iX Biopharma Ltd.
(Company Registration No. 200405621W)

UNAUDITED FINANCIAL STATEMENTS FOR THE SECOND QUARTER AND HALF YEAR ENDED 31 DECEMBER 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			Group 6 months ended		
	31.12.19 S$'000	31.12.18# S$'000	Incr/(Decr) %	31.12.19 S$'000	31.12.18# S$'000	Incr/(Decr) %
Continuing Operations						
Revenue	174	107	63%	294	208	41%
Cost of sales	(334)	(148)	126%	(689)	(352)	96%
Gross Loss	**(160)**	**(41)**	290%	**(395)**	**(144)**	183%
Other income	219	284	(23%)	438	583	(25%)
Expenses						
- Research and development	(522)	(977)	(47%)	(1,237)	(2,353)	(47%)
- Sales and marketing	(543)	(599)	(9%)	(1,191)	(1,015)	17%
- General and administrative	(1,733)	(1,575)	10%	(3,093)	(2,841)	9%
- Others †	376	(619)	n.m.	(168)	(1,049)	(84%)
- Finance expense	(57)	(61)	(7%)	(119)	(121)	(2%)
Total expenses	(2,479)	(3,831)	(35%)	(5,808)	(7,379)	(21%)
Loss before income tax	**(2,420)**	**(3,588)**	(33%)	**(5,765)**	**(6,940)**	(17%)
Income tax credit	-	17	n.m.	-	17	n.m.
Loss from continuing operations	**(2,420)**	**(3,571)**	(32%)	**(5,765)**	**(6,923)**	(17%)
Discontinued Operation						
(Loss) / Profit from operation, net of tax	-	(31)	n.m.	-	80	n.m.
(Loss)/Profit from discontinued operation	-	(31)	n.m.	-	80	n.m.
Total loss	**(2,420)**	**(3,602)**	(33%)	**(5,765)**	**(6,843)**	(16%)
Other comprehensive income:						
Items that may be reclassified subsequently to profit or loss:						
Currency translation differences arising from consolidation						
- Gain / (Loss)	(267)	432	n.m.	99	748	(87%)
Total comprehensive loss	**(2,687)**	**(3,170)**	(15%)	**(5,666)**	**(6,095)**	(7%)

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 profit /(loss) of the Group is arrived at after charging/crediting the following:

		Group			Group		
		3 months ended			6 months ended		
	Note	31.12.19 S$'000	31.12.18 S$'000	Incr/ (Decr) %	31.12.19 S$'000	31.12.18 S$'000	Incr/ (Decr) %
After crediting:							
Research and development tax incentive	(i)	107	129	(17%)	217	275	(21%)
Interest income		26	60	(57%)	65	111	(41%)
After charging:							
Share-based payment expense	(ii)	182	284	(36%)	284	361	(21%)
Depreciation and amortisation expense		260	375	(31%)	520	745	(30%)
Currency exchange (gain)/losses - net		(376)	619	n.m.	168	1,049	(84%)
Interest expense		57	66	(14%)	119	131	(9%)

(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.

(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	
	31.12.19 S$'000	30.06.19 S$'000	31.12.19 S$'000	30.06.19 S$'000
ASSETS				
Current assets				
Cash and cash equivalents	10,780	15,872	9,033	14,308
Trade and other receivables	858	1,425	12,992	10,871
Other current assets	199	362	89	171
Inventories	846	850	-	-
	12,683	18,509	22,114	25,350
Non-current assets				
Deposits – operating lease	81	81	81	81
Intangible assets	459	460	107	102
Property, plant and equipment	7,662	7,636	218	256
Right of use assets	409	-	409	-
Investments in subsidiaries	-	-	1,966	1,966
	8,611	8,177	2,781	2,405
Total assets	21,294	26,686	24,895	27,755
LIABILITIES				
Current liabilities				
Trade and other payables	2,000	2,310	1,258	1,149
Borrowings	221	211	24	23
Lease liabilities	367	-	367	-
Provision	14	10	-	-
	2,602	2,531	1,649	1,172
Non-current liabilities				
Provision	42	36	-	-
Borrowings	3,487	3,620	68	80
Lease liabilities	46	-	46	-
	3,575	3,656	114	80
Total liabilities	6,177	6,187	1,763	1,252
NET ASSETS	15,117	20,499	23,132	26,503
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	72,251	71,525	72,251	71,525
Other reserves	1,868	2,211	66	508
Accumulated losses	(59,002)	(53,237)	(49,185)	(45,530)
Total equity	15,117	20,499	23,132	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.

