MINOMIC INTERNATIONAL LTD

ABN 14 124 455 081

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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 operations and activities in the directors' report. The directors' report is not part of the financial statements.

Directors		**Clinical Advisory Panel**
Dr Stewart Washer	Chairman	Professor David Gillatt (Chairman)
Dr Brad Walsh	CEO	Professor Dan Chan
Mr Raymore Millard	Non-executive Director	Professor Mark Emberton
Mr Alan Liddle	Non-executive Director	Professor John Babich
		Dr Neal Shore
Mr David Burdis	Chief Operating and Financial Officer, Company Secretary	Associate Professor Declan Murphy

Registered and Principal Office

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Auditor

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DIRECTORS' REPORT

Your directors present their report on the Company for the financial year ended 30 June 2016.

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

Stewart is currently Executive Chairman of Cynata Therapeutics Ltd (ASX:CYP), Chairman of Orthocell Ltd (ASX:OCC), Executive Chairman of Firefly Health.

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 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.

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

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	-

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 8,800,000 ordinary shares of Minomic International Ltd issued at $0.20 per share on the exercise of options during the year ended 30 June 2016 and up to the date of this report. The Company raised $1.85 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.

OPERATING AND FINANCIAL REVIEW

MiCheck® Test Development and Commercialisation

The Company has continued its MiCheck® test development program and undertaken a number of clinical trials to demonstrate the test's sensitivity, specificity and reproducibility. One trial in particular ran through late 2015/early 2016 and as a consequence of these studies and the bio statistical analysis of the test results the Company has been able to demonstrate superior performance of its test in determining whether a patient has prostate cancer or not. Significantly and in addition to this the Company has been able to demonstrate that the MiCheck® assay is able to differentiate between non-aggressive and aggressive cancers. This is a significant development that should enhance the test's commercial prospects.

MiCheck® Test results

	Sensitivity	Specificity	AUC
Cancer v non-cancer	**60%**	**85%**	**0.74**
Non-aggressive v aggressive cancer	**81%**	**78%**	**0.81**

Further clinical studies are currently being planned including a Prospective Trial, to be conducted in the United States and testing of the National Cancer Institute's Early Detection Research Network cohort of samples.

The Prospective Trial design is substantially complete however the Company has been engaging with a number of biostatisticians and epidemiologists to ensure it addresses the broadest range of data requirements as possible. We have met with the EDRN committee and have been officially invited to the EDRN Planning and Steering Committee Meeting in Bethesda, MD. We expect this study will commence first quarter 2017.

The Company is actively working with its US based investment bank, Torreya Partners, to facilitate a licensing transaction of the MiCheck® test as part of its strategy to generate shareholder returns and liquidity. The data currently being generated from the clinical trials, both current and planned, is a critical component of this process.

Manufacturing and Regulatory

The Company continues to move forward with two potential manufacturers of the MiCheck® test. These manufacturers are both US based and have the production capacity and skills to produce the volume and quality of tests we require. As a preliminary step, one of the manufacturers is currently putting the test on their platform to facilitate test validation. The second manufacturer is considering the opportunity and the Company has recently met with them at their global US headquarters.

The MiCheck® test consists of multiple analytes and as such is complex to manufacture. Expectations of completion are dependent on the external parties involved and we will keep shareholders appraised of the likely completion dates once these have been supplied to the Company early in Quarter 4 this year.

The Company has identified an alternative regulatory pathway for introduction of its test in the US market, i.e. introducing the test as a Laboratory Developed Test (LDT). An LDT is an in vitro diagnostic test that is manufactured by and used within a single Clinical Laboratory Improvements Amendment (CLIA) certified lab. Nonetheless the Company intends to continue to progress a FDA 510(k) approval as a next step after the LDT is running and has structured its further trials accordingly. The CE mark registration is also anticipated to occur after the LDT is running.

