

## Appendix 4D - Half Year Report 31 December 2018

PuriflOH Limited ABN 11 124 426 339

### 1. Details of the Reporting Period and the previous Corresponding Period

Reporting Period	Half Year Ending 31 December 2018
Previous Corresponding Period	Half Year Ending 31 December 2017

### 2. Results for announcement to the market

Revenue from Ordinary Activities	\$11,869
Previous Corresponding Period	Nil
Percentage Change from Previous Period	N/A

Loss from Ordinary Activities after Tax	(\$1,492,454)
Previous Corresponding Period	(\$130,126)
Percentage Change from Previous Period	1047%

Net Loss for the Period attributable to Members	(\$1,492,454)
Previous Corresponding Period	(\$130,126)
Percentage Change from Previous Period	1047%

The dividend per security	There are no dividends proposed or paid relating to the reporting period.
The record date for determining entitlements	N/A

#### Brief explanation of any of the figures reported above necessary to enable the figures to be understood:

In the 6 months to 31 December 2018 the Company has announced a loss of \$1,492,454 which is reflective of its increased activity.

PuriflOH Limited announced a significant placement of 4,000,000 shares in November to Upjohn Laboratories LLC of Michigan at a price of \$2.40 per share.

Mr Bill Parfet of Upjohn Laboratories joined the Board at that time.

The capital raising included a fee of 3% of capital raised, which contributed to the loss.

PuriflOH also signed a fuller and more formal agreement with the Somnio Group of companies providing it with global rights to Somnio's FRG Technology for:

- The treatment of all water and fluids.
- Air purification and disinfection.
- Biofilm disinfection and facility sterilisation

## Appendix 4D - Half Year Report 31 December 2018

PuriflOH Limited ABN 11 124 426 339

### 2. Results for announcement to the market (continued)

Rights specifically excluded to PuriflOH are:

- Use of the products for agricultural and food purposes; and
- Any territories where a conflicting claim to PuriflOH's rights may exist.

The formal Agreement included a technical services component whereby PuriflOH retains the services of the Somnio Group to provide ongoing Research and Development activities at PuriflOH's behest.

The execution of the Agreement also triggered outstanding payments to Somnio for work done during the year to date. Accrued Somnio payments to 31 December 2018 totalled \$1,106,506 and has been a significant contributor to the loss.

Prior to the balance date at 31 December 2018 the Company retired a significant quantity of accrued debt to Dilato Holdings Pty Ltd including the finalisation and retirement of the Series J Convertible Note facility.

For more details, refer to the Directors' Report of the attached Half Year Report of PuriflOH Limited for the half-year ended 31 December 2018.

Earnings per share per security (cents)	
Reporting Period	(5.235)
Previous Period	(0.613)

### 3. Net Tangible Assets per security (cents)

Reporting Period	23.65
Previous Period	(0.32)

### 4. Control gained over entities

On the 23<sup>rd</sup> of October 2018 the Company established an entity called PuriflOH (USA) Incorporated. PuriflOH (USA) was established to receive the US investment funds and as a key corporate structure to manage the US operations where most of the Company's activities are likely to occur.

### 5. Loss of control over entities

None

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### 6. Dividends

#### Current period

There were no dividends paid, recommended or declared during the current period.

#### Previous period

There were no dividends paid, recommended or declared during the previous period

### 7. Dividend reinvestment plans

None

### 8. Details of associates and joint venture entities

None

### 9. Foreign entities

On the 23rd October 2018, the Company established a US subsidiary called PuriflOH USA Incorporated. As a result of establishment, the half year financial report reflects the consolidation position of the parent and the subsidiary collectively as a Group and therefore applied AASB 10 Consolidated Financial Statements and AASB 121 The Effect of Changes in Foreign Exchange Rates.

### 10. Any other significant information


None

### 11. Audit qualification or review

The financial statements were subject to a review by the auditors and the review report is attached as part of the Half Year Report.

### 12. Attachments

The Half Year Report of PuriflOH Limited for the half-year ended 31 December 2018 is attached.



Simon Lill  
Director  
28 February 2018



ABN: 11 124 426 339

# **FINANCIAL REPORT**

## **FOR THE HALF-YEAR ENDED**

### **31 DECEMBER 2018**

For personal use only

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For the half year ended 31 December 2018

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# CORPORATE DIRECTORY

PurifloH Limited  
Interim Financial Report  
For the half year ended 31 December 2018

## PurifloH Limited

ABN: 11 124 426 339

## Directors

**Mr Steve Morris** (Non-Executive Chairman)

**Mr Simon Lill** (Executive Director)

**Mr Steve Annear** (appointed 17 August 2017)

**Ms. Lucia Cade** (appointed 24 April 2018)

**Mr William Parfet** (Non-Executive Director) (appointed 7 November 2018)

## Company Secretary

**Mr Simon Lill**

## Registered Office

Level 3, 2-4 Ross Place,  
South Melbourne, Victoria 3205

Telephone : (03) 9673 9690

Facsimile: (03) 9673 9699

Email: [corporate@Purifloh.com](mailto:corporate@Purifloh.com)

Website: [www.Purifloh.com](http://www.Purifloh.com)

## Securities Exchange Listing

The Company's securities are listed on the official list of the Australian Securities Exchange Limited.