	31.12.19			30.6.19		
	Unsecured	Secured	Total	Unsecured	Secured	Total
Amount repayable in one year or less	367	221	588	-	211	211
Amount repayable after one year	46	3,487	3,533	-	3,620	3,620
Total	**413**	**3,708**	**4,121**	**-**	**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		Group 6 months ended	
	31.12.19	**31.12.18**	**31.12.19**	**31.12.18**
	S$'000	**S$'000**	**S$'000**	**S$'000**
Cash flows from operating activities				
Total profit/(loss) after tax	(2,420)	(3,602)	(5,765)	(6,843)
Adjustments for:				
- Deferred government grant income	-	(4)	-	(8)
- Depreciation and amortisation expense	260	375	520	745
- Income tax credit	-	(25)	-	(60)
- Interest income	(26)	(60)	(65)	(111)
- Interest expense	57	66	119	131
- Provision	3	4	9	1
- Research and development tax incentive	(107)	(129)	(217)	(275)
- Share based payment expense	182	284	284	361
- Unrealised currency exchange losses/(gains) – net	(313)	496	205	808
	(2,364)	(2,595)	(4,910)	(5,251)
Changes in working capital:				
- Trade and other receivables	(94)	5	46	(241)
- Other current assets	42	15	162	152
- Trade and other payables	(120)	(118)	(304)	(2,571)
- Inventories	(6)	(196)	(1)	(282)
Cash used in operations	(2,542)	(2,889)	(5,007)	(8,193)
Interest received	22	2	49	121
Research and development tax incentive received	-	-	742	-
Net cash used in operating activities	(2,520)	(2,887)	(4,216)	(8,072)
Cash flows from investing activities				
Additions to property, plant and equipment	(217)	(810)	(398)	(1,336)
Additions to intangible assets	(10)	-	(10)	-
Net cash used in investing activities	(227)	(810)	(408)	(1,336)
Cash flows from financing activities				
Decrease in fixed deposit pledge	-	400	-	400
Repayment of borrowings	(142)	(77)	(281)	(150)
Proceeds from borrowings	-	-	-	-
Interest paid	(57)	(66)	(119)	(131)
Net cash (used in)/from financing activities	(199)	257	(400)	119
Net (decrease)/increase in cash and cash equivalents	(2,946)	(3,440)	(5,024)	(9,289)
Cash and cash equivalents				
Beginning of financial period	12,582	14,844	14,709	20,666
Effects of currency translation on cash and cash equivalents	(13)	(41)	(62)	(14)
End of financial period	9,623	11,363	9,623	11,363

Note:

A. Cash and cash equivalents comprise the following:

	Group	
	31.12.19	**31.12.18**
	S$'000	**S$'000**
Cash and cash equivalents in Balance Sheet	10,780	11,363
Less: Bank deposits pledged as security for borrowings	1,157	-
Cash and cash equivalents per consolidated statement of cash flows	9,623	11,363

Bank deposits are pledged as security for a foreign exchange facility.

B. Reconciliation of liabilities arising from financing activities:

				Non-cash changes		
	1 Jul 2019	Recognised assets	Principal and interest payments	Interest expense	Foreign exchange movement	31 Dec 2019
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Bank borrowings	3,831	-	(211)	106	(18)	3,708
Lease liabilities	-	589	(189)	13	-	413

