan	1,365,000	1,365,000

There were no treasury shares and subsidiary holdings as at 30 September 2019 and 30 September 2018.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

As at 30 September 2019, the number of issued shares excluding treasury shares was 644,594,057 (30 June 2019: 644,594,057).

1(d)(iv) A statement showing all sales, transfers, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable. There were no treasury shares during and as at the end of the current financial period reported on.

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable. There were no subsidiary holdings during and as at the end of the current financial period reported on.

2. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.

The figures have not been audited nor reviewed by the Company's auditor.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

Except as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period compared with those of the audited financial statements as at 30 June 2019.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

On 1 July 2019, the Group adopted the standards, amendments and interpretations to existing standards that are mandatory for application from that date. The new SFRS(I) that is relevant to the Group:

SFRS(I) 16 Leases
SFRS(I) 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not change significantly.

The Group applied the standard from its mandatory adoption date of 1 July 2019. The Group applied the simplified transition approach and has not restated comparative amounts for the year prior to first adoption. Right-of-use assets for property leases were measured on transition as if the new rules had always been applied. All other right-of-use assets were measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

As a result of initially applying SFRS(I) 16, in relation to the leases that were previously classified as operating leases, the Group recognised right-of-use assets of $589,000 and lease liabilities of $589,000 as at 1 July 2019.

In relation to those leases under SFRS(I) 16, the Group has recognised depreciation and interest costs, instead of operating lease expenses. During 1Q20, the group recognised depreciation charge of $91,000 and interest costs of $7,000 from these leases.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends:
(a) based on the weighted average number of ordinary shares on issue; and
(b) on a fully diluted basis (detailing any adjustments made to the earnings).

	Group 3 months ended	
	30.09.19	30.09.18
Net (loss)/profit attributable to equity holders of the Company (S$'000)		
- Continuing operations	(3,345)	(3,352)
- Discontinued operation	-	111
Weighted average number of shares outstanding ('000)		
- Basic	644,594	642,696
- Diluted	648,694	644,061

	Group 3 months ended	
	30.09.19	30.09.18
Basic (loss)/profit per share (Cents per share)		
- Continuing operations	(0.52)	(0.52)
- Discontinued operation	-	0.02
Diluted (loss)/profit per share (Cents per share)		
- Continuing operations	(0.52)	(0.52)
- Discontinued operation	-	0.02

The Company has 4,100,000 share awards under iX Performance Share Plan (30 September 2018: 1,365,000 shares awards) which could potentially dilute basic earnings per share in the future but were not included in the calculation of diluted loss per share for continuing operations above because they are antidilutive and having the effect of decreasing the loss per share.

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:
(a) current financial period reported on; and
(b) immediately preceding financial year.

	Group		Company	
	30.09.19	30.06.19	30.09.19	30.06.19
Net asset value per ordinary share (in cents)	2.7	3.2	3.9	4.1

The net asset value per ordinary share of the Group and the Company as at 30 September 2019 were calculated based on the total number of issued shares of 644,594,057 (30 June 2019: 644,594,057).

There were no treasury shares as at 30 September 2019 and 30 June 2019.

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:
(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Overview

The Group is a specialty pharmaceutical company focused on the development and commercialisation of innovative therapies for improving the quality of life of those suffering from pain and other health conditions. The Company leverages its drug formulation expertise and patented sublingual drug delivery technology, **WaferiX**™, to develop products for rapid onset of action with potentially more predictable effects and ease of use. The Group's nutraceuticals division, Entity Health, is engaged in the development and commercialisation of nutraceutical products that address specific health conditions and improve quality of lifestyles throughout all phases of life.

During the quarter, the Group has continued to progress the development of its pharmaceutical and nutraceutical product pipeline.

Wafermine

Wafermine is the world's first sublingual ketamine to be developed for moderate to severe acute pain. The Group had completed and reported the results of the Phase 2b clinical study on

Wafermine. The results confirmed that Wafermine is highly effective, safe and well tolerated for pain management. In addition to the treatment of pain, Wafermine also has the potential to treat major depressive disorder.

In 3Q19, the Group appointed a strategic financial advisor to assist with the out-licensing of Wafermine and has commenced prospecting for potential partners.