ASX Stock Code: PO3

## Share Registry

### Link Market Services

Locked Bag A14  
SYDNEY SOUTH NSW 1235

**Phone:** 1300 554 474 or (02) 8280 7111

**International:** +61 2 8280 7111

**Fax:** (02) 9287 0303

**Fax:** (02) 9287 0309 (for proxy voting)

## Auditors

### PKF Brisbane Audit

Level 6, 10 Eagle Street  
Brisbane, Qld. 4000

## Company Solicitors

### Steinepreis Paganin

Level 4, The Read Buildings  
16 Milligan Street  
PERTH WA 6000

# DIRECTORS' REPORT

PuriflOH Limited  
Interim Financial Report  
For the half year ended 31 December 2018

Your directors submit their report on the consolidated entity comprising of PuriflOH Limited ("the Company") and its controlled entity ("the consolidated entity") for the half year ended 31 December 2018.

## Directors

The names of the company's directors in office during the half year and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated.

### Steve Morris

**Chairman and Non-Executive Director**

Mr Morris has over 25 years of experience at the most senior executive level in a range of industries including some 15 in Financial Markets. During that time, he has held positions such as Head of Private Clients Australia for Paterson's Securities Ltd, Managing Director of Intersuisse Ltd. He is the founder Peloton Shareholder Services, offering management of shareholder-based capital raising and investor relations advice to many ASX listed companies. Currently Mr Morris is a Senior Executive in the Little Group and also sits on the Board of Directors of the Melbourne Football Club and of ASX listed Company, De Grey Mining Limited (appointed 29 October 2014).

### Simon Lill

**Executive Director  
Company Secretary**

Mr Lill has a background of over 30 years of stockbroking, capital raising, management, business development and analysis for a range of small and start-up companies, in both the manufacturing and resources industries. He has assisted the Company since his appointment in its restructuring activities and was appointed in an executive role by the Board in November 2014.

In the 3 years prior to the date of this report Mr Lill has been, or is, a director of the following:

- De Grey Mining Limited (appointed 2 October 2013, continuing)
- Mejority Capital Limited (appointed 18 May 2010, continuing)
- XPD Soccer Gear Group Limited (appointed 29 March 2018, continuing)

### Steve Annear

**Non-Executive Director**

Mr Annear is responsible for the management of PuriflOH's technical partner, the Somnio Group, and works on execution of the Company's business plan including the development and deployment of commercial strategies. Prior to joining Somnio, Mr Annear enjoyed a successful career in senior management roles in large Industrial companies in Australia. This experience has included mergers, acquisitions, supply chain transformations, various strategic change programs and most recently, the sale of Atlas Steels where he was an equity partner and Managing Director.

Mr Annear has had no previous ASX listed directorships.

### Lucia Cade

**Non - Executive Director**

Ms Cade is a director and advisor with a significant career history in sectors relevant to PuriflOH Limited. This includes an extensive career in professional engineering and within the infrastructure and utilities sectors, both of which are expected to be large scale commercial targets for PuriflOH's developing technologies.

Ms Cade holds many independent Board roles, perhaps most significantly as Chair of South East Water Ltd a water utility owned by the Victorian government.

### William Parfet

**Non-Executive Director – Appointed 7 November 2018**

Mr Parfet currently serves as the Chairman and CEO of Northwood Group, which includes the investment arm of his family office. He served as Vice Chairman of the Board of the Upjohn Company where he was also President (1991-1993) and Executive Vice President (1989-1991). Mr Parfet joined The Upjohn Company (now recognized as Pfizer) in March 1973 and was a member of the Board of Directors from 1985 through 2003. He also served as the Independent Lead Director for Stryker Corporation, Director for Monsanto Company, Director for Consumers Energy, and Director for Taubman Company. Most recently he served as the Executive Chairman of inviCRO LLC in Boston which was sold to Konica Minolta in 2017.

# DIRECTORS' REPORT

PuriflOH Limited  
Interim Financial Report  
For the half year ended 31 December 2018

Dear Fellow Shareholder,

The Company has taken significant steps in the first 6 months of this financial year.

The key achievement was the substantial investment in the Company that reflected the Board's belief of the true value of the FRG technology. We welcome Mr. Bill Parfet to the Board, and acknowledge the A\$9.6M investment made by Upjohn Laboratories. Mr. Parfet's experience is well documented and we are fortunate to have access to his knowledge, experience and contacts. This has already assisted engagement with Original Equipment Manufacturers with global brands, distribution and supply chains.

We recently met as a full Board in our offices in Michigan. The meeting was strategically and operationally focused. The Board was delighted with an overview presented by Somnio's technical leadership group, indicating the extent the product development has accelerated, driven by the advent of funding and the formal sign off of the Research and Development Agreement with Somnio.

Product development has focused on improved performance through design improvements in air purification and water treatment. This has resulted in significant operating improvements, notably lower energy consumption, a reduced footprint, and lower overall costs. These design improvements now demonstrate results well in excess of those achieved in independent tests in 2018. The scalability of the product has also improved as part of the plan to leverage the core FRG technology into multiple products.

The development team continuously analyses competitor claims. A comparative analysis was presented to, reviewed and discussed by, the Board. At the end of this session we were convinced of our ability to present a unique and superior commercial product to the growing market.

The Board also held discussions with Mr. Jim Heath, former President of Stryker Instruments, a Division of the Stryker Corporation - a publicly traded company on the NYSE, and one of the world's leading medical technology companies. The discussion commenced on sterilization and sanitation issues within wards, operating theatres and hospitals in general. However Mr. Heath also

described the significance of the issue of sterilization of medical equipment, particularly in the surgical environment and its implication on Hospital Acquired Infections (HAI). Mr. Heath will advise PuriflOH on the commercialization of the FRG within the medical sector.