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**
Loss for the period	-	-	-	(3,345)	(3,345)
Other comprehensive gain for the period	-	-	366	-	366
Total comprehensive gain / (loss) 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**
Loss for the period	-	-	-	(2,420)	(2,420)
Other comprehensive loss for the period	-	-	(267)	-	(267)
Total comprehensive loss for the period	-	-	(267)	(2,420)	(2,687)
Share based payment scheme					
- Value of employees' services	-	182	-	-	182
- Shares issued pursuant to iX Performance Share Plan	726	(726)	-	-	-
Total transactions with owners, recognised directly in equity	726	(544)	-	-	182
At 31 December 2019	**72,251**	**66**	**1,802**	**(59,002)**	**15,117**
At 1 July 2018	71,129	196	441	(50,246)	21,520
Loss for the period	-	-	-	(3,241)	(3,241)
Other comprehensive loss for the period	-	-	316	-	316
Total comprehensive 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**
Loss for the period	-	-	-	(3,602)	(3,602)
Other comprehensive gain for the period	-	-	432	-	432
Total comprehensive gain / (loss) for the period	-	-	432	(3,602)	(3,170)
Share based payment scheme					
- Value of employees' services	-	284	-	-	284
- Shares issued pursuant to iX Performance Share Plan	396	(396)	-	-	-
Total transactions with owners, recognised directly in equity	396	(112)	-	-	284
At 31 December 2018	**71,525**	**161**	**1,189**	**(57,089)**	**15,786**

	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**
Loss for the period	-	-	(2,105)	(2,105)
Total comprehensive loss for the period	-	-	(2,105)	(2,105)
Share based payment scheme				
- Value of employees' services	-	182	-	182
- Shares issued pursuant to iX Performance Share Plan	726	(726)	-	-
Total transactions with owners, recognised directly in equity	726	(544)	-	182
At 31 December 2019	**72,251**	**66**	**(49,185)**	**23,132**
At 1 July 2018	71,129	196	(42,808)	28,517
Loss for the period	-	-	(4,167)	(4,167)
Total comprehensive 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**
Loss for the period	-	-	(1,633)	(1,633)
Total comprehensive loss	-	-	(1,633)	(1,633)
Share based payment scheme				
Value of employees' services	-	284	-	284
- Shares issued pursuant to iX Performance Share Plan	396	(396)	-	-
Total transactions with owners, recognised directly in equity	-	(112)	-	77
At 31 December 2018	**71,525**	**161**	**(48,608))**	**23,078**

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.

Company	No. of ordinary shares	Amount
		S$'000
At 1 July 2019 and 30 September 2019	**644,594,057**	**71,525**
Shares issued pursuant to iX Performance Share Plan	4,300,333	726
At 31 December 2019	**648,894,390**	**72,251**

On 15 November 2019, the Company announced total awards of 2,717,333 shares to certain employees and executives under iX Performance Share Plan. No award was granted to a Director or controlling shareholder (and each of their associates). The Company has not granted any options under iX Employee Share Option Scheme since its inception.

On same day, the Company issued 4,300,333 ordinary shares pursuant to iX Performance Share Plan. No share was issued to a Director or controlling shareholder (and each of their associates).

Save as disclosed, there are no other changes 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 31 December 2019		
iX Performance Share Plan	2,384,000	2,384,000
As at 31 December 2018		
iX Performance Share Plan	4,100,000	4,100,000

There were no treasury shares and subsidiary holdings as at 31 December 2019 and 31 December 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 31 December 2019, the number of issued shares excluding treasury shares was 648,894,390 (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 6M20, the group recognised depreciation charge of $180,000 and interest costs of $13,000 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		Group 6 months ended	
	31.12.19	31.12.18	31.12.19	31.12.18
Net profit /(loss) attributable to equity holders of the Company (S$'000)				
- Continuing operations	(2,420)	(3,571)	(5,765)	(6,923)
- Discontinued operation	-	(31)	-	80
Weighted average number of shares outstanding ('000)				
- Basic	646,791	643,459	645,693	643,078
- Diluted	646,791	643,459	645,693	645,219

	Group 3 months ended		Group 6 months ended	
	31.12.19	31.12.18	31.12.19	31.12.18
Basic profit /(loss) per share (Cents per share)				
- Continuing operations	(0.37)	(0.55)	(0.89)	(1.08)
- Discontinued operation	-	-*	-	0.01
Diluted profit /(loss) per share (Cents per share)				
- Continuing operations	(0.37)	(0.55)	(0.89)	(1.08)
- Discontinued operation	-	-*	-	0.01

* less than 0.01 Cent

The Company has 2,384,000 share awards under iX Performance Share Plan (31 December 2018: 4,100,000 shares awards).