On 25 September 2019, the Company met with the US FDA for an End-of-Phase-2 (EOP2) meeting in Maryland, USA. During the EOP2 meeting, the Company and the FDA reviewed the Phase 2 study results and discussed the proposed Phase 3 programme for Wafermine. Once the formalised minutes of the meeting from the FDA is received, the Company will announce the outcome of the meeting.

Wafesil and Silcap

The Group obtained marketing approval from the TGA in Australia for Wafesil and Silcap in June and August 2018, respectively. Both products are approved for the treatment of male erectile dysfunction in Australia.

The Group is evaluating commercialisation strategies for Wafesil in Australia, including building sales, distribution and marketing capabilities, and establishing collaborations with suitable third parties. The Group is also reviewing opportunities to out-license and distribute Wafesil in other markets.

The Group filed for marketing approval for Silcap with Singapore Health Sciences Authority (HSA) during 3Q19. We received notification from the HSA this quarter that the application has been accepted for evaluation which is expected to take approximately 12 months. Preparation to register Wafesil in the European Union continued during the quarter.

Both Wafesil and Silcap are available in dosage strengths of 25 mg and 50 mg in pack sizes of 4, 8 and 12 wafers and capsules, respectively.

Xativa

During the year, the Group successfully formulated and developed Xativa, a cannabidiol (CBD) medicinal cannabis sublingual wafer with our WaferiX technology. Xativa is being evaluated for the potential treatment of various conditions, including anxiety, tremor and chronic inflammation. WaferiX can deliver fixed doses of medicinal cannabis more predictably to patients for faster symptomatic relief.

Feedback on Xativa's innovative delivery using WaferiX has been very positive; the Group intends to continue further formulation and clinical work to position itself to take first-mover advantage following the anticipated rise in global demand for medicinal cannabis, including in Australia.

BnoX

BnoX is a novel, sublingual buprenorphine wafer developed for the management of acute and chronic moderate to severe pain. Despite the current opioid crisis, there has been a continuing reliance on opioids to treat moderate to severe pain due to a lack of effective alternatives. As a consequence, there has been increasing recognition and focus on opioids which have a far favourable safety profile, such as buprenorphine.

BnoX is currently being supplied to hospitals in Australia under Schedule 5A of the Therapeutics Goods Regulations.

Nutraceuticals – Entity Health

Since 1Q19, Entity has identified Australia as the market to initially focus its sales and marketing efforts.

During the quarter Entity promoted its new product, RestoriX, the Australian-exclusive NAD+ supplement that improves energy levels and supports DNA repair. Feedback from pharmacists and health professionals indicated that RestoriX is a unique formulation that taps into the growing market

demand for NAD+ supplements. To increase market awareness and drive demand for RestoriX, Entity engaged a media strategy company to profile the target customer group and how best to reach them through the various media channels using data analytics. Based on the insights from the data analysis, Entity launched a radio advertising campaign on 16 stations in Sydney and Melbourne targeting people in their 40s-70s, those interested in fitness and those who suffered from fatigue.

Entity continues to build on its strategy of growing the number of stockists for its product line in Australia. To stimulate uptake by the stores, in addition to RestoriX, Entity promoted its popular lifestyle products for hangover relief, skin repair and stress management. As a result, the number of stockists distributing Entity nutraceuticals, including pharmacies and health food stores, grew from 158 to 184 this quarter.

Entity intends to use the traction and momentum gained in the first year of sales to target wholesalers and banner groups in Australia. In addition, Entity is evaluating opportunities to distribute its product in other markets such as China, through cross-border e-commerce.

Review of performance for quarter (1Q20) ended 30 September 2019

Continuing Operations

Continuing Operations comprise of the Group's specialty pharmaceutical and nutraceutical businesses.

Revenue	1Q20 S$'000	1Q19 S$'000	Incr/ (Decr) %
Specialty Pharmaceutical	50	19	163%
Nutraceuticals	70	82	(15%)
Total revenue	**120**	**101**	**19%**

The Group's specialty pharmaceutical division derived a revenue of S$0.05 million during the quarter versus S$0.02 million in 1Q19, an increase by 163%.

The revenue attributed to the nutraceutical division, Entity Health, decreased by S$0.01 million to S$0.07 million compared to the corresponding quarter last year (S$0.08 million in 1Q19) mainly due to the mix of products sold.