This is an important step in the Company's plans to access its various market segments. The company will continue to strengthen Business Development capabilities over the next six months whilst the progress of the US operations will continue to be overseen by Executive Director Mr. Steve Annear.

The Business Development Plan seeks commercial development agreements with OEM's who have the reach to provide global distribution of our technology. These companies also bring capability in navigating regulatory requirements, strong balance sheets and pre-existing market penetration while operating ethically within the global IP protection framework.

We seek to introduce the FRG technology through the use of their trusted household names within respective industries. Discussions have commenced, though it needs to be noted that we remain bound by confidentiality in these discussions. Information will be provided when it is deemed material and appropriate.

Trials to demonstrate the efficacy of the FRG system in the elimination of airborne TB have commenced in India and are reported in more detail in the Operational Review within. The challenge of isolating TB in baseline testing as a result of a significant and unexpected background level of toxic mold has caused some delays in final test results. We understand interest in the results from these trials and remain confident of positive outcomes. We will update the market as soon as a final report is available.

The Detroit visit confirmed our belief in the technology, the scope of its application and its competitive position. We are excited about the challenge of commercialization and look forward to reporting further during 2019.



**Steve Morris**  
Chairman



# DIRECTORS' REPORT

PuriflOH Limited  
Interim Financial Report  
For the half year ended 31 December 2018

## REVIEW OF OPERATIONS

PuriflOH Limited ("PO3" or "PuriflOH") has had an active and important 6 months to 31 December 2018. During this period it has:

1. Finalised all outstanding convertible note requirements through the issue of shares as advised to the ASX on 5 July 2018;
2. Raised A\$9.6M through the issue of 4 million shares to Upjohn Laboratories LLC of Michigan at a price of A\$2.40 per share;
3. Appointed Mr Bill Parfet of Upjohn Laboratories to the Board of PuriflOH;
4. Executed a fuller and more formal Licensing Agreement with Somnio Global Holdings LLC ("SGH") as the owner of the IP and patents associated with the technology, and Somnio Global LLC ("SG") as the provider of ongoing research and development services, collectively the Somnio Group, replacing the existing Heads of Agreement under which the parties had previously been operating. The License Agreement governs:
  - a. PuriflOH's exclusive global rights to commercialise SGHs' Free Radical Generation (FRG) technology within the defined fields of use, which are:
    - The treatment of all water and fluids.
    - Air purification and disinfection.
    - Biofilm disinfection and facility sterilisation.
  - b. The relationship between PuriflOH and SG as its Technical Service Provider. SG will provide ongoing specific research, technical and product development services through a research and development plan that has been jointly developed by the parties. This plan is designed to further progress the FRG technology, its various products and their processes towards commercialisation.
  - c. Access to complementary technology that may be developed and protected by the Somnio Group that could enhance the performance of PuriflOH's product suite.
5. Commenced work on eliminating Tuberculosis Bacteria in two facilities in Hyderabad, India, being the Government General and Chest Hospital and the Bhaskar Medical College.
6. Finalised all outstanding payments to Dilato Holdings Pty Ltd, a significant creditor within the 30 June 2018 accounts.
7. Supported the lodgement by SGH of an additional patent in September 2018 followed by a global patent application thereby expanding the protection of the core asset. Dr Mohanty of SGH has extensive experience in this area and is advising the board to ensure a comprehensive IP protection strategy, including patent protection, is followed.

The Capital Raising has allowed the Company to accelerate work across all three areas of its defined fields of use, with the roll out program concentrating initially on indoor air purification and water purification in the recreational water segment. Much has progressed over the past six months in the development of advanced prototypes that are successfully demonstrating the power of the FRG technology in near product form.

Through this period the Company has also redefined the expected production outcomes of the FRG, reflecting the progress SG has made in the development of the core technology. The FRG system is demonstrating its ability to produce a range of Reactive Oxygen Species ("ROS") that include the hydroxyl radical ( $OH\cdot$ ), superoxide radical ( $O_2^{\cdot-}$ ), oxygen radical ( $O\cdot$ ) and the ozone molecule – all of which are amongst the most highly oxidative species known as indicated by Table 1 below.

# DIRECTORS' REPORT

PuriflOH Limited  
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Oxidizing Agent	Oxidation Potential (V)
Fluorine	3.06
Hydroxyl radical	2.80
Oxygen (atomic)	2.42
Ozone	2.08
Hypochlorite	1.49
Chlorine	1.36
Hydrogen peroxide	1.78
Chlorine dioxide	1.27
Oxygen (molecular)	1.23

The FRG system is unique in its ability to purify indoor air in that it delivers a double treatment where the oxidative and destructive capabilities of powerful levels of ROS are significantly aided by the impact of the plasma created within the reactor. This electric field is itself a powerful destructive force whilst also acting to agglomerate the smallest particulate matter.



Photo showing the plasma created by the electric pulse between the anodes and cathodes, itself a destructive force.

## Indoor Air Purification

The SG technical development team were set the goals of providing:

- A comprehensive air purification system that provides best-in-class performance against biological, particulate and volatile organic compound contaminants. The product is to have:
  - Proven efficacy against biologicals, particulates and VOCs;
  - No release of by-products or ROS to the indoor environment;
  - Quiet operation (< 55 dBA);
  - Easy maintenance – quick and easy replacement of consumable filters;
  - Compact size, portable and low cost

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PuriflOH Limited  
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Iterative test work and design has resulted in a series of advanced prototypes developed in a process of continuous improvement. In parallel to these improvements, the system has been subject to long run reliability testing and has now successfully completed over 4,800 hours of continuous operation without any degradation in performance.

