ASX/Media Release

21 February 2019

Appendix 4D and Half-year Report to 31 December 2018

Melbourne, Australia; 21 February 2019: Acrux Limited (ASX:ACR, "**Acrux**" or the "**Company**") today released its Appendix 4D and Half-Year Financial Report for the half-year ended 31 December 2018.

This information is required by the Australian Securities Exchange ('ASX') under ASX Listing Rule 4.2A.

It is recommended that this information be read in conjunction with the 2018 Annual Financial Report of Acrux Limited.

For more information, please contact:

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About Acrux

Acrux (ASX: ACR) is a pharmaceutical company dedicated to developing and commercialising topical pharmaceuticals. Incorporated in 1998 and using in house facilities and capabilities, Acrux has successfully developed and commercialised through licensees a number of topically applied pharmaceutical products in the US and Europe. Acrux is developing of a range of generic products for the US market by leveraging its on-site laboratories, GMP manufacturing suite, clinical and commercial experience to bring affordable products to market. Acrux encourages collaboration and is well positioned to discuss partnering and product development.

For further information on Acrux, visit www.acrux.com.au

ACRUX LIMITED ABN: 72 082 001 152
AND CONTROLLED ENTITIES

APPENDIX 4D - HALF-YEAR REPORT

REPORTING PERIOD
Half-year ended 31 December 2018

COMPARATIVE PERIOD
Half-year ended 31 December 2017

Results for announcement to the market		% Change	$'000
Revenue from ordinary activities	Down	-3%	2,652
Loss from ordinary activities after income tax benefit	Up	59%	(3,536)
Net loss for the period attributable to equity holders of the parent	Up	59%	(3,536)

Dividends	31 December 2018 Cents	31 December 2017 Cents
Interim franked dividend in respect of the period ended 31 December per share	Nil	Nil
Final franked dividend in respect of the financial year ended 30 June per share	Nil	Nil
	$'000	$'000
Total dividend on ordinary securities paid during the half-year	-	-

Refer to the Directors' Report within the attached financial report for commentary on the results.

Net tangible assets per security	31 December 2018	31 December 2017
Net tangible asset backing per ordinary share	$ 0.16	$ 0.21

Details of dividend or distribution reinvestment plans in operation	Not Applicable

Details of entities over which control has been gained or lost during the period	Not Applicable

Details of associates and joint ventures	Not Applicable

Dispute or qualification arising from auditor’s review	Not Applicable

ACRUX LIMITED AND CONTROLLED ENTITIES
ABN: 72 082 001 152

FINANCIAL REPORT FOR THE HALF-YEAR ENDED
31 DECEMBER 2018

This half-year financial report is to be read in conjunction with the financial report for the year ended 30 June 2018

FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

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DIRECTORS' REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

The Directors present their report together with the condensed financial report of the consolidated entity consisting of Acrux Limited (the Company) and its controlled entities (the Group), for the half-year ended 31 December 2018 and independent review report thereon.

DIRECTORS' NAMES

The names of the Directors in office at any time during, or since the end of the half-year are:

Name		Appointed/resigned
Ross Dobinson	Chairman	Appointed 19 March 1998
Michael Kotsanis	Managing Director & Chief Executive Officer	Appointed 3 November 2014
Timothy Oldham	Non-Executive Director	Appointed 1 October 2013
Simon Green	Non-Executive Director	Appointed 1 June 2016
Geoffrey Brooke	Non-Executive Director	Appointed 1 June 2016

The Directors have been in office since the start of the financial period to the date of this report unless otherwise stated.

REVIEW OF OPERATIONS

A review of the operations of the Group during the half-year and the results of these operations are as follows:

Mission

Acrux is a pharmaceutical company dedicated to developing and commercialising generic transdermal and topical prescription pharmaceuticals.

Business Strategy

Acrux is developing a range of topically applied products with an expanding pipeline of products under active development. Acrux uses its internal development capabilities and know-how to develop generics which target a substantial portion of the US topical market. The development time required for generic products is substantially shorter and less costly than the length of time required for a new drug development.

Topical generic portfolio

Acrux continues to make pleasing progress on its generic development pipeline, executing strongly on our operational goals.