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	
	31.12.19	30.06.19	31.12.19	30.06.19
Net asset value per ordinary share (in cents)	2.3	3.2	3.6	4.1

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The net asset value per ordinary share of the Group and the Company as at 31 December 2019 were calculated based on the total number of issued shares of 648,894,390 (30 June 2019: 644,594,057).

There were no treasury shares as at 31 December 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.

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 has completed Phase 2 development and demonstrated 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.

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 reached agreement on key

aspects of the pivotal Phase 3 clinical trial program to support approval of Wafermine for the indication of acute moderate to severe pain. The Phase 3 program consists of two randomised, double blind, placebo-controlled studies, one in an orthopaedic pain model (bunionectomy) and one in a soft-tissue pain model (abdominoplasty). Both post-operative pain models were successfully evaluated in the recent Phase 2b clinical study. The primary efficacy measure for both studies will be SPID12, which is the summed pain intensity difference over 12 hours.

The Group commenced prospecting for potential partners for the licensing of Wafermine in 2H2019, and several companies have indicated preliminary interest in the opportunity.

Wafesil and Silcap

The Group obtained marketing approval from the TGA in Australia for Wafesil and Silcap, both for the treatment of male erectile dysfunction. 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. The Group is evaluating commercialisation strategies for these products in Australia.

In January 2020, we submitted an application under the centralised procedure for marketing approval for Wafesil in the European Union (EU). The review process is expected to be completed in 3Q2021. Should Wafesil be approved, we will be granted marketing authorisation in all 27 member states as well as Switzerland, Norway and Lichtenstein. We are now seeking to out-license Wafesil in Europe, as well as in China. The Group filed for marketing approval for Silcap with Singapore Health Sciences Authority (HSA) during 3Q19. The process is expected to complete in 1Q2021.

Xativa

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

During 2Q20, the Group had been granted a cannabis manufacture licence from the Australian Office of Drug Control under the Narcotics Drugs Act 1967. Under the said licence, the Group is permitted to manufacture and supply extracts and tinctures of cannabis and cannabis resins. The Group now has a complete set of licences (including TGA GMP manufacturing licence, cannabis import & export licence and control-substance licences) to conduct cannabis related business. Importantly with these licences, the Group will be able to manufacture and distribute Xativa wafers in Australia through the Australian Special Access Scheme from 4Q20 and export it to overseas markets.

Currently, the medicinal cannabis market is predominantly limited to cannabis oil and dried flower. Xativa sublingual wafers represents a unique and innovative dosage form. It has received very positive feedback from clinicians and patients due to the benefits of precise dosing, fast acting and predictable absorption. In addition to Xativa, the Group intends to develop a range of products based on other cannabinoids to gain 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 on its sales and marketing efforts. Building Entity as an Australian brand will allow Entity to leverage on the high regard and

trust that not only Australians consumers, but consumers from other countries such as China, place in Australian-made health supplement products as illustrated in the statistics in paragraph 10.

During the quarter, Entity focused on promoting lifestyle products popular with Australians, such as those for energy and cell repair (RestoriX), hangover relief (Liviup) and skin repair (Melanix) to stimulate sales into the stores. As a result, the number of stockists distributing Entity nutraceuticals, including pharmacies and health food stores, grew from 184 to more than 200 this quarter. In addition, the number of units of RestoriX, Liviup and Melanix sold also saw strong growth. To promote LumeniX, a skin fairness supplement, the Group continued its strategy of targeting pharmacies in Asian suburbs and buyers with Chinese customers.

Entity intends to use the traction and momentum gained in the Australian market to secure additional sales channels into larger markets like China. The potential for Entity's higher value LumeniX product is greater in the Chinese market where whitening and skin fairness products is a growing category. Entity is currently evaluating opportunities to distribute its products in China through cross-border e-commerce.

Review of performance for quarter (2Q20) and six months (6M20) ended 31 December 2019

Continuing Operations

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

Revenue	2Q20	2Q19	Incr/ (Decr)	6M20	6M19	Incr/ (Decr)
	S$'000	S$'000	%	S$'000	S$'000	%
Specialty Pharmaceutical	111	31	258%	161	50	222%
Nutraceuticals	63	76	(17%)	133	158	(16%)
Total revenue	**174**	**107**	**63%**	**294**	**208**	**41%**

The Group's specialty pharmaceutical division derived a revenue of S$0.11 million during the quarter versus S$0.03 million in 2Q19. The increase was principally from manufacturing and logistics services for a third-party customer.