Patent portfolio expansion

The Company has five patent families covering the use of the GPC-1 antigen for diagnosis of prostate cancer, epitopes of the GPC-1 antigen, use of multi-analyte combinations for the diagnosis of prostate cancer, the MIL-38 antibody and use of the MIL-38 antibody for therapy. The GPC-1 antigen patent has entered the national phase of the patent application process with patent applications lodged in the United States, Europe, Canada, Japan, Australia, China and Korea. The other patent applications are at either provisional or Patent Co-Operation Treaty stage.

Commercial partner engagement

Engagement with potential license partners is ongoing. The Company continues to have face to face dialogue with these companies and commercial negotiations are anticipated shortly. To date the Company has non-disclosure agreements with four potential partners and a materials transfer agreement with one of those partners.

First-in-human trial

The anticipated first in human trial has commenced with the first two patients in the twelve patient trial having been infused with a radiolabelled MIL-38 antibody. We have not yet seen any substantial data in respect of the first two patients however we have been advised that the dosages were well tolerated. Shareholders will be provided with an update once the Company has received and analysed the interim trial data after patient six is dosed.

The initial data seen to date is very encouraging. Should the overall data from this study be positive the therapeutic use of the antibody could present a valuable opportunity for the Company and consequently its shareholders.

Minomic grant awards

Minomic was awarded an Accelerating Commercialisation Grant by AusIndustry. This competitive grant provides funding to assist the Company's commercialisation efforts and was awarded following extensive due diligence by AusIndustry.

Minomic was also an industry partner on the successful grant awards from the Australian Government ARC Linkage grant partnering with the University of Technology, Sydney and University of South Australia, Adelaide (IDEAL Hub Project).

The IDEAL Hub aims to radically improve sensitivity, selectivity, speed and cost for detection of biological materials. The mission is to build a portable device for rapid, time-critical detection of low abundance molecular and cellular analytes. The resulting technologies will be designed for use on the production line, at the clinic, bedside, roadside and transport points to identify tiny levels of targeted molecules. The initial focus is early diagnosis of disease and point-of-care drug testing for humans and animals, but the technology platform could be used to sample food and environmental toxins, for example. This ARC Research Hub will overcome complex challenges to pave the way for new Australian technologies that can be used at medical points of care, ordinary workplaces and centres of activity, to test for tiny quantities of materials that are early signals of disease or signs of drug, animal health, food quality or environmental issues. These disruptive technologies will give Australian biotechnology, diagnostics, veterinary, agribusiness and manufacturing firms global competitive advantages. Minomic's participation in this project will give it access to newly developed diagnostic technologies that could provide Point of Care capability for the MiCheck® test.

International collaborations

Minomic now has in place Materials Transfer Agreements to undertake collaborations with prominent scientists at Weill Cornell University, NY, Memorial Sloan Kettering Cancer Centre, NY and the University of Michigan Medical School. These collaborations will help advance the therapeutic developments of the Company.

OPERATING RESULTS FOR THE YEAR

The Company incurred an operating loss of $2, 832,316-after income tax for the financial year ended 30 June 2016 (30 June 2015: loss $3,320,166).

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

Subsequent to the end of the financial year and up to the date of this report the Company has issued 10,470,000 ordinary shares (inclusive of the options referred to above) at $0.20 per share raising $2.1 million.

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
Gregory Brown (resigned 15 August 2015)	1	1
Raymore Millard	6	6
Alan Liddle	6	5

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 2016. 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 s300(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
Date: 19 October 2016

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 2016 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 19th day of October, 2016

CHARTERED ACCOUNTANTS & ADVISORS

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Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 $	2015 $
Revenue	3	1,645,551	1,328,005
Administration and corporate costs		(1,760,617)	(1,199,118)
Depreciation expense		(66,913)	(70,003)
Directors' fees and employee benefits expense		(1,465,987)	(1,492,760)
Payments to suppliers for research and development expenses		(1,184,350)	(1,886,290)
Loss before income tax		(2,832,316)	(3,320,166)
Income tax expense	5	-	-
Loss for the year		(2,832,316)	(3,320,166)
Other comprehensive income		-	-
Total comprehensive loss attributable to members of the Company		(2,832,316)	(3,320,166)

The accompanying notes form part of these financial statements.