While the design of the core technology and the product prototypes continues to improve, trials have continued on different air impurities to continue to demonstrate the FRG's ability to remove a range of contaminants that typically contribute to indoor air pollution. Examples of these contaminants are:

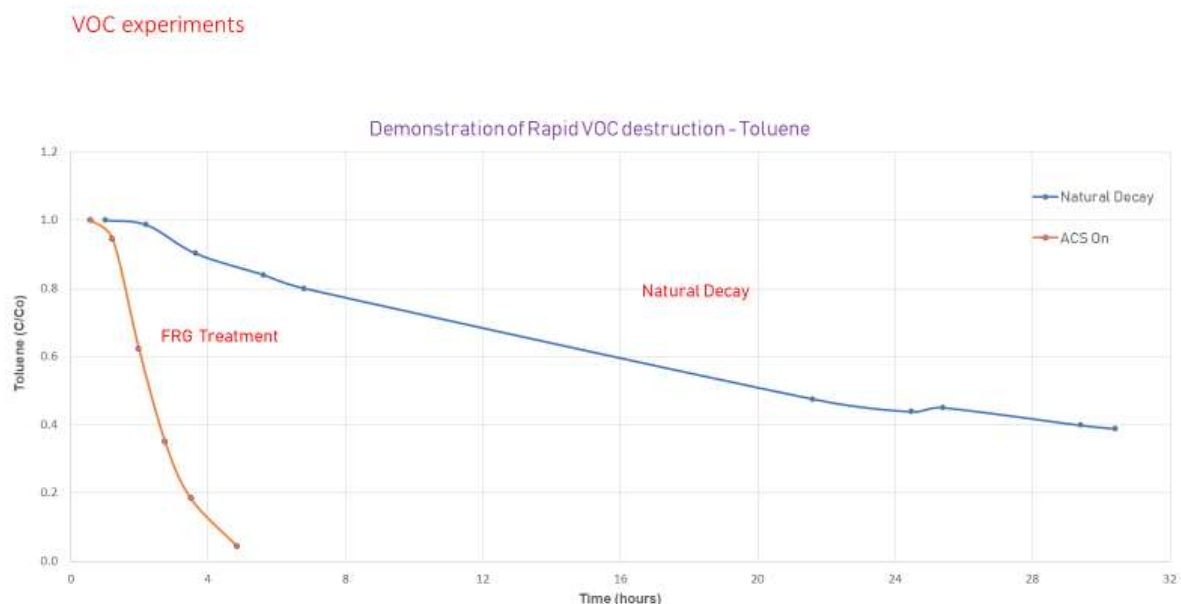
**Particulate** – Smoke, Dust, Pollen, Asbestos.

**Biological** – Allergens, Mold, Viruses, Bacteria.

**Harmful Gases** - Carbon Monoxide, Nitrogen Dioxide, Ozone, Radon.

**Volatile Organic Compounds (VOC's)** – Formaldehyde, Toluene, Pesticides, Propane, Butane.

Indicative of this work is the following example, a series of tests that were conducted on the ability of the system to destroy a common VOC – toluene.



This is a significant trial as it demonstrates that the FRG system can eliminate VOC's, in addition to the already demonstrated ability to destroy biological contaminants, remove odour and smoke, and improve the capture rate of airborne sub-micron particles.

The Company also announced the commencement of testwork in India, seeking to destroy airborne tuberculosis bacteria ("TB") that exist within the environments of TB treatment facilities.

The trials required the establishment of a set of baseline contamination levels – i.e. the typical levels of airborne TB existing within the hospital environment - so that when testwork commenced utilising the FRG system the reduction of the airborne TB can be accurately assessed.

Pilot testing commenced at the Government Chest Hospital, Hyderabad, India, with initial results showing the presence of high levels of other organisms including aspergillus (mold) and bacteria along with the target *Mycobacterium Tuberculosis*. The high levels of these other contaminants required changes to sampling

# DIRECTORS' REPORT

PuriflOH Limited  
Interim Financial Report  
For the half year ended 31 December 2018

protocols to better measure the TB levels. Sampling protocols have been changed, which has now resulted in the successful isolation of TB from the background contaminants.

The significant levels of aspergillus indicate a toxic environment within the hospital. Aspergillus by itself does not necessarily cause disease, though it can be dangerous to patients with weakened immune systems or damaged lungs. Aspergillus has caused a delay in testwork timelines, but paradoxically it is a positive as we would expect to also destroy the mold once the FRG intervention commences, thereby creating a significantly improved hospital environment.

Testwork is currently concluding the collection of a series of baseline results which will then require the incubation of TB (8-12 days) and interpretation of the density of the population. In vitro trials will then commence with the FRG operating within the ward after which sample collection will commence to determine the extent of the FRG system's impact on the TB levels.

PuriflOH expects its technology to achieve the desired outcomes and hence further strengthen the scientific evidence of the FRG's competitive advantage. As noted testwork timelines can be uncertain, and we would anticipate reporting results during the next quarter.

Once results from the Hyderabad Chest Hospital are finalised we would then expect to commence work at the Bhaskar Medical Center where the testwork will be designed around a different control environment.