The first Abbreviated New Drug Application (ANDA), a generic version of Jublia® was submitted to the FDA in June 2018 and during the half-year was accepted for review. This was the first dossier the Group has submitted in over 8 years and the acceptance validates the exceptional work conducted by the Group's R&D and product development teams in developing generic products.

The Group submitted its second ANDA, for testosterone topical solution, which was accepted for review in October 2018. The Group plans to submit an additional ANDA to the FDA by the end of the current financial year, making this the third since the Group began working on its generic development pipeline in 2015.

Engagement with multiple Contract Manufacturing Organisations (CMO) for our pipeline continued. Contracts were executed with multiple CMOs enabling the commencement of a technical transfer process for a number of our generic products, including scale up and exhibit batch manufacturing.

The submission of ANDA dossiers has led to initial partnering discussions with potential licensees, which will enable the Group to execute licensing agreements producing annuity revenue streams that will be invested in expansion of the Acrux topical generic pipeline.

During the remainder of the 2019 financial year the Group will add additional products to its pipeline using information on sales data, competition level and development complexity to select further topical products to develop as generics. The Group is constantly reviewing the selection process to optimise the number and value of products in its portfolio.

DIRECTORS' REPORT

REVIEW OF OPERATIONS (Continued)

Marketed topical portfolio

The topical portfolio during the period included the Group's commercialised products, Evamist® in the United States and Lenzetto® in Europe.

The marketing of Lenzetto® commenced in Q1 2016 and has since been launched in countries across the European Union and other markets. Sales of Lenzetto® grew 47.9% half on half and are expected to continue to grow as the product captures market share in existing countries and is progressively launched into new countries.

Evamist® sales declined compared to prior half-year as a result of sales returns and adjustments incurred by the Group's commercial licensee.

Key Events During Half Year

The following were key events for the Group during the half-year:

* Acrux received confirmation that the submitted ANDA to the FDA for a generic version of Jublia® had been accepted for review.
* Acrux submitted its second ANDA application to the FDA for its generic version of a testosterone topical solution, which was subsequently accepted for review.
* Acrux successfully engaged additional CMOs that manufacture and supply FDA approved products, providing the infrastructure to begin scale up of 6 projects from the Acrux laboratory to exhibit batch manufacturing.
* Acrux made solid progress on its generic portfolio with an additional project added to the pipeline under development.

Operating Results

The consolidated loss before tax was $3.51 million (2017: loss $10.34 million) attributable to expenses incurred to progress the Group's generic development pipeline. The consolidated loss after tax was $3.54 million (2017 loss: $8.69 million).

Revenue

Revenue for the half-year decreased $0.09 million or 3.3% to $2.65 million (2017: $2.74 million). Royalty revenue from existing commercialised products Lenzetto® in Europe and Evamist® in the United States totalled $0.28 million (2017: $0.19 million). The change was driven predominantly by growth in Lenzetto® as the product captures market share in existing countries and is progressively launched into new countries. Royalty revenue from Axiron was nil (2017: $2.23 million) reflecting the termination of the Axiron licensing agreement during the prior half-year.

The Group booked $2.06 million (2017: nil) in relation to an R&D Tax Incentive Rebate from the Australian Taxation Office for the 2017/2018 financial year. Interest on cash deposits were $0.32 million (2017: $0.32 million).

Expenses

Total expenses for the half-year was $6.17 million (2017: $13.08 million). The reduction from the prior half-year is due to non-recurrence of: a) non-cash (pre-tax) loss of $5.65 million in relation to the impairment of Axiron® capitalised development costs, which were fully written down as at 31 December 2017 and b) legal fees of $0.70 million associated with the Axiron® patent appeal litigation.

Total operating expenditure for the half-year decreased by 17.0% to $6.17 million (2017: $7.43 million). Employee benefits expense totalled $2.55 million (2017: $2.23 million) reflecting a higher average number of R&D staff during the current half-year period. The balance of expenses decreased $1.59 million or 30.5% to $3.62 million (2017: $5.21 million) due to the timing of incurring professional fees associated with the execution of our IP strategy and non-recurring legal fees. External R&D costs for the half-year remained flat at $1.93 million.