Statement of Financial Position

AS AT 30 JUNE 2016

	Note	2016 $	2015 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	13	**240,621**	**1,107,296**
Trade receivables and other assets	7	**1,305,451**	**1,287,470**
TOTAL CURRENT ASSETS		**1,546,072**	**2,394,766**
NON-CURRENT ASSETS			
Plant and equipment	8	**146,302**	**194,758**
TOTAL NON-CURRENT ASSETS		**146,302**	**194,758**
TOTAL ASSETS		**1,692,374**	**2,589,524**
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	9	**825,693**	**1,142,495**
Borrowings	10	**701,556**	**891,392**
Provision for employee benefits		**260,804**	**147,381**
TOTAL CURRENT LIABILITIES		**1,788,503**	**2,181,268**
NON-CURRENT LIABILITIES			
Borrowings	10	**-**	**10,895**
Provision for long service leave		**50,783**	**91,973**
TOTAL NON-CURRENT LIABILITIES		**50783**	**102,868**
TOTAL LIABILITIES		**1,838,836**	**2,284,136**
NET DEFICEINCY OF ASSETS		**(146,462)**	**305,388**
EQUITY			
Issued capital	11	**15,094,251**	**12,819,340**
Performance share reserve	11	**189,907**	**84,352**
Accumulated losses		**(15,430,620)**	**(12,598,304)**
TOTAL EQUITY		**(146,462)**	**305,388**

The accompanying notes form part of these financial statements

Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2016

	Note	Issued Capital $	Performance Share Reserve $	Accumulated Losses $	Total Equity $
Balance at 30 June 2014		**12,479,614**	**-**	**(9,278,138)**	**3,201,476**
Comprehensive Loss for the year		**-**	**-**	**(3,320,166)**	**(3,320,166)**
Transactions with owners, in their capacity as owners					
Issue of shares (net of costs)	11	**339,726**	**-**	**-**	**339,726**
Vesting of performance shares	11	**-**	**84,352**	**-**	**84,352**
Balance at 30 June 2015		**12,819,340**	**84,352**	**(12,598,304)**	**305,388**
Comprehensive Loss for the year		**-**	**-**	**(2,832,316)**	**(2,832,316)**
Transactions with owners, in their capacity as owners					
Issue of shares (net of costs)	11	**2,274,911**	**-**	**-**	**2,274,911**
Vesting of performance shares	11	**-**	**105,555**	**-**	**105,555**
Balance at 30 June 2016		**15,094,251**	**189,907**	**(15,430,620)**	**(146,462)**

The accompanying notes form part of these financial statements

Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 $	2015 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Proceeds from research and development credits from the Australian Tax Office		**1,311,467**	**1,035,566**
Proceeds from funding		**300,933**	**-**
Payments to suppliers and employees		**(3,915,720)**	**(4,018,444)**
Interest received		**15,172**	**37,987**
Interest paid		**(101,279)**	**(27,506)**
Net cash flows used in operating activities	13	**(2,389,427)**	**(2,972,397)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of plant and equipment		**(18,457)**	**(56,364)**
Proceeds from disposal of plant and equipment		**-**	**980**
Net cash flows used in investing activities		**(18,457)**	**(55,384)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds (net of costs) from the issue of ordinary shares		**1,741,940**	**527,509**
Receipts of short-term loan from R&D Capital Partners Pty Ltd		**690,000**	**878,500**
Repayment of short-term loan from R&D Capital Partners Pty Ltd		**(878,500)**	**-**
Loan receipt (repayment) from (to) Carnegie Group		**-**	**(100,000)**
Finance lease payments		**(12,231)**	**(11,854)**
Net cash flows from financing activities		**1,541,209**	**1,294,155**
Net increase/ (decrease) in cash held		**(866,675)**	**(1,733,626)**
Cash and cash equivalents at the beginning of the financial year		**1,107,296**	**2,840,922**
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	13	**240,261**	**1,107,296**

The accompanying notes form part of these financial statements

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2016

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The financial statements are general purpose financial statements which have been prepared in accordance with the *Corporations Act 2001* Australian Accounting Standards (including Australian Accounting Interpretations) and other authoritative pronouncements of the Australian Accounting Standards Board ("AASB").