## Water Sanitation – Recreational Water Systems

The Somnio technical development team were set the goals of providing:

- A complete residential swimming pool water treatment system with best-in-class performance for the generation of ROS that will lower the dependency on chemicals. The product is to have:
  - Reliable and guaranteed levels of Reactive Oxygen Species ("ROS"), including ozone.
  - High mass transfer efficiency for optimum utilization of the ROS
  - Reliable and consistent performance across a broad range of residential pool sizes without need for modifications in our system
  - Ease of installation to fit new or existing pool systems without need of highly trained professionals
  - Easy maintenance – quick and easy replacement of consumables
  - Compact size and good aesthetic design
  - Smart convenience features

The development of this product has focussed on improving the transfer efficiency of ROS laden gas with water flows that are typical in this application. This has now been achieved to a level suitable for market requirements and consequently Somnio has installed a prefabricated swimming pool of 54.4 cu m within its facility in which it has commenced testwork operations prior to starting in field trials as the warmer weather approaches in North America.

It is believed that we should present a total solution to the recreational water market. The product development team is progressing strongly to this objective.

## Surface Sterilization

Somnio has commenced prototype work, guided by a clear set of performance criteria which have been derived from discussions with a number of industry players as below:

# DIRECTORS' REPORT

PuriflOH Limited  
Interim Financial Report  
For the half year ended 31 December 2018

- High kill rates for bio contaminants
- Easy to operate
- Non-toxic; non carcinogenic and no chemical residue
- Complete distribution in target spaces, penetrating hard to access areas
- Short disinfection time
- Short time of recovery after disinfection
- Non-corrosive to equipment and structure and no risk of explosion

Much of the air purification system development has assisted the development of this product as the fundamental technology platform remains the same. The surface sterilization system produces a range of ROS including very high levels of the hydroxyl ion which has a high oxidation potential as shown in Table 1.

PuriflOH believes there is a need for this sterilization methodology in a range of hospital and medical environments, which should include medical equipment sterilization, veterinary hospitals and medical centers where low level surgical procedures are practiced. Consideration is underway as to the acceleration of the testwork program.

PuriflOH also welcomes the appointment of Mr Jim Heath to assist with the commercialization of this technology. Mr Heath is a former President of Stryker Instruments, a Division of the Stryker Corporation - a publicly traded company on the NYSE, and one of the world's leading medical technology companies. Mr Heath's involvement through the prototype development phase and on into the commercialization phase is clearly a significant appointment for the Company.

## Commercialization

The Company has continued to engage with potential customers, particularly in the air purification industry where our strategy is to partner with OEM's that have a global presence. Engagements of this nature are typically conducted under the umbrella of confidentiality agreements. However we are able to report that a series of trials were completed with one of the US market leaders in September 2018 and reported in November. (ASX Release "November Presentation").

The FRG system performance exceeded the requirements of that customer and we remain in discussions with them.

The Company is pleased with progress in this area to date. However PuriflOH plans to develop multiple options for licensing the technology into the air purification portable unit sector. Due diligence activities are ongoing with some parties, but we continue to seek introductions and discussions with other players in this sector.

Large multinational OEM's are methodical in their approach to new technology though provide significant benefits as a channel to market as they have:

- Existing global supply chains which will reduce the cost of production of the technology while ensuring premium quality control.
- Global reach with established brands, able to fast track market penetration.
- Proven in the ability to distribute across the globe.
- Established product development expertise required to develop products that maximise the potential of the FRG technology.
- A range of products that leverage the scalable advantage of the technology.
- Deep industry and customer insight, assisting design improvements in the FRG system.

The commercial plan is for the FRG technology to be incorporated inside their product suites, providing them a competitive advantage in being able to offer a comprehensive air purification product. PuriflOH will be seeking to ensure that its product and brand name is acknowledged within the product.

# DIRECTORS' REPORT

PuriflOH Limited  
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The key priority of PuriflOH is to enter further trials with organizations within both the air purification and recreational water treatment industries as a precursor to establishing a series of licensing arrangements.

The Company is delighted with the substantial progress made in the past six months and looks forward to continuing progress in the development and commercialization of the FRG technology.

## Auditor's Independence Declaration

A copy of our auditor's independence declaration as required under Section 307C of the Corporations Act 2001, is set out on page 11.

Signed in accordance with a resolution of directors made pursuant to s.306 (3) of the Corporations Act 2001.

On behalf of the Directors



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Steve Morris  
Chairman  
28 February 2019

# AUDITOR'S INDEPENDENCE DECLARATION

PuriflOH Limited  
Interim Financial Report  
or the half year ended 31 December 2018

PKF Brisbane Audit



## AUDITOR'S INDEPENDENCE DECLARATION UNDER s 307C OF THE CORPORATIONS ACT 2001 TO THE MEMBERS OF PURIFLOH LIMITED

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2018 there have been:

- (a) no contraventions of the auditor's independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

AKP

PKF Brisbane Audit

**Liam Murphy**  
Partner

Brisbane, 28 February 2019

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ABN 33 873 151 348

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# DIRECTORS' DECLARATION

PuriflOH Limited  
Interim Financial Report  
For the half year ended 31 December 2018

In accordance with a resolution of the directors of PuriflOH Limited, I declare that:

In the opinion of the directors:

- a) The financial statements and notes set out on pages 15 to 22 are in accordance with the *Corporations Act 2001*, including:
- i) 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 then ended; and
  - ii) complying with Accounting Standards AASB134: *Interim Financial Reporting*, and the *Corporations Regulations 2001*; and other mandatory professional reporting requirement; and.
- b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors made pursuant to s.303 (5) of the Corporations Act 2001.

