Minomic International Ltd

ABN 14 124 455 081

Annual Report
For the year ended 30 June 2017

Contents

Corporate Information

These financial statements are of Minomic International Ltd (**Company**) as an individual entity. Unless otherwise stated, all amounts are presented in $AUD.

A description of the Company's operations and of its principal activities is included in the review of operation and activities in the directors' report. The directors' report is not part of the financial statements.

Directors

Dr Stewart Washer	Chairman
Dr Brad Walsh	CEO
Mr Raymore Millard	Non-executive Director
Mr Alan Liddle	Non-executive Director
Mr Xueliang Huang	Non-executive Director

Clinical Advisory Panel

Professor David Gillatt (Chairman)
Professor Dan Chan
Professor Mark Emberton
Professor John Babich
Dr Neal Shore

Secretary

Mr David Burdis	Chief Operating and Financial Officer, Company Secretary

Registered and Principal Office

Suite 2, 75 Talavera Road
Macquarie Park NSW 2113

Auditor

William Buck
Level 20, 181 William Street
Melbourne VIC 3000

Patent and Trademark Attorney

Spruson and Ferguson Lawyers
Level 35, 31 Market Street
Sydney NSW 2000

Lawyers

Dibbs Barker
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123 Pitt Street
Sydney NSW 2000

Contact Information

Ph: +61 2 9850 4000
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The directors present their report, together with the financial statements on behalf of the Company for the year ended 30 June 2017.

DIRECTORS

The names and details of the directors in office during the financial year and until the date of this report are as follows. Directors have been in office for this entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

Dr Stewart Washer
Chairman

Dr Washer is currently a director of Cynata Therapeutics Ltd (ASX:CYP), chairman of Orthocell Ltd (ASX:OCC), executive chairman of Firefly Health and a director of Zelda Therapeutics Pty Limited.

He has 20 years of senior executive and Board experience in digital health, regenerative medicine, drug development and agrifood companies. He was a founder of a NZ$120m New Zealand based life science fund. He is currently the Investment Director with Bioscience Managers who manage Australian and UK life-science funds.

Dr Brad Walsh

Dr Brad Walsh is CEO of Minomic International Ltd. He has over 30 years of experience in the biotechnology business and has enjoyed a successful career commercialising immunoassay kits and proteomics technologies and consumables as well as bioinformatics software. His products are being sold and supplied by major US corporations, such as Bio-Rad Laboratories.

In the early 2000's he founded the predecessor of Minomic International Ltd as a private company for which he raised over $5M in equity investment and non-dilutive funding. In the mid-90's he was the inaugural General Manager of an Australian National Research Facility that was the world leader in the groundbreaking new field of proteomics.

Prior to this he led research groups in public institutions such as CSIRO, universities and hospitals. With his background, both industry and government have eagerly sought his opinion as a thought leader and technologist. He holds the position of Adjunct Professor at Macquarie University. He has co-authored 71 peer reviewed papers and book chapters and 8 patents. He has won prizes for the products being developed by the Company including the 2015 Eureka Science Prize for Excellence in Interdisciplinary Research.

Raymore Millard

Mr Millard is a consultant with extensive experience in providing strategic advice to both listed and unlisted companies in Australia and overseas. He has assisted various companies in raising seed capital and with their ultimate listing. He is similarly assisting the Company.

Alan Liddle

Mr Liddle is currently a director of Haemalogix Pty Ltd and executive chairman of Sangui Bio Pty Ltd.

He has over 30 years of executive management experience primarily in the medical and biotechnology research sector encompassing immunology and bio-therapeutics for cancer and autoimmune diseases, cardiology and neuroplasticity. Alan founded and led two of Australia's leading biomedical/biotechnology companies.

Xueliang Huang (appointed 29 November 2016)	Mr Huang is a major shareholder in Minomic. He has investment experience in both Australia and China. He is also a director of Super New Generation Pty Limited.