The Group's cost of sales was S$0.36 million in 1Q20 as compared to S$0.20 million in 1Q19. The cost of sales also includes the cost of manufacturing which consists of personnel, material and other fixed overheads. The Group recorded a gross loss of S$0.24 million in 1Q20 compared to the gross loss of S$0.10 million in 1Q19. As the Group has yet to achieve a level of sales to benefit from economies of scale, this resulted in a higher cost of sales in 1Q20 as compared to 1Q19.

Other income - Research and Development (R&D) Incentive

The Group conducts its R&D activities through its wholly-owned subsidiaries in Australia and has been eligible for R&D tax incentive under a programme administered jointly by the Australian Taxation Office and Innovation Australia. This incentive provides a rate of 43.5% tax rebate for eligible R&D expenditure incurred in Australia by these subsidiaries. During the quarter, a lower R&D incentive of S$0.11 million was recognised as compared to S$0.15 million in 1Q19 due to lower level of eligible R&D activities.

Expenses

The expense items in loss before tax were analysed below:

R&D expense

The Group undertook R&D activities in pharmaceutical product developments, including formulation and manufacturing for clinical trials.

R&D expense was S$0.72 million in 1Q20 as compared to S$1.38 million in 1Q19. The decrease was mainly due to KET010 clinical study which was completed in 1Q19.

Sales and marketing

Sales and marketing expense rose by 56% to S$0.65 million in 1Q20 (S$0.42 million in 1Q19), which was mainly attributed to increases in personnel and advertising expenses.

General and administrative (G&A)

The Group incurred higher G&A expenses of S$1.36 million in 1Q20 compared to S$1.27 million in 1Q19, mainly due to higher share-based payment expenses and professional expenses.

Others

Others consist solely of currency exchange loss.

Currency exchange loss was S$0.54 million in 1Q20 as compared to a net loss of S$0.43 million in 1Q19. This arose mainly from the impact of the depreciation of the Australian dollar against the Singapore dollar during the quarter on the receivables from its subsidiaries.

Discontinued Operation

Discontinued operation comprised the laboratory testing business under CAPL.

During 3Q19, the Group disposed of its laboratory testing business. Accordingly, the Group re-presented all laboratory testing activities of CAPL prior to its disposal as part of Discontinued Operation since the prior financial year.

Review of financial position

As at 30 September 2019, the Group's cash and cash equivalents was S$13.73 million. Cash outflow was S$2.85 million made up of S$2.47 million in operating activities, S$0.18 million for purchase of manufacturing equipment and S$0.20 million in loan related payments. This was offset by receipts of R&D tax incentive and interest income totalling S$0.77 million, resulting in a net cash outflow of S$2.08 million.

Receivables and other current assets reduced by S$ 0.88 million collectively mainly due to receipts of R&D tax incentive and refund of property taxes.

Inventories of S$0.83 million comprised raw materials of S$0.63 million, work in progress of S$0.06 million and finished goods of S$0.14 million, principally related to our new nutraceutical products.

Increase in property, plant and equipment and intangible assets was attributed to S$0.18 million of addition in manufacturing equipment and were offset by depreciation of S$0.17 million and currency translation loss of S0.12 million.

Right of use assets of S0.59 million arose from recognition of leases previously classified as operating leases and offset by depreciation of $0.09 million. Correspondingly, lease liabilities of $0.59 million were recognised and offset by lease payments during the period.

Trade and other liabilities decreased to S$2.14 million due to payment of operating cost and professional expenses accrued at the end of 4Q19.

Borrowings decreased to $3.72 million mainly due to repayment during the period.

Cash flow analysis

During 1Q20, the Group recorded a net cash used in operating activities of S$1.70 million as compared to S$5.19 million in 1Q19, which was mainly due to cash used in operation of S$ 2.47 million but offset by receipt of R&D tax incentive and interest income of S$0.77 million during the quarter.