On behalf of the board



Steve Morris  
Chairman  
28th day of February 2019



# AUDITOR'S REVIEW REPORT

PuriflOH Limited  
Interim Financial Report  
For the half year ended 31 December 2018

PKF Brisbane Audit



## INDEPENDENT AUDITOR'S REVIEW REPORT To THE MEMBERS OF PURIFLOH LIMITED

### Conclusion

We have reviewed the accompanying half-year financial report of PuriflOH Limited ("the company"), which comprises the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes, and the directors' declaration of the company and the consolidated entity, comprising the company and the entities it controlled at the half-year's end or from time to time during the financial half-year.

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 PuriflOH Limited 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 financial performance for the half-year ended on that date; and
- (b) complying with the Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

### Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. In accordance with the *Corporations Act 2001*, we have given the directors of the company a written Auditor's Independence Declaration.

### 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 the Australian Accounting Standards and the *Corporations Regulations 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

# AUDITOR'S REVIEW REPORT

PuriflOH Limited  
Interim Financial Report  
For the half year ended 31 December 2018

## 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 Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of PuriflOH 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.

AKP

PKF BRISBANE AUDIT



LIAM MURPHY  
PARTNER

28 FEBRUARY 2019  
BRISBANE

PKF Brisbane Audit  
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# FINANCIAL STATEMENTS

PuriflOH Limited  
Interim Financial Report  
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## Consolidated Statement of Profit and Loss and Comprehensive Income

For the half-year ended 31 December 2018

	Note	31 December 2018 \$	31 December 2017 \$
<b>Revenue</b>			
Other Income		11,869	308
Unrealized FX Gain		56,219	-
Debt Forgiven		-	54,000
<b>Total revenue</b>		<b>68,088</b>	<b>54,308</b>
<b>Expenses</b>			
Directors Fees		(143,144)	(50,250)
Consulting Fees - Somnio	8	(1,106,506)	-
Consulting Fees - Other		(80,925)	
Audit		(11,800)	(8,125)
Accounting	10	(59,400)	(31,925)
Other Expenses	10	(157,622)	(93,684)
Finance Costs		(1,145)	(450)
<b>Total expenses</b>		<b>(1,560,542)</b>	<b>(184,434)</b>
<b>Loss before income tax</b>		<b>(1,492,454)</b>	<b>(130,126)</b>
Income tax expense		-	-
<b>Net loss for the period</b>		<b>(1,492,454)</b>	<b>(130,126)</b>
<b>Other Comprehensive Income</b>			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translating foreign operations		(30,620)	-
<b>Total Comprehensive Income / (Loss) for the period</b>		<b>(1,523,074)</b>	<b>(130,126)</b>
Basic earnings/(loss) per share (cents)		(5.235)	(0.613)
Diluted earnings/(loss) per share (cents)		(5.235)	(0.613)

The accompanying notes form part of these financial statements.

# FINANCIAL STATEMENTS

PuriflOH Limited  
Interim Financial Report  
For the half-year ended 31 December 2018

## Consolidated Statement of Financial Position

As at 31 December 2018

	Note	31 December 2018 \$	30 June 2018 \$
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	7	8,597,388	133,803
Trade and other receivables		67,870	9,184
Prepayments		32,455	3,520
<b>Total Current Assets</b>		<b>8,697,713</b>	<b>146,507</b>
<b>Non Current Assets</b>			
Trade marks		55,988	16,320
<b>Total Assets</b>		<b>8,753,701</b>	<b>162,827</b>
<b>Current Liabilities</b>			
Trade and other payables	8	1,386,198	624,580
<b>Total Current Liabilities</b>		<b>1,386,198</b>	<b>624,580</b>
<b>Net Assets</b>		<b>7,367,503</b>	<b>(461,753)</b>
<b>Equity</b>			
Contributed equity	9	83,961,447	74,609,117
Translation Reserve		(30,620)	-
Accumulated losses		(76,563,324)	(75,070,870)
<b>Total Equity</b>		<b>7,367,503</b>	<b>(461,753)</b>

The accompanying notes form part of these financial statements.

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## Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2018

	Contributed Equity \$	Foreign currency translation reserve \$	Accumulated losses \$	Total \$
<b>Balance at 1 July 2017</b>	<b>73,270,517</b>	-	<b>(74,425,417)</b>	<b>(1,154,900)</b>
Loss for the period	-	-	(130,126)	(130,126)
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the half-year</b>	-	-	<b>(130,126)</b>	<b>(130,126)</b>
<b>Equity Transactions</b>				
Capital Issued	699,980	-	-	699,980
Convertible Note – Converted into Equity	500,000	-	-	500,000
<b>Balance at 31 December 2017</b>	<b>74,470,497</b>	-	<b>(74,555,543)</b>	<b>(85,046)</b>
<b>Balance at 1 July 2018</b>	<b>74,609,117</b>	-	<b>(75,070,870)</b>	<b>(461,753)</b>
Loss for the period	-	-	(1,492,454)	(1,492,454)
Other comprehensive income	-	-	-	-
Translation Reserve	-	(30,620)	-	(30,620)
<b>Total comprehensive income for the half-year</b>	-	<b>(30,620)</b>	<b>(1,492,454)</b>	<b>(1,523,074)</b>
<b>Equity Transactions</b>				
Capital Issued net of transaction cost	9,352,330	-	-	9,352,330
<b>Balance at 31 December 2018</b>	<b>83,961,447</b>	<b>(30,620)</b>	<b>(76,563,324)</b>	<b>7,367,503</b>

The accompanying notes form part of these financial statements.