Income Tax

Income tax expense of $0.02 million (2017: benefit $1.64 million) was recorded for the half-year reflecting movements in deductible tax temporary differences and non recognition of unused tax losses. The reduction on the prior half-year is due to the non recurring impact of reversing the deferred tax liability associated with the impaired portion of Axiron® capitalised development costs not being realised as initially contemplated. Further details of the income tax expense are provided at Note 5 of the financial report.

DIRECTORS' REPORT

REVIEW OF OPERATIONS (Continued)

Operating Results (Continued)

Cash flow

Cash received from licensing agreements for the half-year was $0.25 million (2017: $6.57 million). Royalties received from Axiron® were nil (2017: $6.25 million) reflecting the termination of the of the Axiron licensing agreement during the prior half-year. The Group paid $6.57 million to suppliers and employees (2017: $7.18 million) as a consequence of continued investment in our R&D pipeline. Interest received on cash reserves of $0.33 million (2017: $0.25 million) was higher in comparison to prior half-year, reflective of the maturity timing of invested cash reserves. Income tax payments were nil (2017: $1.07 million) driven by operating results across the Group.

Capital expenditure was $0.31 million, up 93.7% on the prior half-year reflecting the timing of expenditure as the Group carries out upgrades of existing equipment to improve our internal analytical and testing capabilities. Cash reserves at the end of the period were $22.22 million (30 June 2018: $28.47 million).

Contributed Equity

There were no changes to contributed equity during the reporting period.

The number of outstanding share options on issue at the end of the reporting period was 1,000,000 (30 June 2018: 2,000,000), representing 0.6% of the Company's issued share capital. The reduction of issued options relates to the expiration without exercise of CEO options granted on 22 July 2015.

The number of outstanding performance rights at the end of the reporting period was 5,524,000 (30 June 2018: 4,836,000), representing 3.3% of the Company's issued share capital. During the half-year 800,000 rights were granted to the non-executive Directors under the Group's Omnibus Equity Plan. This increase was partially offset by the forfeiture of 112,000 unvested performance rights, as a result of employee resignation.

Significant changes in the state of affairs

There have been no significant changes in the Group's state of affairs during and since the end of the reporting period that have not been disclosed elsewhere in this report.

After balance date events

The Group operates an Omnibus Equity Plan which was approved by members on 26 October 2017. On 1 February 2019, employees accepted 804,000 performance rights offered by the Board under this Plan. The performance rights were issued at nil cost and hold no participation rights, but shares issued on exercise of rights rank equally with existing shares. Performance rights will vest on 1 February 2020, subject to performance hurdles being achieved.

On 21 January 2019 the Group received an R&D Tax Incentive Rebate from the Australian Taxation Office of $2.06m for the 2017/2018 financial year. The R&D Tax Incentive Rebate was recorded as a receivable at the half-year end and is an Australian Government program under which companies receive cash refunds for 43.5% of eligible expenditure on research and development.

Auditor's independence declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the Corporation Act 2001 in relation to the review for the half-year is provided with this report.

DIRECTORS' REPORT

REVIEW OF OPERATIONS (Continued)

Rounding of amounts

In accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* , the amounts in the Directors' Report have been rounded to the nearest one million dollars and in the Financial Report have been rounded to the nearest one thousand dollars, or in certain cases, to the nearest dollar (where indicated).

Signed in accordance with a resolution of the Directors:

....

Ross Dobinson

Non-Executive Chairman

Melbourne

Dated this day 21 February 2019

PITCHER PARTNERS

AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of ACRUX LIMITED.

In relation to the independent auditor's review for the half-year ended 31 December 2018, to 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 APES 110 *Code of Ethics for Professional Accountants*.

This declaration is in respect of *Acrux Limited* and the entities it controlled during the period.