As at the date of this report, the interests of the directors in the shares and options of Minomic International Ltd are:

Director	Number of Shares held directly and through related entities	Options
Dr Stewart Washer	1,530,139	-
Dr Brad Walsh	12,454,086	-
Raymore Millard	20,816,102	-
Alan Liddle	1,200,000	-
Xueliang Huang	33,783,785	-

COMPANY SECRETARY

Mr David Burdis is Company Secretary at the date of this report.

OPTIONS

There are no options outstanding at the date of this report.

There were 7,725,000 ordinary shares of Minomic International Ltd issued at $0.20 per share on the exercise of options during the year ended 30 June 2017 and up to the date of this report. The Company raised $1.55 million from the exercise of these options reflecting the Company's progress and serial risk reduction.

DIVIDENDS

No dividends have been paid or have been recommended during the year.

PRINCIPAL ACTIVITIES

Minomic International Ltd is an immuno-oncology company focused on the discovery and commercialisation of biomarkers to diagnose and treat solid tumours such as prostate, bladder and pancreatic cancer.

Minomic's first commercialisation opportunities are a diagnostic blood test for prostate cancer called the MiCheck® test and an immunotherapeutic product for the visualisation and targeted treatment of prostate cancer.

2017 OPERATING AND FINANCIAL REVIEW

MICHECK® TEST DEVELOPMENT AND COMMERCIALISATION

Clinical Trials
The Company has continued its prime objective which is to commercialise the MiCheck® test.

During the year the Prospective Trial was planned and the trial design reviewed by the Clinical Advisory Panel, this being finalised in Q4 of the financial year. The ethics application has been approved and the trial is now underway with approximately 150 samples collected to date. The Prospective Trial will collect 350 patient samples (50 normal patients and 300 patients proceeding to biopsy). Data from the Prospective Trial will be analysed by our biostatisticians to finalise both the test design and algorithm. This is expected to occur in Q4 2017.

Manufacturing
During the year our manufacturer, Bio-Techne, successfully transferred our MIL-38 antibody to the bead-based Luminex platform. The Luminex platform enables the rapid measurement of multiple analytes in a single blood sample. It is well established technology that is widely used in commercial laboratories and will facilitate deployment of the MiCheck® test in the US, Europe and elsewhere.

Bio-Techne manufactured a batch of custom kits, including the MIL-38 antibody. The kits will be used to test the Prospective Trial samples. Once the final design of the test is locked down, i.e. after the Prospective Trial, the Company intends to enter into a manufacturing agreement with Bio-Techne to produce commercial quantities of the MiCheck® test.

Regulatory and Reimbursement
The Company has engaged regulatory advisors to assist with the MiCheck® test's registration in the US, Europe and other territories. The registration of the test will progress once the kit is locked down at the conclusion of the Prospective Trial. We expect the European CE Mark registration to occur first. In the US, the Company intends to offer the MiCheck® test via the CLIA laboratory pathway. FDA registration is a lengthier process which will be pursued in conjunction with the eventual licensee of the MiCheck® test.

On the reimbursement front, a health economics model of the MiCheck® test has been developed by Duke University (assisted by Torreya Partners and CUSP Group/CUSP Clinical Trials Consortium). The health economics model is designed to demonstrate the economic benefits of the MiCheck® test. The model involves rigorous cost/benefit analysis and is essential for achieving reimbursement for the test which in turn is critical to its successful commercial introduction.

Additionally, the Company will refresh the Bionest Partners US Commercial Assessment survey using the MiCheck® test target product profile as informed by the Prospective Trial results. This survey involves interviews of urologists and health care payers providing metrics regarding the likely usage and adoption rates for the test as well as indicative pricing.

CLIA Labs
During the year the Company has met with a number of CLIA labs capable of offering the test in the US. The Company's objective is to enter into an agreement with one or more labs with a view to making the test available to urologists in early 2018. We note that potential MiCheck® license negotiations /arrangements may influence the timing and the structure of the CLIA lab offering.

