Minomic International Ltd

ABN 14 124 455 081

Interim Financial Report
For the half year ended 31 December 2017

To be read in-conjunction with the 30 June 2017 financial statements and public announcements made by the Group for the six months ended 31 December 2017

CONTENTS TO FINANCIAL REPORT

CORPORATE INFORMATION

These interim financial statements are of Minomic International Ltd and the entities it controlled at the half-year's end (the "Group"). Unless otherwise stated, all amounts are presented in $AUD.

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

Directors

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

Clinical Advisory Panel

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

Secretary

Mr David Burdis	Chief Operating and Financial Officer, Company Secretary

Registered and Principal Office

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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
Level 8, Angel Place
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Contact Information

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Directors' report

The directors of Minomic International Ltd present their report on the consolidated group (the "Group") comprising Minomic International Ltd and the entities it controlled as at and during the half-year ended 31 December 2017.

Directors

Dr Stewart Washer (Chairman, appointed 1 July 2013)

Mr Raymore Millard (Non-executive Director, appointed 26 May 2010)

Mr Alan Liddle (Non-executive Director, appointed 22 November 2012)

Mr Xueliang Huang (Non-executive Director, appointed 29 November 2016)

Dr Brad Walsh (CEO, appointed 15 December 2011)

Principal activities

Minomic International Ltd is an Australian immuno-oncology company that has developed an *in vitro diagnostic* test for the early detection of prostate cancer. The test, known as MiCheck® detects biomarkers present in the blood of patients. In clinical trials, MiCheck® has been shown to be more than twice as specific as the existing gold standard, prostate specific antigen (PSA) testing.

The Group also has a clinical antibody program and has commenced a first-in-human trial with 12 cancer patients to develop diagnostic imaging and therapeutic applications of the MIL-38 antibody for prostate and other cancers. This uses the same technology as the diagnostic test and patient grade material has been produced for this study.

Both the diagnostic and the therapeutic applications of the technology are protected by Minomic's intellectual property estate.

Operating results

The Group incurred an operating loss of $2,303,642 after income tax for the half year ended 31 December 2017 (2016: $1,720,514).

Review of Operations and Subsequent Events

The Company remains focused on commercialisation of its MiCheck® test. The collection of patient samples in the prospective trial was completed in mid-December and testing them completed in January. The Company is now in the process of analysing the data obtained and producing biostatistical models. Initial analysis has provided positive results which were presented to prospective licensees at the JP Morgan Healthcare conference in January. The prospective licensees were pleased with the data presented and we are continuing discussions and due diligence with a view to entering into a licensing transaction.

As advised previously we intend to launch the test using a Clinical Laboratory Improvement Amendments (CLIA) certified laboratory in the US. We are now in discussion with some CLIA labs interested in running the MiCheck® test. CE marking of the test and FDA approval remain an objective of the Company. These will be pursued when the manufacturing agreement is in place.

The Company is of the view that the MiCheck ® market entry in the US and Europe will be in partnership with our future commercial partner. To this end the Company has continued to engage with potential partners in conjunction with our commercial advisors, Torreya Partners, NY, USA.

The Company continues its early therapeutic drug development. The Miltuximab® First in Human trial is progressing having dosed 9 patients to date. The trial uses a ^{67}Gallium labelled MIL-38 antibody to evaluate the safety and tumour targeting of MILGa in patients with advanced prostate, bladder and pancreatic cancer.

Directors' report

The primary endpoints of the study are safety and tolerability of the drug. The secondary endpoints are to qualitatively evaluate the drug as a diagnostic tool in prostate, bladder and pancreatic tumours and to perform dosimetry analysis of tumour images to determine relative accumulation of Miltuximab® in different organs. It is pleasing that to date no patients have had any drug related adverse events.

In addition, the Company has been generating additional pre-clinical data using the MIL-38 antibody with other mechanisms of action, i.e. antibody drug conjugates, bi-specific antibodies and other cell therapies. This data is encouraging and which we are actively sharing it with potential collaborators/licensees.

We continue to work in collaboration with highly regarded researchers in Australia and the United States including Macquarie University, University of Queensland, Queensland University of Technology, University of Technology Sydney, University of South Australia, Weill Cornell University, NY and University of Michigan, MI, USA. In addition, the Company continues to work with specialist service providers in the US to assist with the early stage development of the drug. This combined research effort is aimed at providing early data to support potential commercial collaborations in the future.

Much of the Company's patent estate is now in country phase. Our pre-clinical work should lead to lodgement of further patents in the coming year. The Company has, and will continue to prepare, papers for publication in peer reviewed journals.

The spin-out of the Company's therapeutic assets into a separate standalone company is progressing. The Company is awaiting a ruling from the Australian Taxation Office regarding demerger relief for its shareholders. Once this is obtained the Company will progress this activity.