S D WHITCHURCH	**PITCHER PARTNERS**
Partner	**Melbourne**

21 February 2019

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	HALF-YEAR	
	31 December 2018	31 December 2017
	$'000	$'000
Revenue and Other Income		
Royalty revenue	**275**	2,420
Interest Income	**320**	323
R&D tax incentive rebate	**2,057**	-
Total	**2,652**	2,743
Less: Expenses		
Employee benefits expense	**(2,550)**	(2,227)
Directors' fees	**(172)**	(184)
Share options expense	**(168)**	(84)
Depreciation and amortisation expense	**(210)**	(448)
Impairment losses	**-**	(5,647)
Occupancy expense	**(257)**	(235)
External research and development expense	**(1,925)**	(1,911)
Professional fees	**(356)**	(1,973)
Royalty expense	**-**	(50)
Other expenses	**(528)**	(321)
Loss before income tax	**(3,514)**	(10,337)
Income tax (expense)/benefit	**(22)**	1,643
Net loss for the half-year	**(3,536)**	(8,694)
Total comprehensive loss for the half-year	**(3,536)**	(8,694)
Total comprehensive loss attributable to members of the parent arises from:		
Continuing operations	**(3,536)**	(8,694)
	(3,536)	(8,694)
Loss per share for profit attributable to the equity holders of the parent entity:		
Basic loss per share	**(2.12) cents**	(5.22) cents
Diluted loss per share	**(2.12) cents**	(5.22) cents

The statement should be read in conjunction with the notes to these financial statements

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	31 December 2018 $'000	30 June 2018 $'000
Current assets		
Cash and cash equivalents	**22,224**	28,470
Receivables	**2,329**	261
Current tax asset	-	51
Other current assets	**314**	179
Total current assets	**24,867**	28,961
Non-current assets		
Plant & equipment	**997**	845
Intangible assets	**750**	803
Deferred tax asset	**1,859**	1,881
Total non-current assets	**3,606**	3,529
Total assets	**28,473**	32,490
Current liabilities		
Payables	**1,353**	1,966
Provisions	**475**	518
Total current liabilities	**1,828**	2,484
Non-current liabilities		
Provisions	**42**	35
Total non-current liabilities	**42**	35
Total liabilities	**1,870**	2,519
Net assets	**26,603**	29,971
EQUITY		
Contributed equity	**95,873**	95,873
Reserves	**523**	581
Retained earnings	**(69,793)**	(66,483)
Equity attributable to equity holders of the Parent	**26,603**	29,971
Total equity	**26,603**	29,971

The statement should be read in conjunction with the notes to these financial statements

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Contributed equity	Reserves	Retained earnings	Total equity
CONSOLIDATED	**$'000**	**$'000**	**$'000**	**$'000**
Balance as at 1 July 2018	**95,873**	**581**	**(66,483)**	**29,971**
Loss for the half-year			**(3,536)**	**(3,536)**
Total comprehensive loss for the half-year	**-**	**-**	**(3,536)**	**(3,536)**
Transactions with owners in their capacity as owners:				
Employee share scheme	**-**	**168**	**-**	**168**
Vested employee share options that lapsed during half-year	**-**	**(226)**	**226**	**-**
Balance as at 31 December 2018	**95,873**	**523**	**(69,793)**	**26,603**
Balance as at 1 July 2017	95,873	1,215	(53,163)	43,925
Loss for the half-year			(8,694)	(8,694)
Total comprehensive loss for the half-year	-	-	(8,694)	(8,694)
Transactions with owners in their capacity as owners:				
Employee share scheme	-	84	-	84
Balance as at 31 December 2017	95,873	1,299	(61,857)	35,315

The statement should be read in conjunction with the notes to these financial statements

CONSOLIDATED STATEMENT OF CASHFLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	HALF-YEAR	
	31 December 2018	**31 December 2017**
	$'000	**$'000**
Cash flow from operating activities		
Receipts from product agreements	**254**	6,570
Payments to suppliers and employees	**(6,571)**	(7,183)
Interest received	**328**	253
Income tax refunded / (paid)	**51**	(1,069)
Net cash used in operating activities	**(5,938)**	(1,428)
Cash flow from investing activities		
Payment for property, plant and equipment	**(308)**	(159)
Net cash used in investing activities	**(308)**	(159)
Net decrease in cash and cash equivalents	**(6,246)**	(1,588)
Cash and cash equivalents at beginning of half-year	**28,470**	33,974
Foreign exchange differences on cash holdings	**-**	(23)
Cash and cash equivalents at end of the half-year	**22,224**	32,363

The statement should be read in conjunction with the notes to these financial statements

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

1 BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

This condensed consolidated half-year financial report does not include all the notes of the type usually included in an annual financial report.