Commercial Partner Engagement
The Company continues to meet with potential licensees on a regular basis in line with its commercialisation process developed with its advisers, Torreya Partners. The Company plans to enter into MiCheck® licensing discussions following completion of the Prospective Trial results being released which, we anticipate, should result in a formal licensing arrangement in the first half of 2018.

INTELLECTUAL PROPERTY
The Company has five patent families surrounding its antibody, MIL-38, and its antigen, Glypican-1. Three of the patents are now in National Phase with the other two patents going into National phase in the coming months. The Company has recently had its first patent granted in Singapore, i.e. the antigen patent.

The Company has submitted two new papers for publication:
1. "*Immunofluorescence assay for detection of prostate cancer cells in urine sediments: evaluation of glypican 1 (GPC-1) as a biomarker of prostate cancer*" to The Journal of Cancer and
2. *"Development of an assay to measure serum and plasma levels of a putative prostate cancer biomarker, Glypican-1"* to the journal Oncotarget .

A further paper on the 300 patient trial is in preparation.

MILTUXIMAB™ DEVELOPMENT

First in Human Trial
During the year the Company commenced a First in Human Trial of a chimeric version of the MIL-38 labelled with ^{67}Gallium (this molecule is called **Miltuximab™**). The trial will evaluate the safety and tumour targeting of Miltuximab™ in patients with advanced prostate, bladder and pancreatic cancer. The primary endpoint of the study are safety and tolerability of Miltuximab™. To date 8 patients have been dosed. There have been no adverse events thus far which suggests a good safety profile. Stability studies of Miltuximab™ have shown the drug is stable at 18 months demonstrating a good shelf life.

Other Mechanisms of Action
In addition to investigating Miltuximab™ the Company has been examining other therapeutic mechanisms of action, for example, an antibody drug conjugate (**ADC**) and a bispecific version of the antibody. The ADC involves labelling the MIL-38 with a cancer killing drug whist the bispecific antibody involves adding an immune system antibody fragment to a MIL-38 antibody fragment. Initial data from *in vitro* experiments for these mechanisms is encouraging. Accordingly, the Company has recently commenced some [small scale] xenograft studies using the ADC and bispecific antibody to generate *in vivo* data.

Humanised Antibody
During the year the Company has also produced a humanised form of the MIL-38 antibody. A humanised antibody is generally preferred by pharmaceutical companies over mouse monoclonal antibodies. The humanised versions of the antibody are currently undergoing testing to select the optimal version for future development.

Research Collaborations
The Company intends to use the data obtained for the various mechanisms of action to prioritise its development programme. Ideally the Company will be able to attract interest from a pharmaceutical company to enter a joint research collaboration. A full therapeutic development program is planned but not yet funded so the Company has been concentrating on generating preliminary data which will support a capital raise. As indicated to shareholders previously, the Company has decided to spin out its therapeutic assets to enable it to raise the necessary capital to fund that research programme.

COLLABORATIONS
The Company continues to work with its local and international collaborators with both universities and service providers. These collaborations provide access to world leading research and services.

CAPITAL RAISING
In the first half of the year we completed a successful capital raising with $8.7 million raised. Our thanks to the senior management for their hard work in gaining this successful outcome.

THERAPEUTIC SPIN OUT
As indicated to shareholders earlier this year, the Minomic Board has come to the conclusion that the Company should spin out of its therapeutic asset into a separate but associated company. Under the spin out plan all the Minomic shareholders will be given an equivalent shareholding in the therapeutic company. The rationale for this is as follows:

1. Minomic now has two distinctively separate life-sciences/pharmaceutical markets that its IP and technologies address. These are Clinical Diagnostics and Therapeutics. Many of the potential customers for Minomic's IP and technologies have specific interests and expertise in one but not both of these market areas and so separate licensing and/or sale opportunities may be available to the Company. Separate entities may facilitate such transactions.
2. Differing development paths and in particular larger capital requirements for progressing the therapeutic opportunities with respect to later phase trials means separate entities may be a superior strategic approach.