Revenue of nutraceuticals was lower in this quarter due to a combined effects of product mix, price adjustments and a weaker Australian dollar. However, there was positive uptake for RestoriX, MelaniX and Liviup which were launched during this year.

The Group's cost of sales was S$0.33 million in 2Q20 as compared to S$0.15 million in 2Q19. The cost of sales also includes the cost of manufacturing which consists of personnel, material and other fixed overheads. In 2Q19, the cost of sales was lower by $0.10 million due to deferral of S$0.10 million as recoverable cost against a project in progress that was only completed in 3Q19. The Group recorded a gross loss of S$0.16 million in 2Q20 compared to the gross loss of S$0.04 million in 2Q19 as the Group has yet to achieve a level of sales to benefit from economies of scale.

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$0.13 million in 2Q19 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 and nutraceutical product developments, including formulation and manufacturing for clinical trials.

Lower R&D expenses for 2Q20 and 6M20 were principally due to completion of clinical study KET010 in FY2019.

Sales and marketing

Sales and marketing expense in 2Q20 was comparable to that in 2Q19. Higher expenses in 6M20 as compared to 6M19 was attributed to increases in personnel and advertising expenses.

General and administrative (G&A)

The Group's G&A expenses were higher in 2Q20 and 6M20 mainly due to higher registration related activities for Wafesil, Silcap and the other nutraceutical products. All our products are either registered or listed with TGA in Australia. Additional preparation expenses were also incurred in relation to our submission for registration of Wafesil in EU and submission for Wafermine EOP2 meeting with USD FDA.

Others

Others consist solely of currency exchange loss.

Currency exchange gain was S$0.38 million in 2Q20 as compared to a net loss of S$0.6 million in 2Q19. This arose mainly from the changes in foreign exchange rate 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 31 December 2019, the Group's cash and cash equivalents was S$10.78 million. Cash outflow was S$5.81 million made up of S$5.00 million in operating activities, S$0.41 million for purchase of manufacturing equipment and S$0.40 million in loan related payments for 6M20. This was offset by receipts of R&D tax incentive and interest income totalling S$0.79 million, resulting in a net cash outflow of S$5.01 million.

Receivables and other current assets reduced by S$0.54 million collectively mainly due to receipt of R&D tax incentive.

Inventories of S$0.85 million comprised raw materials of S$0.65 million, work in progress of S$0.07 million and finished goods of S$0.13 million, principally related to our new nutraceutical products.

Increase in property, plant and equipment and intangible assets was attributed to S$0.41 million of addition in manufacturing equipment and were offset by depreciation of S$0.52 million and currency translation loss of S$0.14million.

Right of use assets of S$0.59 million arose from recognition of leases previously classified as operating leases and offset by depreciation of $0.18 million. Correspondingly, lease liabilities of S$0.59 million were recognised and offset by lease payments during the period.

Trade and other liabilities decreased to S$2.0 million due to payment of operating cost and professional expenses accrued at the end of 4Q19.

Borrowings decreased to $3.71 million mainly due to repayment during the period.

Cash flow analysis

During 2Q20, the Group recorded a net cash used in operating activities of S$2.54 million as compared to S$2.89 million in 2Q19. Higher cash used in 2Q19 was due to payments for clinical trial and rental payments (which are now reported as repayment of lease liabilities).

The Group paid S$0.22 million in 2Q20 and S$0.40 million in 6M20 principally in payments for a new sealing and packaging equipment. In the prior year, investments in 2Q20 and 6M20 were related to a freeze-drying manufacturing equipment.

Higher repayments of borrowings in 2Q20 and 6M20 were due to rental payments being reported as repayment of lease liabilities with effect from 1 July 2019.

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 2 development on Wafermine and 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 reached agreement on key aspects of the pivotal Phase 3 clinical trial program to support approval of Wafermine for the indication of acute moderate to severe pain. The Phase 3 program consists of two randomised, double blind, placebo-controlled studies, one in an orthopaedic pain model (bunionectomy) and one in a soft-tissue pain model (abdominoplasty). Both post-operative pain models were successfully evaluated in the recent Phase 2b clinical study. The primary efficacy measure for both studies will be SPID12, which is the summed pain intensity difference over 12 hours.