It is recommended that this half-year financial report be read in conjunction with the annual financial report for the year ended 30 June 2018 and any public announcements made by Acrux Limited during the half-year in accordance with any continuous disclosure obligations arising under the *Corporations Act 2001.*

This condensed half-year financial report covers Acrux Limited and controlled entities as a consolidated entity. Acrux Limited is a company limited by shares, incorporated and domiciled in Australia. The address of Acrux Limited registered office and principal place of business is 103-113 Stanley Street, West Melbourne, Vic, 3003. Acrux Limited is a for-profit entity for the purpose of preparing the financial statements.

The half-year financial report was authorised for issue by the directors on 21 February 2019.

(a) Basis of preparation

This condensed consolidated half-year financial report has been prepared in accordance with Australian Accounting Standard AASB 134 Interim Financial Reporting, as appropriate for for-profit entities, and the *Corporations Act 2001* . Compliance with AASB 134, as appropriate for for-profit entities, ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting* .

The half-year financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets as described in the accounting policies.

The accounting policies applied in this half-year financial report are consistent with those of the annual financial report for the year ended 30 June 2018 and the corresponding half-year except as described below in Note 1(b).

(b) Summary of the significant accounting policies

The consolidated entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half year.

In accordance with its application requirements, the Group adopted AASB 9 Financial Instruments from 1 July 2018. At the time of adoption, the Group did not have any investments in financial assets accounted for fair value through other comprehensive income, nor did it hold any during the period. Accordingly, first time application of AASB 9 had no impact on the Group's accounting for investments in financial assets. On initial application of AASB 9 the Company also adopted the expected credit loss model in AASB 9. As a consequence of the carrying amounts and the nature of the Group's receivables, initial application of the expected credit loss model did not have a material impact on the carrying amounts of the Group's receivables.

The Group has also adopted AASB 15 Revenue from Contract with Customers from 1 July 2018. First time application of AASB 15 had no impact on the Group's consolidated net income, statement of financial position or cash flows.

(c) Rounding amounts

In accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* , the amounts in the directors' report have been rounded to the nearest one million dollars and in the financial report have been rounded to the nearest one thousand dollars, or in certain cases, to the nearest dollar (where indicated).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

2 SIGNIFICANT OR UNUSUAL INCOME OR EXPENSE ITEMS

	HALF-YEAR	
	31 December 2018 $'000	31 December 2017 $'000
Impairment loss Axiron® capitalised development costs	-	(5,647)

During the prior half-year the Group recorded a non-cash impairment loss of $5.647 million. This is a result of a re-assessment of the estimated future discounted cashflows from the Axiron® product negatively impacted by the termination of the licensing agreement with Eli Lilly and Company and the U.S. Court of Appeals for the Federal Circuit affirming all aspects of the judgment by the United States District Court for the Southern District of Indiana.

Axiron® capitalised development costs were written down to nil as at 31 December 2017.

3 SEGMENT REPORTING

The Group operates as a single operating segment. Internal management reporting systems present financial information as a single segment. The segment derives its revenue from developing and commercialising products using unique technology.

Geographical segment information

The following table includes the disaggregation of revenue disclosures in line with AASB 15 Revenue from Contract with Customers.

Revenue from external customers	31 December 2018 $'000	31 December 2017 $'000
Australia - interest income	320	323
Australia - R&D tax incentive rebate	2,057	-
Switzerland - royalty revenue [1]	-	2,231
European Union - royalty revenue	255	132
United States of America - royalty revenue	20	57
	2,652	2,743

(1) Axiron revenue is receivable from a Swiss subsidiary of Eli Lilly and Company

Product information

Revenue by product group / service	31 December 2018 $'000	31 December 2017 $'000
Axiron	-	2,231
Estradiol	275	189
R&D tax incentive rebate	2,057	-
Interest income	320	323
	2,652	2,743

All assets are located in Australia.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

4 RESEARCH AND DEVELOPMENT RELATED COSTS

The expenses incurred by the Group are categorised and presented in the statement of profit or loss and other comprehensive income according to their nature. A significant portion of these expenses relate to product research and development as follows:

	HALF-YEAR	
	31 December 2018	31 December 2017
	$'000	$'000
Employee costs	**2,313**	1,993
Laboratory costs	**1,887**	1,844
Facility costs	**505**	458
Other Costs	**221**	1,008
	4,926	5,303

5 INCOME TAX

The parent entity, Acrux Limited is a Pooled Development Fund (PDF):

- PDFs are taxed at 15% on income and gains from investments in small to medium enterprises;
- PDFs are taxed at 25% on other income;
- Groups containing a PDF are not permitted to consolidate for tax purposes.