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

The financial statements have been prepared on an accruals basis and are based on historical costs basis. The financial statements are presented in Australian dollars.

(b) Going concern

These financial statements have been prepared on a going concern basis, notwithstanding that for the year ended 30 June 2016 the Company generated a net loss of $2,832,316 (2015: $3,320,166), cash outflows from operations were $2,389,427 (2015: $2,972,397), and as at 30 June 2016 the Company had a net working capital deficit of $179,383 (2015: surplus $213,498).

The Directors believe that the Company is a going concern on the basis that the Company 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 Company's cash outflows and contractual commitments whilst maintaining their ability to scale back research and development and other overhead expenditure, if required.

Consistent with the foregoing, and as disclosed in Note 16, subsequent to the end of the reporting period the Company has successfully raised $2,094,000 through the issue of share capital.

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 Company not be able to continue as a going concern.

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2016

(c) Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance date.

The Company has not recorded a Deferred Tax Benefit asset in the balance sheet due to uncertainty that the Company will have sufficient taxable income in the future to realise the benefit

(d) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

(e) 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.

(f) Cash and short term deposits

Cash in the Statement of Financial Position comprises cash at bank and in hand.

For the purposes of the Statement of Cash Flow, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(g) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of an asset or as part of the expense items as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financial activities, which are recoverable from, or payable to, the taxation authority, are classified as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(h) 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.

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2016

(i) 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.

(j) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are recognised in the income statement.

(k) Leases

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

(l) 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.

(p) Plant and equipment

Plant and equipment are measured on the cost basis.

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.

(q) 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. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Lab equipment	10% – 50%
Office Equipment	37.5% – 66.67%
Leased Motor Vehicle	18.75%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2016

(q) Depreciation (continued)

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

(r) Employee Benefits

Provision is made for the Company's liability for short term employee benefits arising from services rendered by employees to balance date. The undiscounted amount of short-term employee benefits expected to be paid in exchange for that service is recognised as:

(i) a liability, after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, an entity shall recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to a reduction in future payments or a cash refund; and

(ii) as an expense, unless another Australian Accounting Standard requires or permits the inclusion of the benefits in the cost of an asset.

(s) 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.

(t) Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the entity.

(u) Key Estimates – share-based payments

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

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2016

(u) Key Estimates – share-based payments (continued)

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

(v) Adoption of New and Revised Accounting Standards

During the current year the Company adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory. There was no significant impact upon these financial statements arising from adoption of these standards.

(w) 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 2016. 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 9 Financial Instruments
This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The entity does not expect any impact from the requirements of the amended standards as there are currently no hedges in places, and the changes are not expected to impact other financial assets and liabilities of the entity.

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

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2016

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

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.

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.

3. REVENUE

	2016 $	2015 $
Research and development credits	**1,244,268**	**1,288,085**
Other income		
Grant income	**386,111**	**-**
Interest Received	**15,172**	**37,987**
Other Revenue	**-**	**1,933**
	1,645,551	**1,328,005**

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2016

4. 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.

5. 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 assessable against future assessable income as at 30 June 2016 were $15,292,015 (30 June 2015: $12,598,304).