Future developments

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

Dividends

No dividend has been proposed or paid.

Auditor's independence declaration

The auditor's independence declaration is attached to this Directors' report.

Signed in accordance with a resolution of the directors

Dr Stewart Washer
Chairman

Dated this 23rd day of February, 2018

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 half-year ended 31 December 2017 there have been:

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

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

William Buck

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

N. S. Benbow
Director

Dated this 23rd day of February, 2018

CHARTERED ACCOUNTANTS & ADVISORS

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Statement of profit or loss and other comprehensive income
for the half year ended 31 December 2017

	Note	31 December 2017 $	31 December 2016 $
Revenue			
Research and development credits		940,384	870,335
Foreign exchange gains/(losses)		(57,430)	82,067
Other income		31,562	43,084
Expenses			
Corporate and administration		(516,869)	(516,156)
Depreciation		(27,852)	(18,669)
Employee benefits		(1,063,050)	(1,113,558)
Finance		(3,997)	(1,444)
Research and development		(1,606,391)	(1,066,173)
Comprehensive loss for the half year attributable to members of the Group		(2,303,642)	(1,720,514)
Basic and diluted loss per share (cents)	3	(0.95)	(0.8)

The accompanying notes form part of these financial statements

Statement of financial position
as at 31 December 2017

	Note	31 December 2017 $	30 June 2017 $
Current assets			
Cash and cash equivalents		1,662,635	2,918,888
Trade receivables and other assets		949,579	1,817,243
Total current assets		2,612,214	4,736,131
Non-current assets			
Plant and equipment		151,222	173,271
Total non-current assets		151,222	173,271
Total assets		2,763,436	4,909,402
Current liabilities			
Trade and other payables		499,223	703,275
Borrowings		320,000	-
Employee provisions		160,660	140,699
Total current liabilities		979,883	843,974
Non-current liabilities			
Employee provisions		37,259	27,692
Total non-current liabilities		37,259	27,692
Total liabilities		1,017,142	871,666
Net assets / (deficiency)		1,746,293	4,037,736
Equity			
Issued capital	4	23,321,093	23,321,093
Performance share reserve		357,273	345,074
Accumulated losses		(21,932,073)	(19,628,431)
Total equity		1,746,293	4,037,736

The accompanying notes form part of these financial statements

Statement of changes in equity
for the half year ended 31 December 2017

	Issued Capital $	Performance Share Reserve $	Accumulated Losses $	Total $
As at 1 July 2016	15,094,251	189,907	(15,430,620)	(146,462)
Comprehensive loss for the half year	-	-	(1,720,514)	(1,720,514)
Transactions with owners, in their capacity as owners				
Issue of capital	8,715,756	-	-	8,715,756
Cost of capital raising	(413,914)	-	-	(413,914)
Vesting of performance shares	-	150,147	-	150,147
As at 31 December 2016	23,396,093	340,054	(17,151,134)	6,585,013
As at 1 July 2017	**23,321,093**	**345,074**	**(19,628,431)**	**4,037,736**
Comprehensive loss for the half year	**-**	**-**	**(2,303,642)**	**(2,303,642)**
Transactions with owners, in their capacity as owners				
Vesting of performance shares	**-**	**12,199**	**-**	**12,199**
As at 31 December 2017	**23,321,093**	**357,273**	**(21,932,073)**	**1,746,293**

The accompanying notes form part of these financial statements

Statement of cash flows
for the half year ended 31 December 2017

	Note	31 December 2017 $	31 December 2016 $
Cash flows from operating activities			
Proceeds from research and development credits from the Australian Tax Office		1,808,048	1,220,273
Cash payments to suppliers and employees		(3,352,589)	(2,909,142)
Interest received		5,943	1,218
Interest paid		(42)	(312)
Proceeds from other grants		25,620	127,043
Net cash flows used in operating activities		(1,513,021)	(1,560,920)
Cash flows from investing activities			
Acquisition of plant and equipment		(5,803)	(2,703)
Net cash flows used in investing activities		(5,803)	(2,703)
Cash flows from financing activities			
Finance lease repayments		-	(6,256)
Proceeds from issuing share capital		-	8,226,845
R&D loan proceeds/(repayments)		320,000	(690,000)
Net cash flows provided by financing activities		320,000	7,530,589
Net increase/(decrease) in cash and cash equivalents		(1,198,824)	5,966,966
Effect of exchange rate on cash and cash equivalents in foreign currencies		(57,429)	58,654
Cash and cash equivalents at the beginning of the half year		2,918,888	240,621
Cash and cash equivalents at the end of the half year		1,662,635	6,266,241

The accompanying notes form part of these financial statements

Notes to the financial statements

NOTE 1 STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

Statement of Compliance

These interim financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standard AASB 134: Interim Financial Reporting, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2017 and any public announcements made by Minomic during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

The accounting policies are consistent with those in the June 2017 financial report. The interim financial statements do not include full disclosures of the type normally included in an annual financial report.