In consideration of this rationale the Company has been continuing its efforts to effect the spin out. The Company recently incorporated a wholly owned subsidiary company, GlyTherix Ltd. It is the intention that GlyTherix Ltd will acquire the therapeutic assets of the Company. In addition, license agreements for the shared IP have been drafted and are currently being reviewed. We have also recently lodged an application for a tax ruling with the ATO to confirm the separation of the diagnostics and therapeutic assets will be subject to demerger roll-over relief. The ATO ruling is expected later this year. Following receipt of the ATO ruling the Board will consider the timing and details of the spin out.

As indicated above, the therapeutic development will require further investment in research and clinical trials thus the Company has and continues to discuss its plans with potential investors and fund raisers as well as potential collaborators.

OPERATING RESULTS FOR THE YEAR

The Company incurred an operating loss of $4,197,811 after income tax for the financial year ended 30 June 2017 (30 June 2016: loss $2,832,316).

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Company during the year.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Since the end of the year the Company has formed a fully owned subsidiary, GlyTherix Ltd. The Company is in the process of organising its affairs to enable GlyTherix Ltd to acquire and develop the Company's therapeutic assets. It is intended that shares in GlyTherix Ltd will be distributed to the Company's shareholders. The Company is currently seeking a binding ruling from the Australian Tax Office regarding the demerger roll over relief before proceeding with the anticipated distribution.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Other than matters referred to elsewhere in this report, further information as to likely developments in the operations of the entity and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the entity.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Company's operations are not subject to any particular environmental regulations.

DIRECTORS' MEETINGS

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director was as follows:

Director	Board Meetings	
	No. of Meetings Possible to Attend	No. of Meetings Attended
Stewart Washer	6	6
Brad Walsh	6	6
Raymore Millard	6	6
Alan Liddle	6	6
Xueliang Huang	3	1

INDEMNIFYING OFFICERS OR AUDITOR

The Company has entered into a deed of indemnity with each current director and certain former directors indemnifying them on a continuing basis, to the maximum extent permitted by law and the Company's constitution, against all liabilities and payments (including legal expenses) incurred or paid in connection with their position as director or employee of the Company or a controlled entity.

The Company has insured its Directors and Officers for the financial year ended 30 June 2017. Under the Company's insurance policy, the Company cannot release to any third party or otherwise publish details of the nature of the liabilities insured by the policy or the amount of the premium. Accordingly, the Company relies on section 300(9) of the Corporations Act 2001 to exempt it from the requirement to disclose the nature of the liability insured against and the premium amount of the relevant policy.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

There were no proceedings during the year.

NON–AUDIT SERVICES

The auditor provided no other services other than the audit and review of the financial statements of the Company's financial reports.

AUDITOR INDEPENDENCE DECLARATION TO THE DIRECTORS OF MINOMIC INTERNATIONAL LTD

A copy of the auditor's independence declaration as required under s307C of the Corporations Act 2001 is attached to this Directors' Report.

Signed in accordance with a resolution of the Board of Directors:

Dr Stewart Washer
Chairman

22 September 2017

William Buck

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF MINOMIC INTERNATIONAL LTD

I declare that, to the best of my knowledge and belief during the year ended 30 June 2017 there have been:

— no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

— no contraventions of any applicable code of professional conduct in relation to the audit.

William Buck

William Buck Audit [Vic] Pty Ltd
ABN 59 116 151 136

N. S. Benbow
Director
Dated this 22nd day of September, 2017

CHARTERED ACCOUNTANTS & ADVISORS

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Minomic International Ltd
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2017

	Note	2017 $	2016 $
Revenue	4	1,889,265	1,645,551
Expenses			
Administration and corporate costs		(1,502,259)	(1,760,617)
Depreciation expense		(34,526)	(66,913)
Directors' fees and employee benefits expense		(1,732,116)	(1,465,987)
Payments to suppliers for research and development expenses		(2,818,175)	(1,184,350)
Loss before income tax expense		(4,197,811)	(2,832,316)
Income tax expense		-	-
Loss after income tax expense for the year attributable to the owners of Minomic International Ltd		(4,197,811)	(2,832,316)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the owners of Minomic International Ltd		(4,197,811)	(2,832,316)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Minomic International Ltd
Statement of financial position
As at 30 June 2017

