

IX BIOPHARMA LTD.
(Company Registration No. 200405621W)
(Incorporated in the Republic of Singapore)

RESPONSES TO SIAS' QUESTIONS ON IX BIOPHARMA'S ANNUAL REPORT FY2016

iX Biopharma Ltd ("the **Company**" and together with its subsidiaries, "the **Group**") has received questions from Securities Investors Association (Singapore) ("SIAS") relating to the Annual Report for FY2016 as part of their initiative to improve the quality of Annual General Meetings ("AGM").

The Company's responses to these questions are set out in the Appendix.

By Order of the Board

Lee Wei Hsiung / Wang Shin Lin, Adeline
Company Secretaries

25 October 2016

*This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, CIMB Bank Berhad, Singapore Branch (the "**Sponsor**"), for compliance with the SGX-ST Listing Manual Section B: Rules of Catalist. The Sponsor has not verified the contents of this announcement.*

This announcement has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this announcement, including the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this announcement.

The contact person for the Sponsor is Mr Tony Toh, Director, Investment Banking, CIMB Bank Berhad, Singapore Branch. The contact particulars are 50 Raffles Place, #09-01 Singapore Land Tower, Singapore 048623, telephone: (65) 6337-5115.

RESPONSES TO SIAS' QUESTIONS ON IX BIOPHARMA'S ANNUAL REPORT FY2016Paragraph 1

Question: Can the Company help shareholders understand the risks by mapping out the five products against the regulatory pathway undertaken in the different countries. Please include all the major milestones, estimated costs and time for each stage, and the potential of each addressable market.

Reply:

Product	Country – Regulatory Pathway	Major Milestones – estimated costs** & timeline***	Addressable Market*
Wafermine™ Sublingual ketamine	USA Food and Drug Administration (FDA), Section 505(b)(2) NDA	Phase 1 – completed Toxicity Study – completed Phase 2, Safety & Efficacy Study – completed Phase 2, Efficacy (Dose Selection) Study – 6 to 8 months Phase 3 – 12 to 18 months	Global pain market US\$24B
PheoniX™ Sublingual sildenafil	AUS TGA, new generic product	Bioequivalence Study – completed In preparation for drug registration with TGA Approval for drug registration with TGA – 12 to 18 months	Top 3 best-selling MED drugs US\$5B
WafeRest™ Sublingual melatonin	AUS TGA, export listing	In preparation for drug registration with TGA for export listing Approval for export listing with TGA – 6 to 8 months	Global melatonin market US\$504M
BnoX™ Sublingual buprenorphine	-	Phase 1 – 2 to 3 months.	Analgesics cost in Australia A\$589M (PBS published 2015)
Wafernyl™ Sublingual fentanyl	-	Phase 1 – completed The Group is re-evaluating the time-to-market of Wafernyl given the market trends	-

* Information gathered from market research firms and publications

** We are in the process (in some cases currently in progress) to request for proposal (RFP) for upcoming and planned clinical studies. To ensure the quality and efficiency of the tendering process, it will not be prudent to disclose internal estimates of costing. Subject to foreign exchange and market conditions, the Company is of the view that the cost estimates as disclosed in the IPO offer document dated 10 July 2015 remain reasonable

*** All estimated timelines are subject to study outcomes

Legend:

USA – United States of America, AUS – Australia, TGA – Therapeutics Goods Administration of Australia, MED – Male Erectile Dysfunction

Paragraph 2

Question: **Can the Company reveal the current burn-rate and provide a breakdown of the \$1.3 million increase in total expenses and reconcile it to the financial statements?**

Reply: Excluding share-based compensation, clinical trials and associated expenses, we estimate our burn-rate of the Group at S\$6 to S\$7 million for FY2017.

Reply: Total expenses before R&D excluding share-based compensation and other expenses increased by \$1.3 million due to the increase in headcount in the corporate office for listing compliance pursuant to the IPO. Additionally, an increase in sales and marketing activities in preparation for commercialisation of our products in Australia.

Reply: Reconciliation of \$1.3 million increase in total expenses of FY2016 over FY2015 is set out as follows:

	FY2016	FY2015	Changes
Total Expenses			
Cost of sales	4,090	4,166	(76)
Research and development	5,610	4,505	1,105
Sales and marketing	659	362	297
General and administrative	6,106	7,045	(939)
Others	1,047	2,311	(1,264)
Finance expense	47	47	-
Total Expenses	17,559	18,436	(877)
R&D, one-off and other expenses [†]	7,069	9,257	(2,188)
Total Expenses excluding R&D, one-off and other expenses	10,490	9,179	1,311
Represented by:			
Cost of sales	4,090	4,166	(76)
Sales and marketing	659	362	297
General and administrative	5,694	4,604	1,090
Finance expense	47	47	-
	10,490	9,179	1,311

Source: 2016 Annual Report

[†] Comprising R&D expenses of S\$5.6 million, share-based compensation of S\$0.4 million and Other expenses of S\$1.0 million for FY2016 and S\$4.5 million, S\$2.4 million and S\$2.3 million for FY2015 respectively.