Income tax expense of $0.02 million (2017: benefit $1.64 million) was recorded for the half-year reflecting movements in deductible tax temporary differences and non recognition of unused tax losses. The reduction on the prior half-year is due to non recurring impact of reversing the deferred tax liability associated with the impaired portion of Axiron® capitalised development costs not being realised as initially contemplated.

6 FAIR VALUE MEASUREMENTS

The carrying amount of financial assets and financial liabilities approximate their fair values.

	31 December 2018	30 June 2018
7 INTANGIBLE ASSETS	**$'000**	**$'000**
Capitalised development		
Estradiol		
External development expenditure capitalised	**1,071**	1,071
Accumulated amortisation	**(321)**	(268)
	750	803
Axiron ®		
External development expenditure capitalised	**-**	23,171
Accumulated amortisation and impairment losses	**-**	(23,171)
	-	-
Total intangible assets	**750**	803

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	31 December 2018	30 June 2018
7 INTANGIBLE ASSETS (continued)	**$'000**	**$'000**
(a) Reconciliations		
Reconciliations of the carrying amounts of capitalised development at the beginning and end of the current financial year:		
Capitalised development		
Estradiol		
Carrying amount at beginning	**803**	911
Additions		-
Amortisation	**(53)**	(108)
	750	803
Axiron ®		
Carrying amount at beginning	**-**	5,928
Additions	**-**	-
Amortisation	**-**	(281)
Impairment losses recognised	**-**	(5,647)
	-	-

The remaining useful life of Estradiol Capitalised Development is approximately 6.5 years.
Further details of the prior half-year impairment loss please see note 2 of the financial report.

8 CONTINGENT LIABILITIES

There were no contingent liabilities as at 31 December 2018.

9 AFTER BALANCE DATE EVENTS

The Group operates an Omnibus Equity Plan which was approved by members on 26 October 2017. On 1 February 2019, employees accepted 804,000 performance rights offered by the Board under this Plan. The performance rights were issued at nil cost and hold no participation rights, but shares issued on exercise of rights rank equally with existing shares. Performance rights will vest on 1 February 2020, subject to performance hurdles being achieved.

On 21 January 2019 the Group received an R&D Tax Incentive Rebate from the Australian Taxation Office of $2.06m for the 2017/2018 financial year. The R&D Tax Incentive Rebate was recorded as a receivable at the half year end and is an Australian Government program under which companies receive cash refunds for 43.5% of eligible expenditure on research and development.

There have been no other matter or circumstance which have arisen since 31 December 2018 that have significantly affected or may significantly affect:

a) the operations, in financial periods subsequent to 31 December 2018, of the Group, or
b) the results of those operations, or
c) the state of affairs, in financial periods subsequent to 31 December 2018, of the Group.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Acrux Limited, I state that:

In the opinion of the directors:

(a) the financial statements and notes of the Group are in accordance with the *Corporations Act 2001* , including:

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

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

(b) there are reasonable grounds, at the date of this declaration, to believe that Acrux Limited will be able to pay its debts as and when they become due and payable.

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

....

Ross Dobinson
Non-Executive Chairman

Melbourne

Dated this day 21 February 2019

ACRUX LIMITED
ABN 72 082 001 152
AND CONTROLLED ENTITIES

INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
ACRUX LIMITED

We have reviewed the accompanying half-year financial report of Acrux Limited “the Company” and controlled entities “the Group”, which comprises the condensed consolidated statement of financial position as at 31 December 2018, the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors’ declaration of the consolidated entity comprising the company and the entities it controlled at the period’s end or from time to time during the half year.

Directors’ Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

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

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor’s report.

ACRUX LIMITED
ABN 72 082 001 152
AND CONTROLLED ENTITIES

INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
ACRUX LIMITED

Conclusion

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

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

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

S D WHITCHURCH
Partner

21 February 2019

PITCHER PARTNERS
Melbourne