Going Concern

These financial statements have been prepared on a going concern basis, notwithstanding that for the half-year ended 31 December 2017 the Group generated a net loss of $2,303,642 (2016: $1,720,514), cash outflows from operations were $1,513,021 (2016: $2,972,397), and as at 31 December 2017 the Group had a net working capital surplus of $1,632,330 (30 June 2017: $3,892,157).

The Directors believe that the Group is a going concern on the basis that the Group will continue its track record of building intellectual property assets and reducing commercial risk which, in turn, will further enhance its ability to successfully issue share capital to new and existing shareholders. The Directors will continue to prudently manage the Group's cash outflows and contractual commitments whilst maintaining their ability to scale back research and development expenditure, if required. This includes the ability to settle liabilities owing to directors and director-related entities through the issue of share equity. Written confirmation has been obtained confirming that the Directors will not call for cash settlement of director fees owing or accrued until such time that the directors are of the opinion that there payment will not impact on the Group's working capital and its ability to pay its debts as and when they fall due and payable.

These financial statements do not include any adjustments to the recoverability or classification of recorded asset amounts, or to the amounts or classification of liabilities, which might be necessary should the Group not be able to continue as a going concern.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

(a) Accounting Policies

These interim financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2017.

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current half year.

(b) New and Revised Accounting Requirements Applicable to the Current Half-Year Reporting Period

Certain new accounting standards and interpretations became applicable to the current half year reporting period. The Group's assessment of the impact of these new standards and interpretations is that they will not significantly impact upon the classification, recognition, disclosure and measurement of amounts recorded in the financial statements.

Notes to the financial statements

(c) New Accounting Standards and Interpretations not yet mandatory or early adopted

The Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the half year period ended 31 December 2017.
The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below:

AASB16 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 standard is mandatory for annual reporting periods beginning on or after 1 January 2019. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and financing leases is removed. The standard will affect primarily the accounting for the Group's operating leases. However, management has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for the future payments and how this will affect the Group's profit and classification of cash flows. Some 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.

	Half year ended 31 December 2017 $	Half year ended 31 December 2016 $
NOTE 3 LOSS PER SHARE		
The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:		
Net loss attributable to ordinary equity holders (used in calculating basic and diluted EPS)	(3,303,641)	(1,720,514)
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share adjusted for share consolidation (no.)	242,036,250	211,517,608

Notes to the financial statements

NOTE 4 ISSUED CAPITAL

	31 December 2017	
	No	**$**
As at 1 July 2017	242,992,465	23,321,093
As at 31 December 2017	242,992,465	23,321,093

NOTE 5 CONTINGENT LIABILITIES

The Group currently has no contingent liabilities or commitments at the date of signing this report.

NOTE 6 SUBSEQUENT EVENTS

No matters or circumstances have arisen since the end of the reporting period which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

NOTE 7 SEGMENT REPORTING

The Group operates in one industry being research and development of biotechnology in the Asia-Pacific region.

Directors' declaration

The directors of the Group declare that:

(1) The financial statements and notes are in accordance with the *Corporations Act 2001*, including:

(a) complying with Accounting Standard AASB 134: Interim Financial Reporting; and

(b) giving a true and fair view of the Group's financial position as at 31 December 2017 and of its performance for the half-year ended on that date.

(2) In the directors' opinion there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors made pursuant to s.303d of the Corporations Act 2001.

On behalf of the Board

Dr Stewart Washer
Chairman

Dated this 23rd day of February, 2018

Minomic International Ltd

Independent auditor's review report to members

Report on the Review of the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Minomic International Ltd (the company) and the entities it controlled at the half-year's end or from time to time during the half year (the consolidated entity), which comprises the consolidated statement of financial position as at 31 December 2017, 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, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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 Minomic International Ltd 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 2017 and of its performance for the half year ended on that date; and
b) complying with Australian Accounting Standard 134 Interim Financial Reporting and the Corporations Regulations 2001.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the half-year financial report, which indicates that the consolidated entity incurred a net loss of $2,303,642 during the half year ended 31 December 2017 and had cash outflows from operating activities of $1,513,021. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1 indicate that a material uncertainty exists that may cast significant doubt on the consolidated entity's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Responsibilities of the Directors for the Half-Year Financial Report

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

Auditor's Responsibilities for the Review of the Half-Year Financial Report

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 financial report is not in accordance with the Corporations Act 2001 including:

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— giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and

— complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

As the auditor of Minomic International Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001.

William Buck

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

N. S. Benbow

Dated this 23rd day of February, 2018