Question: **Could the remuneration committee (RC) explain how they balance cash payment versus non-cash incentives such as the share option scheme and share plan?**

Reply: RC commissioned Carrots Consulting to review the total compensation of Non-Executive Directors and Senior Executives of the Group. Carrots Consulting has researched various remuneration packages in the healthcare industry. In order to attract and retain qualified professionals, Carrots Consulting then recommended a Prospective Target Pay Mix & Compensation Levels and use of non-cash compensation such as share plan for long term incentives. The Company made reference to Carrots Consulting's recommendation in formulating the Company's compensation policy.

Paragraph 3

Question: **Can the RC explain why it has not taken up the responsibility of administering the Schemes?**

Reply: The RC remains responsible for all aspects of remuneration including but not limited to Directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards, and benefits in kind. For matters relating to the Schemes, the RC will deliberate and make recommendations to the Board of Directors. As all members of RC also sit on the Board, it is more efficient for the Board of Directors as a whole to consider, approve and administer such matters relating to the Schemes. The Schemes have also been previously approved and adopted by the shareholders of the Company.

Question: **In addition, the RC appointed an external independent remuneration consultant, Carrots Consulting Pte Ltd ("Carrots Consulting") during the financial year "to review the fee framework for non-executive Directors to ensure the fees are comparable and competitive to those companies in the same industry, of comparable size and having similar business models" (page 20). Can the RC disclose the "Terms of Reference" given to Carrots Consulting?**

Reply: Broadly, Carrots Consulting had been engaged to carry out an overall compensation review of the Group's senior employees as well as a review of the fee framework for the non-executive Directors of the Company to ensure that they remain competitive to attract and retain talent. These have been described in the Company's Annual Report for the financial year ended 30 June 2016 and in the Company's Letter to Shareholders dated 6 October 2016 (the "**Letter to Shareholders**").

Question: **Based on the recommendation of Carrots Consulting, the basic director fee is set at \$71,500. As the board, had opted not to disclose the individual director's fees, the estimated average director fees would be \$82,000 each. Can the RC explain what were the comparable firms used? There are perhaps no listed companies in Singapore that are similar to iX Biopharma.**

Reply: For the purposes of comparison, companies whose businesses provide an approximation to that of the Company (the "**Comparison Companies**") had been used for reference. These companies are connected to the healthcare industry, and are also listed on the Singapore Exchange Securities Trading Limited (the "**SGX-ST**").

Question: **Given that the directors are not appointed for their pharmaceutical expertise, would it be fair to use companies listed on other exchanges for comparison since the fiduciary duties and responsibilities vary significantly based on the law of the country and the listing requirements of the exchange?**

Reply: The Comparison Companies used are all listed on the SGX-ST for the purpose of comparison with regards to the compensation review. As pointed out in your question, the laws and listing requirements of exchanges vary significantly across different countries, it is therefore more appropriate to use the Comparison Companies that are listed on the SGX-ST for the purpose of comparison with regards to the compensation review. In any event the effectiveness and composition of any board must possess the appropriate balance and diversity of skills, experience, knowledge and gender to direct and lead the Group, as explained in our annual report.

Paragraph 4

Question: **(a) Since the controlling shareholder holds a substantial stake, his interest should already be aligned with the interest of the Company and other shareholders. How will giving him such shares help in further aligning interest?**

Reply: The iX Performance Share Plan serves to recognise performance-based achievements. Accordingly, Mr Eddy Lee Yip Hang's participation in the iX Performance Share Plan is

consistent with the Company's objectives to motivate its senior employees to achieve and maintain a high level of performance and contribution. The grant of the share award to Mr Eddy Lee Yip Hang will ensure that he is equally entitled, with the other employees who are not controlling shareholders, to take part in and benefit from this system of remuneration. This thereby enhances his long term commitment to the Company.

In addition, approval from shareholders who are independent of Mr Eddy Lee Yip Hang will be required for his participation in the iX Performance Share Plan and the grant of the share award to him. These are in accordance with the listing rules of the SGX-ST.

Question: **(b) Over what period and based on what performance measures will the performance shares vest? What performance targets have to be met in order for the shares to vest? Can the RC/board confirm that there are performance targets to meet and not just time-based targets?**

Reply: As described in the Letter to Shareholders, the proposed grant of the share award to Mr Eddy Lee Yip Hang relates to his performance during the financial year ended 30 June 2016. His share award has been determined after taking into account, among others, his rank, job performance, leadership and management capabilities, contribution to the success and development of the Group and the extent of effort and resourcefulness required to achieve the performance conditions, including the progress of product development during the financial year ended 30 June 2016.

In the same financial year, the Company has completed 2 new products under development; BnoX (sublingual buprenorphine) for pain management and WaferRest (sublingual melatonin) for improved sleep quality.

Mr Eddy Lee Yip Hang, being one of the inventors is critically involved in the filing of iX's WaferiX technology and managing its examinations in different jurisdictions. Post IPO and during the financial year ended 30 June 2016, we have been granted 3 new patents in major markets including Japan, South Korea and Indonesia with 2 patents accepted (but not yet granted) in 2 other countries.

The share award will vest on the date falling 12 months after the award date.

Question: **(c) What is the fair value of the performance shares that will be granted? Please disclose the key variables used in the calculation of the fair value of the performance shares.**

Reply: As there are no other vesting conditions other than a time-based condition, the fair value is set at S\$0.315 per share being the closing market price of the Company's shares on 30 September 2016 (Date of Award).