# FINANCIAL STATEMENTS

PuriflOH Limited  
Interim Financial Report  
For the half-year ended 31 December 2018

## Consolidated Statement of Cash Flows

For the half-year ended 31 December 2018

	31 December 2018 \$	31 December 2017 \$
<b>Cash flows related to operating activities</b>		
Interest Received	11,869	308
Payments for staff costs, advertising and marketing, research and development, leased assets, and other working capital	(1,190,328)	(68,645)
<b>Net operating cash flows</b>	<b>(1,178,459)</b>	<b>(68,337)</b>
<b>Cash flows related to financing activities</b>		
Proceeds from issues of shares, options etc.	9,642,043	699,980
Proceeds from borrowings	-	72,000
<b>Net cash flows (used in)/from financing activities</b>	<b>9,642,043</b>	<b>771,980</b>
Net increase/(decrease) in cash and cash equivalents	8,463,584	703,643
Cash and cash equivalents at beginning of the period	133,803	6,281
<b>Cash and cash equivalents at the end of the period</b>	<b>8,597,388</b>	<b>709,924</b>

The accompanying notes form part of these financial statements.

# FINANCIAL STATEMENTS

PuriflOH Limited  
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## Notes to the consolidated half-year Financial Statements

### 1. Reporting Entity

PuriflOH Limited ("the Company" or "Group") is a public company, incorporated in Australia with its registered office at:

Level 3  
2 – 4 Ross Place  
South Melbourne, Victoria. 3205

The consolidated half-year financial report was authorised for issue in accordance with a resolution of the directors on 28 February 2019.

### 2. Statement of Accounting Policies

#### Basis of preparation for the half-year report

This consolidated interim financial report for the half-year ended 31 December 2018 has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. The group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report does not include all the notes of the type normally included as an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by PuriflOH Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

#### Accounting Policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements except as described below.

#### (i) Impact of Standards Issued But Not Yet Applied by the Group

##### AASB 16: Leases

AASB 16: Leases (issued February 2016) will supersede the existing lease accounting requirements in AASB 117: Leases and the related interpretations. It introduces a single lessee accounting model by eliminating the current requirements to distinguish leases as either operating leases or finance leases depending on the transfer of risks and rewards of ownership. The key requirements of AASB 16 are summarized as follows:

- Recognition of a right-of-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- Depreciation of right-of-use assets in line with AASB 116: Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;
- Inclusion of variable lease payments that depend on an index or a rate in the initial measurement of the lease liability using the index or rate at the commencement date;
- Application of a practical expedient to permit a lessee to elect not to separate non-lease components, instead accounting for all components as a lease;
- Inclusion of additional disclosure requirements; and
- Accounting for lessors will not significantly change.

AASB 16 will affect primarily the accounting for the Group's operating leases. The Group is currently assessing to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit or loss, financial position and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under AASB 16. The Standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. The Group does not intend to adopt the Standard before its effective date.

#### (ii) Changes in Accounting Policies Applied by the Group

##### AASB 9: Financial Instruments – Accounting Policies

This standard addresses the classification, measurement and recognition of financial assets (cash, trade receivables, other receivables) and financial liabilities, the impairment of financial assets and hedge accounting. In summary:

- (a) Classification and measurement – financial assets are required to be classified into two measurement categories: those measured at fair value and those measured at amortized cost. The determination is made at initial recognition. For financial liabilities the standard retains most of the previous standard requirements. There has been no change to the classification and measurement of financial assets and liabilities in the Group.

# FINANCIAL STATEMENTS

PurifloH Limited  
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- (b) Impairment – the expected credit loss model for impairment of financial assets replaces the incurred loss model. The Group has applied the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and requires recognition from initial recognition of the trade receivables. Application of this standard has not had a material impact on the carrying value of expected credit losses. No material impact was noted with respect to the opening provision therefore no adjustments have been made to opening balances.
- (c) Hedge accounting – the rules on hedge accounting have been amended to align accounting treatment with risk management practices of the reporting entity. There is no impact on the Group of the new standard.

## AASB 15: Revenue from Contracts with Customers – Accounting Policies

The Group has determined that AASB 15 has not resulted in a change to either recognition or measurement of revenue and therefore there is no requirement to restate revenue reported in prior periods. The Group will continue to recognize each of the following streams of revenue.

### 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affected the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events which management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. There have been no changes to the judgements, estimates and assumptions that have a significant risk on causing a material adjustment to the carrying amounts of assets and liabilities within the next calendar year, to those disclosed in the annual report for the year ended 30 June 2018.

### 4. Segment Information

During the financial period, the Company established a subsidiary in USA (PurifloH USA Incorporated) for the purpose of preparing a base of operations from which the technology will be commercialized and manufactured. Following establishment of the US subsidiary, a Business Development team will be appointed in the United States under the ongoing stewardship of current Director Steve Annear. At this stage of development, the financial results from this reportable segment are equivalent to the financial statements of the consolidated entity as a whole. There were no existing operating segments as at 30 June 2018.