	Note	2017 $	2016 $
Assets			
Current assets			
Cash and cash equivalents		2,918,888	240,621
Trade and other receivables	7	1,817,243	1,305,451
Total current assets		4,736,131	1,546,072
Non-current assets			
Plant and equipment	8	173,271	146,302
Total non-current assets		173,271	146,302
Total assets		4,909,402	1,692,374
Liabilities			
Current liabilities			
Trade and other payables	9	703,275	825,693
Borrowings	10	-	701,556
Provision for employee benefits	11	140,699	260,804
Total current liabilities		843,974	1,788,503
Non-current liabilities			
Provision for employee benefits	11	27,692	50,783
Total non-current liabilities		27,692	50,783
Total liabilities		871,666	1,838,836
Net assets/(liabilities)		4,037,736	(146,462)
Equity			
Issued capital	12	23,321,093	15,094,251
Performance share reserve		345,074	189,907
Accumulated losses		(19,628,431)	(15,430,620)
Total equity/(deficiency)		4,037,736	(146,462)

The above statement of financial position should be read in conjunction with the accompanying notes

Minomic International Ltd
Statement of changes in equity
For the year ended 30 June 2017

	Issued Capital $	Performance share reserve $	Accumulated losses $	Total deficiency in equity $
Balance at 1 July 2015	12,819,340	84,352	(12,598,304)	305,388
Loss after income tax expense for the year	-	-	(2,832,316)	(2,832,316)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income/(loss) for the year	-	-	(2,832,316)	(2,832,316)
Transactions with owners in their capacity as owners:				
Issue of shares (net of costs)	2,274,911	-	-	2,274,911
Vesting of performance shares	-	105,555	-	105,555
Balance at 30 June 2016	15,094,251	189,907	(15,430,620)	(146,462)

	Issued capital $	Performance share reserves $	Accumulated losses $	Total deficiency in equity $
Balance at 1 July 2016	15,094,251	189,907	(15,430,620)	(146,462)
Loss after income tax expense for the year	-	-	(4,197,811)	(4,197,811)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income/(loss) for the year	-	-	(4,197,811)	(4,197,811)
Transactions with owners in their capacity as owners:				
Issue of shares (net of costs)	8,226,842	-	-	8,226,842
Vesting of performance shares	-	155,167	-	155,167
Balance at 30 June 2017	23,321,093	345,074	(19,628,431)	4,037,736

The above statement of changes in equity should be read in conjunction with the accompanying notes

Minomic International Ltd
Statement of cash flows
For the year ended 30 June 2017

	Note	2017 $	2016 $
Cash flows from operating activities			
Proceeds from research and development credits from ATO		1,220,273	1,311,467
Proceeds from funding		135,243	300,933
Payments to suppliers and employees		(6,089,453)	(3,915,720)
Interest received		21,957	15,172
Interest paid		(21,347)	(101,279)
Net cash used in operating activities	17	(4,733,327)	(2,389,427)
Cash flows from investing activities			
Acquisition of plant and equipment		(61,495)	(18,457)
Net cash used in investing activities		(61,495)	(18,457)
Cash flows from financing activities			
Proceeds (net of costs) from issue of ordinary shares	12	8,226,842	1,741,940
Receipts of short-term loan from R&D Capital Partners Pty Ltd		-	690,000
Repayment of short-term loan from R&D Capital Partners Pty Ltd		(690,000)	(878,500)
Finance lease payments		(11,556)	(12,231)
Net cash from financing activities		7,525,286	1,541,209
Net increase/(decrease) in cash and cash equivalents		2,730,464	(866,675)
Effect of exchange rate of cash and cash equivalents of foreign currency		(52,197)	-
Cash and cash equivalents at the beginning of the financial year		240,621	1,107,296
Cash and cash equivalents at the end of the financial year		2,918,888	240,621

Note 1. Corporate Information

These financial statements were authorised for issue in accordance with a resolution of directors at the date of this report.