In the same quarter, the Group invested S$0.18 million principally in a partial payment for a new sealing and packaging equipment.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Not applicable. No forecast or prospect statement had been previously disclosed to shareholders for the current reporting period.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

Wafermine

The Group completed the Phase 2b clinical study on Wafermine and reported that it had successfully demonstrated that Wafermine is highly effective, safe and well tolerated for pain management. Following the completion of this study, on 25 September 2019, the Company met with the US FDA for an End-of-Phase-2 (EOP2) meeting in Maryland, USA. During the EOP2 meeting, the Company and the FDA reviewed the Phase 2 study results and discussed the proposed Phase 3 programme for Wafermine. Once the formalised minutes of the meeting from the FDA is received, the Company will announce the outcome of the meeting.

In addition to the treatment of pain, Wafermine also has the potential to treat major depressive disorder.

The Group's strategy is to partner with a suitable pharmaceutical company via out-licensing to continue to develop the Wafermine programme. Out-licensing following a successful Phase 2 study is a typical approach for a specialty pharmaceutical company like ours. In 3Q19, the Group appointed a strategic financial advisor to assist with the out-licensing of Wafermine and has commenced prospecting for potential partners.

Xativa – New Medicinal Cannabis In Pipeline

Australia legalised medicinal cannabis in October 2016. In 2017, the Therapeutic Goods Administration (TGA) rescheduled some medicinal cannabis products to schedule 8 of the Poisons Standard, making the prescription of medicinal cannabis legal in Australia. Patients are now able to access unregistered cannabis drugs for medical use through the Authorised Prescriber Scheme and the Special Access Scheme administered by the TGA. To meet demand, the Australian government has approved companies to import, store and sell the drug. In addition, industrial hemp, which are non-intoxicating varieties of cannabis (containing less than 0.3% of THC), is legal in Australia, and can be legally harvested for cannabidiol (CBD) oil. The Australian government has indicated that one of the goals of its regulatory reforms is to give Australian companies a chance to be the top exporters of cannabis products, to take a slice of the rapidly expanding global cannabis market.

We anticipate that the Australian government will continue to increase patient accessibility to medicinal cannabis, and private sector-driven education and outreach to doctors and patients will continue to influence the demand for the drug and maximise domestic market potential. At this nascent stage, the total medicinal cannabis market value in Australia stands at US$12.56 million in 2018. It has been projected to grow to US$2.13 billion by 2028[1]. At the same time, as Asian countries liberalise their drug policies, a strong cannabis export framework will help Australian cannabis drug manufacturers serve the demand in the region.

During the year, the Group successfully formulated and developed Xativa, a cannabidiol (CBD) medicinal cannabis sublingual wafer with the WaferiX technology. Xativa is being evaluated for the potential treatment of various conditions, including anxiety, tremor and chronic inflammation. WaferiX is able to deliver fixed doses of medicinal cannabis more predictably to patients for faster symptomatic relief.

Feedback on Xativa's innovative delivery using WaferiX has been very positive; the Group intends to continue further formulation and clinical work to position itself to take first-mover advantage

1 Prohibition Partners, 2018, "The Oceania Cannabis Report".

following the anticipated rise in global demand for medicinal cannabis, including in Australia. We plan to market Xativa to various markets, including Australia, Europe and Canada.

Wafesil & Silcap - Commercialisation

Following the approval of both Wafesil and Silcap by the TGA for male erectile dysfunction in Australia, the Group is evaluating commercialisation strategies for Wafesil in Australia, including building sales, distribution and marketing capabilities and establishing collaboration with suitable third parties. The Group is also reviewing opportunities to out-license and distribute Wafesil in other markets.

Preparation to register Wafesil in the European Union (EU) continued during the quarter. Our research suggests that the market recognises sublingual drug delivery is superior to oral; hence, giving Wafesil a marketing edge.

The Group filed for marketing approval for Silcap with Singapore Health Sciences Authority (HSA) during 3Q19. We received notification from the HSA this quarter that the application has been accepted for evaluation which is expected to take approximately 12 months.

Entity Health – Continue Growing

The Group's nutraceuticals line, Entity, is focused on penetrating the Australian market to establish itself as a homegrown Australian health supplements brand. To achieve our objective, we are seeking to establish Entity's presence in retail pharmacies and health food stores across Australia. Entity nutraceuticals are now sold in 184 pharmacies in Melbourne, Sydney and Perth, including in TerryWhite Chemmart and Priceline pharmacies and other health food shops. The Group intends to use the traction and momentum Entity has gained in the first year of sales, to target wholesalers and banner groups in Australia. It also intends to invest in marketing through mass media advertising in order to communicate product benefit and build brand awareness in the Australian market.