### 5. Income Tax

Income tax expense is recognized based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the six months ended 31 December 2018 is 27.5%, compared to 27.5% for the six months ended 31 December 2017.

### 6. Financial Risk Management

The consolidated entity's financial risk management objectives and policies are consistent with those disclosed in the annual financial statements as at and for the 12 months ended 30 June 2018.

### 7. Cash and Cash Equivalents

	31 December 2018	30 June 2018
	\$	\$
AUD Accounts	77,007	133,803
USD Accounts	8,520,381	-
<b>Total</b>	<b>8,597,388</b>	<b>133,803</b>

### 8. Trade and Other Payables

	31 December 2018	30 June 2018
	\$	\$
Trade Payables	79,022	15,487
Accruals – Others	13,140	16,000
Accruals - Consulting	289,714	-
<b>Other Related Parties</b>		
Directors	304,994	262,950
Others	699,328	330,143
<b>Balance</b>	<b>1,386,198</b>	<b>624,580</b>



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## Other Related Parties

During the half year period, PuriflOH Limited incurred \$1,106,506 in consulting fees to Somnio including \$699,328 owing as at 31 December 2018. Somnio is considered a related party of the Company. Commitments post 31 December 2018 and details of the Licence Agreement are documented in Note 10.

30 June 2018 balance of \$330,143 related to amounts owing to a related party Dilato Holdings Pty Ltd which have been settled during the half year.

## Short Term Loans

During the 12 months to 30 June 2018 the Company extinguished all short term loans, through conversion of Series I and Series J Convertible Notes. The Company retained an outstanding facility of \$1,500,000 through Dilato Holdings Pty Ltd for its Series J Convertible Notes. It has since agreed with Dilato to retire that facility now that the Company has achieved equity funding through the Upjohn Laboratories investment. The facility of \$1,500,000 was closed prior to 31 December 2018.

## 9. Contributed Equity

Half Year ended 31 December 2017	No. of shares	\$
At 30 June 2017	4,177,254,400	73,270,517
Total Shares on Issue – Post Consolidation	20,886,383	-
Shares issued on Conversion of Notes	2,500,000	500,000
Share issues	3,500,000	699,980
<b>As at 31 December 2017</b>	<b>26,886,383</b>	<b>74,470,497</b>
Half Year ended 31 December 2018	No. of shares	\$
At 30 June 2018	27,289,527	74,609,117
Share issue <sup>i</sup>	4,000,000	9,600,000
Share issue <sup>ii</sup>	93,429	42,043
Transaction Cost	-	(289,714)
<b>As at 31 December 2018</b>	<b>31,382,956</b>	<b>83,961,447</b>

i The Company raised A\$9,600,000 through the issue of 4,000,000 shares at a price of \$2.40 per share to investor Upjohn Laboratories LLC of Michigan.

ii The Company issued 93,429 shares in lieu of consulting fees to a non-related party at a deemed price of \$0.45 per share.

## 10. Commitments and Contingencies

The Company has an ongoing agreement with Dilato Holdings to provide office space in Melbourne for \$7,500 per month and accounting and administration services for \$7,500 per month. Dilato Holdings are the major shareholder of PuriflOH Limited holding, currently holding 18,409,644 shares, being 58.66% of the Company.

In addition, the Company executed a Licence Agreement on 2 November 2018 with Somnio Global Holdings LLC as Licensor of the Technology and Somnio Global LLC as Service Provider. The Service Provider provides ongoing services for the development of the Products and Processes, on the terms and conditions of the Agreement. The Terms and Conditions of the Agreement include the payment of ongoing Service fees to Somnio Global LLC at a rate within US\$150,000 per month, although the monthly amount varies with certain milestone payments.

The Fees paid to Somnio Global LLC cover:

- I. annual costs including staff costs, rental payments and material and equipment costs (Development Costs);
- II. a monthly fee, to be reviewed bi-annually, payable by the Licensee to the Service Provider, which covers the Development Costs; (Development Fee); and
- III. development timelines and milestones for each of the Products and Processes in development, and a success fee payable by the Licensee to the Service Provider on the achievement of those milestones (Success Fees).

The provision of these Services is on an evergreen basis but are able to be terminated without cause with 3 month notice.

Licence fees to be paid to Somnio Global Holdings LLC are only payable on the basis of sales achieved by PuriflOH Limited.

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The Somnio Global Group is a related party of PuriflOH Limited by virtue of the common substantial and controlling shareholding of Dilato Holdings Pty Ltd in both. The Board of PuriflOH Limited approved the Service Fees independently and are comfortable that they are suitable "arms length" arrangements.

There were no other material changes in contingent liabilities or contingent assets since the end of the last annual reporting period of 30 June 2018.

## 11. Subsequent Events

There have been no material subsequent events.

## 12. Basis for Consolidation

During the financial period, the Company established a US subsidiary called Purifloh USA Incorporated. This subsidiary was incorporated in Delaware, USA following the raising of capital of A\$9,600,000, which was transferred from PuriflOH Limited (the 'parent') to Purifloh USA Incorporated (the 'subsidiary') as a loan payable on demand to the parent. The subsidiary carries a subscription of shares of common stock with par value of US\$0.001. As a result of this establishment, the half year financial report reflects the consolidation position the parent and the subsidiary collectively as the Group.

## 13. New and Revised Accounting Requirements Applicable to the Current Half-Year Reporting Period

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2018 reporting periods. The Group's assessment is that these new standards and interpretations will have no material impact on the Group's financial statements.