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. The Group commenced prospecting for potential partners for the licensing of Wafermine in 2H2019, and several companies have indicated preliminary interest in the opportunity.

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 federal and state governments 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 approximately A$50 million as at the end of 2019. 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.

At the moment, patients using cannabis products to treat their conditions have a limited choice of consuming cannabis mainly in smokeable forms like joints and vaping products, or oil tinctures. Over the course of 2019, there was well publicised outbreak of e-cigarette, or vaping, product use-associated lung injury (EVALI) in the United States. As of 14 January 2020, a total of 2,668 hospitalized EVALI cases including 60 deaths have been reported to Centres for Disease Control and Prevention in the United States.[2] On 4 October 2019, FDA issued a consumer warning to stop using THC vaping products amid ongoing investigation into lung illnesses.[3]

Due to concerns over EVALI, cannabis product consumers have been looking for safer and effective alternative delivery methods[4]. Consequently, awareness amongst consumers of the advantages of sublingual delivery of cannabis has been increasing. In the United States, sublingual cannabis products is a fast growing format of delivery and sales category.[5]

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.

Currently, the medicinal cannabis market is predominantly limited to cannabis oil and dried flower. Xativa sublingual wafers represents a unique and innovative dosage form. It has received very positive feedback from clinicians and patients due to the benefits of precise dosing, fast acting and predictable absorption. In additional to Xativa, the Group intends to develop a range of products based on other cannabinoids to take the first-mover advantage following the anticipated rise in global demand for medicinal cannabis, including in Australia. We plan to market or out-license Xativa to various markets, including Australia, Europe and North America.

Wafesil & Silcap - Commercialisation

The Group obtained marketing approval from the TGA in Australia for Wafesil and Silcap, both for the treatment of male erectile dysfunction. The Group is evaluating commercialisation strategies for these products in Australia.

In January 2020, we submitted an application under the centralised procedure for marketing approval for Wafesil in the European Union. The review process is expected to be completed in 3Q2021. Should Wafesil be approved, we will be granted marketing authorisation in all 27 member states as well as Switzerland, Norway and Lichtenstein. Our research suggests that the market recognises sublingual drug delivery is superior to oral; hence, giving Wafesil a marketing edge. We are now seeking to out-license Wafesil in Europe, as well as in China.

The Group filed for marketing approval for Silcap with Singapore Health Sciences Authority (HSA) during 3Q19. The process is expected to complete in 1Q2021.

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. We believe that driving recognition of

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

2 https://www.cdc.gov/tobacco/basic_information/e-cigarettes/severe-lung-disease.html#latest-outbreak-information

3 "Statement on consumer warning to stop using THC vaping products amid ongoing investigation into lung illnesses", FDA, 4 October 2019

4 New Report: Cannabis Concentrate Sales Plummet Post-Vape Crisis, Threatening Market on Track to Break $10 Billion in 2024, accessed from:https://www.businesswire.com/news/home/20200109005260/en/New-Report-Cannabis-Concentrate-Sales-Plummet-Post-Vape

5 https://www.newcannabisventures.com/bds-analytics-data-reveals-limited-vaping-crisis-impact-in-october/

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.

Entity nutraceuticals are now sold in more than 200 pharmacies in Melbourne, Sydney and Perth, including in TerryWhite Chemmart and Priceline pharmacies and other health food shops. While building distribution in Australia, the Group intends to use the traction and momentum Entity has gained to establish sales channels into other markets like China.

The Chinese appetite for Australian-made health supplements has been overwhelming: in 2018, Australia accounted for 22.3%[6] 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[6].

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 platforms like Tmall.com and JD.com.

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.

(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

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

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

(a) Initial Public Offer

Pursuant to the IPO, the Company received total proceeds of S$30.13 million (IPO Proceeds). As at 31 December 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	(5,300)	4,114
General working capital purposes	2,913	(2,913)	-
Listing expenses	2,517	(2,517)	-
Total	**30,130**	**(26,016)**	**4,114**

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	632
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 31 December 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

11 February 2020

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.