We believe that driving recognition of Entity as an Australian brand not only allows us to leverage on the credence given to Australian healthcare companies, it also allows us to build exposure of our brand to the Asia Pacific region through tourists, student visitors and foreign residents.

In particular, the Chinese appetite for Australian-made health supplements has been overwhelming: in 2018, Australia accounted for 22.3%[2] of all supplements and health foods imported into China, taking the top spot from the US, which had 20.4% share of the market. According to data from the China Chamber of Commerce for Import and Export of Medicines and Health Products, Australian health product imports recorded growth of 60.8% year-on-year to US$660 million[2].

The Group intends to leverage Entity's foundation as a premium and innovative Australian brand to be a springboard for its entry into China, selling to Chinese consumers via cross-border e-commerce by partnering with local Chinese healthcare distributors.

11. If a decision regarding dividend has been made:
(a) Whether an interim (final) ordinary dividend has been declared (recommended); and

No dividend has been declared or recommended for the current reporting period.

(b)(i) Amount per share (cents)

Not applicable.

[2] Nutraingredients-Asia, April2019, "New number one: Australia takes top spot from US for supplements and health foods imported into China"

(b)(ii) Previous corresponding period (cents)

Not applicable.

(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated).

Not applicable.

(d) The date the dividend is payable

Not applicable.

(e) Books closure date

Not applicable.

12. If no dividend has been declared (recommended), a statement to that effect.

No dividend has been declared or recommended for the current reporting period as the Company is in a loss position.

13. If the group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Group does not have a general mandate for interested person transactions.

14. Use of Proceeds - Initial Public Offer

Pursuant to the IPO, the Company received total proceeds of S$30.13 million (IPO Proceeds). As at 30 September 2019, the IPO Proceeds has been utilised as follows:

	Amount after re-allocation	Amount utilised	Balance
	S$'000	**S$'000**	**S$'000**
To fund the clinical trials for the development of our products, and for preparing and submitting an Abbreviated New Drug Application or New Drug Application as the case may be, to the US Food and Drug Administration for marketing approval and commercialisation of our products in the United States, and where it is commercially viable to do so, in other parts of the world upon receipt of the relevant regulatory approvals	15,286	(15,286)	-
To fund the development, manufacturing and marketing activities required for our pharmaceutical and nutraceutical products in the pipeline, including Wafermine, Wafesil (formerly PheoniX), Silcap (formerly XCalibur) and the Entity line of nutraceutical products	9,414	(4,071)	5,343
General working capital purposes	2,913	(2,913)	-
Listing expenses	2,517	(2,517)	-
Total	**30,130**	**(24,787)**	**5,343**

Details of working capital used:	**S$'000**
Professional fees	617
Payroll and directors' fees	1,596
Trademark and patents	67
Rental, office expenditure and other operating expenses	633
Total	**2,913**

The above utilisation of the Company's IPO Proceeds is in accordance with the intended use as stated in the Offer Document dated 10 July 2015 and as subsequently re-allocated by the Company in its announcement on 25 June 2018.

15. Negative confirmation pursuant to Rule 705(5) of the listing manual.

The Board of Directors of the Company confirm that to the best of their knowledge, nothing has come to their attention which may render the financial results for the period ended 30 September 2019 to be false or misleading in any material aspect.

16. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H) under Rule 720(1) of the listing manual.

The Company has procured undertakings from all its Directors and executive officers under Rule 720(1).

On behalf of the Board of Directors

Eddy Lee Yip Hang
Chairman & CEO

Albert Ho Shing Tung
Non-executive Director

5 November 2019

This announcement has been reviewed by the Company's sponsor, CIMB Bank Berhad, Singapore Branch ("Sponsor") in accordance with Rule 226(2)(b) of the Catalist Rules. This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

The contact person for the Sponsor is Mr. Yee Chia Hsing, Head, Catalist. The contact particulars are 50 Raffles Place, #09-01 Singapore Land Tower, Singapore 048623, telephone: (65) 6337-5115.