Minomic International Ltd is a public company limited by shares incorporated and domiciled in Australia whose shares are not publicly traded.

The nature of the operations and principal activities of the Company are described in the Directors' report.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Company has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention
The financial statements have been prepared under the historical cost convention.

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Government research and development tax incentives

Government grants, including research and development incentives are recognised at fair value when there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to research and development expenditure are recognised as income over the periods necessary to match the grant costs they are compensating. The incentive is recognised as income as it is not tied to offsetting assessable income in tax.

Note 2. Significant accounting policies (continued)

Research and development costs
Research costs for the development of the intellectual property are expensed as incurred. An intangible asset arising from development expenditure on an internal project is recognised only when the Company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised over the period of expected benefits from the related project.

Income tax
The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:
- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset o that is not a business combination and that, at the time of the transaction, affects neither the accountin
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ve the reversal can be controlled and it is probable that the temporary difference will not reverse in the for

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Current and non-current classification
Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Company's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

Note 2. Significant accounting policies (continued)

A liability is classified as current when: it is either expected to be settled in the Company's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset’s employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the Company includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation
The depreciable amount of all fixed assets including capitalised lease assets is depreciated on a diminishing value basis over the asset’s useful life to the Company commencing from the time the asset is held ready for use.

Lab equipment	10-50%
Office equipment, fixtures and fittings	37.5% - 66.67%
Motor vehicle	18.75%

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Company. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

Note 2. Significant accounting policies (continued)

Impairment of Assets
At each reporting date, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less cost to sell and value in use, is compared to the assets carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the income statement.

Leases
Leases payments on operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the period in which they are incurred.

Trade and other payables
Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services.

Borrowings
Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

Employee benefits
Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits
The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Financial Instruments
Financial instruments are initially measured at fair value on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured at amortised cost using the effective interest method.

Issued capital
Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Note 2. Significant accounting policies (continued)

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

New Accounting Standards and Interpretations not yet mandatory or early adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the entity for the annual reporting period ended 30 June 2017. The entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the entity, are set out below.

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The entity will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the entity.

Note 2. Significant accounting policies (continued)

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The entity will adopt this standard from 1 July 2019 but the impact of its adoption is yet to be assessed by the entity.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect 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, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions
Equity-settled share-based compensation benefits, including the shares issued under performance plan as noted in note 11, are provided to employees.

Equity-settled transactions are awards of shares, or options over shares that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

Note 4. Revenue

	2017 $	2016 $
Research and development credits	1,817,243	1,244,268
Other		
Grant income	50,065	386,111
Interest	21,957	15,172
Total revenue	1,889,265	1,645,551

Note 5. Segment Note

The Company operates in one segment, being the research, evaluation and commercialisation of biomarkers in the diagnosis and treatment of human disease in the Oceania region.

Note 6. Income Tax Expense

Tax losses have not been brought to account as utilisation of these losses is not probable. Income tax losses can only be recovered by the Company deriving future assessable income, conditions for deductibility imposed by law being complied with and no charge in tax legislation adversely affecting the realisation of the benefit from the deductions. Therefore, carry forward losses may not be available to offset future assessable income.

Accumulated losses that may potentially be offset against future assessable income as at 30 June 2017 were $11,620,859 (30 June 2016 $9,783,375).

Note 7. Trade and other receivables

	2017 $	2016 $
Current		
Other receivables	-	85,178
Research and development credits receivable	1,817,243	1,220,273
	1,817,243	1,305,451

Note 8. Plant and equipment

	2017 $	2016 $
Motor vehicles	35,549	35,549
Less: Accumulated depreciation	(24,386)	(20,665)
	11,163	14,884
Office equipment, fixtures and fittings	60,307	39,258
Less: Accumulated depreciation	(36,281)	(28,544)
	24,026	10,714
Laboratory equipment	541,116	500,670
Less: Accumulated depreciation	(403,034)	(379,966)
	138,082	120,704
	173,271	146,302

Note 9. Trade and other payables

	2017 $	2016 $
Trade payables	256,989	383,904
Accrued and sundry payables(1)	446,286	441,789
	703,275	825,693

(1) As at 30 June 2017 there were no accruals owed to key management personnel in respect of accrued directors and consulting fees arising from transactions with the Company in the ordinary course of business (2016: $235,108).

Note 10. Borrowings

	2017 $	2016 $
R&D prepayment facility	-	690,000
Motor vehicle lease liability	-	11,556
	-	701,556

Note 11. Employee benefits

	2017 $	2016 $
Current		
Annual leave	67,315	198,206
Long service leave	73,384	62,598
	140,699	260,804
Non-current		
Long service leave	27,692	50,783
	27,692	50,783
	168,391	311,587

Note 12. Issued Capital

	2017		2016	
	Qty	**$**	Qty	$
At the beginning of the reporting period	**200,992,465**	**15,094,251**	188,632,625	12,819,340
Issue or granting of ordinary fully paid shares	**43,203,785**	**8,640,757**	11,194,500	2,238,900
Shares issued in satisfaction of directors and consultant's fees	**-**	**-**	478,055	95,611
Capital raising costs	**-**	**(413,915)**		(59,600)
Shares issued under performance plan (1)	**540,000**	**-**	1,887,285	-
Share buyback and cancelation under the performance plan (2)	**(2,700,000)**	**-**	(1,200,000)	-
At the end of the reporting period	**242,036,250**	**23,321,093**	200,992,465	15,094,251

(1) These shares were issued under the Company's Performance Share Plan for its employee and consultants. They are financed by the Company by limited recourse loans. The shares have all the rights and entitlements attached to ordinary shares, with the following exceptions:
   (a) Shares vest over 3 years subject to a "good leaver" discretionary clause, any employee who leaves within a period of 3 years from the date of issue of the shares waives any right to unvested shares, and those shares will be forfeited, to be cancelled from the Company's share register;
   (b) Any proceeds arising from dividends, capital returns or proceeds from wind-up will firstly be applied against the outstanding loan balance before being repatriated to the performance shareholder; and

Note 12. Issued Capital (continued)

(c) The outstanding loan becomes due and payable upon the earlier of a trade sale (whereby control of the Company is assumed by a majority shareholder) or quotation on a listed exchange market.

In assessing the accounting treatment of the transaction, the directors considered AASB 2 share-based payments, and determined that the arrangement constituted the granting of performance options to employees, where, subject to the criteria set out above, the employees have the entitlement to acquire the full economic benefit of the shares (being the right to unfettered dividend and capital return entitlements) by acquiring those shares at a price of 20 cents per share. A Black-Scholes option pricing model factoring in weighted average probabilities for the exercise of those shares was employed in determining the fair value of the arrangement that will vest to the reserve over the course of the 3-year service period. For the period ended 30 June 2017 this was $155,167 (30 June 2016: $189,907).

Ordinary shareholders participate in dividends and the proceeds on winding up in proportion to the number of shares held. At shareholder meetings each ordinary share is entitled to one vote when a poll is called otherwise each shareholder has one vote on a show of hands.

Note 13. Financial instruments and financial risk management

The Company's financial instruments consist mainly of deposits with banks, accounts receivable and payable, R&D tax prepayment financing facility and leases. The Board of Directors are responsible for monitoring and managing financial risk exposures of the Company.

Specific Financial Risk Exposures and Management

The only significant risk the Company is exposed to through its financial instruments is liquidity risk. The directors consider all of the Company's financial instruments, which are measured at amortised cost, to approximate fair value.

Liquidity Risk

Liquidity risk arises from the possibility that the Company might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Board of Directors monitors forecast cash flows to ensure that there is sufficient cash to meet commitments. This is achieved by the preparation from time to time of cash flow forecasts.

The Company is currently developing its diagnostic, imaging and therapeutic products and as a consequence is reliant on ongoing capital raising and government grants to meet its cash flow requirements. The Company has an overdraft facility of $50,000 which is secured by a charge over its bank deposits. Apart from the prepayment loan facility and the finance lease liability, all current financial liabilities have repayment terms of between 14 and 60 days.

Note 14. Auditor's Remuneration

During the financial year the following fees were paid or payable for services provided by, the auditor of the Company, and unrelated firms:

	2017 $	2016 $
Remuneration of the auditors of the Company for: Auditing or reviewing the financial statements		
William Buck Audit (VIC) Pty Ltd	29,500	28,500

Note 15. Related party transactions

Details of specific transactions and balances with related parties have been disclosed throughout these financial statements and notes. Unless otherwise stated, all transactions and balances have occurred on arm's-length terms.

Note 16. Events after the reporting period

No matter or circumstance has arisen since 30 June 2017 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

Note 17. Key Management Personnel

Details of Key Management Personnel

(i) Directors

Stewart Washer	Chairman
Brad Walsh	Chief Executive Officer
Raymore Millard	Non-Executive Director
Alan Liddle	Non-Executive Director
Xueliang Huang	Non-Executive Director
David Burdis	Chief Operating and Financial Officer, Company Secretary

Number of shares held directly and through related entities in Minomic International Ltd

Director/Executive	Balance 1 July 2016	Note 1	Balance 30 June 2017
Dr Stewart Washer	1,530,139	-	1,530,139
Dr Brad Walsh	12,454,086	-	12,454,086
Raymore Millard	20,816,102	-	20,816,102
Alan Liddle	1,200,000	-	1,200,000
Xueliang Huang	-	33,783,785	33,783,785
David Burdis	8,871,852	-	8,871,852

Note 1 – these shares were purchased on 25 November 2016

Note 20. Reconciliation of loss after income tax to net cash used in operating activities (continued)

(ii) Key management personnel compensation

	2017 $	2016 $
Short-term employee benefits [1]	770,467	741,658
Share based payments	96,154	57,570
Post-employment benefits	52,485	38,785
	919,106	838,013

(1) Short-term employee benefits include the share performance plan, directors' fees, salary and wages and consulting services rendered in the capacity as a key management personnel and include fees earned through interposed entities.

Note 18. Reconciliation of loss after income tax to net cash used in operating activities

	2017 $	2016 $
Loss after income tax expense for the year	(4,197,811)	(2,832,316)
Non-cash flows in profit		
Depreciation	34,526	66,913
Share-based payments	155,167	161,526
Movements in working capital		
(Increase)/decrease in trade receivables and other assets	(511,790)	(17,981)
Increase/(decrease) in trade and other payables	(122,412)	160,198
Increase/(decrease) in provisions	(143,201)	72,233
Net cash used in operating activities	(4,733,327)	(2,389,427)

Minomic International Ltd
Directors' declaration
30 June 2017

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;

- the attached financial statements and notes give a true and fair view of the Company's financial position as at 30 June 2017 and of its performance for the financial year ended on that date; and

- 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 directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

Dr Stewart Washer
Chairman

22 September 2017

Minomic International Ltd

Independent auditor's report to members

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Minomic International Ltd (the Company), which comprises the statement of financial position as at 30 June 2017, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Company, is in accordance with the *Corporations Act 2001*, including:
(i) giving a true and fair view of the Company's financial position as at 30 June 2017 and of its financial performance for the year then ended; and
(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CHARTERED ACCOUNTANTS & ADVISORS
Level 20, 181 William Street
Melbourne VIC 3000
Telephone: +61 3 9824 8555
williambuck.com

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2016, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

William Buck

William Buck Audit (Vic) Pty Ltd
ABN: 59 116 151 136

N. S. Benbow
Director
Melbourne, 22 September 2017