6. AUDITOR'S REMUNERATION

	2016 $	2015 $
Remuneration of the auditors of the Company for:		
Auditing or reviewing the financial statements		
William Buck Audit (VIC) Pty Ltd	**28,500**	**34,100**
	28,500	**34,100**

7. TRADE RECEIVABLES AND OTHER ASSETS

Current		
Research and development credits receivable	**1,220,273**	**1,287,470**
Other receivables	**85,178**	**-**
	1,305,451	**1,287,470**

8. PLANT AND EQUIPMENT

	Laboratory Equipment	**Leased Motor Vehicles**	**Office Equipment, Fixtures & Fittings**	**TOTAL**
Cost				
	$	**$**	**$**	**$**
Opening Balance	**487,804**	**35,549**	**33,667**	**557,020**
Additions	12,866	-	5,591	18,457
Disposals	-	-	-	-
Closing Balance	**500,670**	**35,549**	**39,258**	**572,477**
Accumulated Depreciation				
Opening Balance	**(322,492)**	**(15,703)**	**(24,067)**	**(362,262)**
Depreciation	(57,474)	(4,962)	(4,477)	(66,913)
Disposals	-	-	-	-
Closing Balance	**(379,966)**	**(20,665)**	**(28,544)**	**429,175**
Written Down Values				
As at 30 June 2015	**165,312**	**19,846**	**9,600**	**194,758**
As at 30 June 2016	**120,704**	**14,884**	**10,714**	**146,302**

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2016

9. TRADE AND OTHER PAYABLES

	2016 $	2015 $
Trade payables	**383,904**	**288,975**
Accrued and sundry payables (1)	**441,789**	**376,520**
Subscriptions received for the issue of share capital	**-**	**477,000**
	825,693	**1,142,495**

(1) As at 30 June 2016 $235,108 of accruals were 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 (2015: $171,083).

10. BORROWINGS

	2016 $	2015 $
Current		
Motor vehicle lease liability (1) – current portion	**11,556**	**12,892**
R&D prepayment facility (2)	**690,000**	**878,500**
	701,556	**891,392**
Non-current		
Motor vehicle lease liability (1) – non-current portion	**-**	**10,895**
	701,556	**902,287**

(1) The motor vehicle lease liability is secured against the Company's motor vehicle through a hire purchase agreement. The written down value of that motor vehicle as disclosed in Note 8, approximates the fair value of that asset. Interest is payable in monthly instalments with the principal at a rate of 5.78% per annum.

(2) The R&D prepayment facility is made available to assist the timing of research and development activity funds. The facility limit is $1,300,000, the undrawn balance on the facility at balance date is $610,000. The facility is secured against all present and after acquired property of the Company, including its rights to R&D tax offsets. Repayment date is on the first day after the Company's R&D tax offset claim is determined and paid out by the ATO. Interest is charged at 14% per annum on drawn balance under $1,000,000, 12% per annum on drawn balance over $1,000,000 and 5% per annum on all undrawn balances during the term of the facility. Interest is payable on the repayment date.

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2016

11. ISSUED CAPITAL

	2016		2015	
	Qty	**$**	Qty	$
At the beginning of the reporting period	**188,632,625**	**12,819,340**	**168,228,889**	**12,479,614**
Issue or granting of ordinary fully paid shares	**11,194,500**	**2,238,900**	**4,153,736**	**519,217**
Shares issued in satisfaction of directors and consultant's fees (1)	**478,055**	**95,611**		
Capital raising costs		**(59,600)**	**-**	**(179,491)**
Shares issued under performance plan (2)	**1,887,285**	**-**	**16,250,000**	**-**
Share buyback and cancelation under the performance plan (2)	**(1,200,000)**	**-**		
At the end of the reporting period	**200,992,465**	**15,094,251**	**188,632,625**	**12,819,340**

(1) During the year, 478,055 shares were granted to directors and management in respect of accrued director's fees and consulting services at 20 cents per fully paid ordinary share, being the prevailing seed capital value of the shares at their grant date, or their fair value.

(2) These shares were issued on 22 September 2015 and 31 May 2016 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
   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.

Notes to the financial statements

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 2016 this was $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.

12. 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. As at 30 June 2016 the Company's undrawn balance in relation to the R&D tax prepayment loan facility amounted to $610,000.

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.

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2016

13. CASH FLOW INFORMATION

	2016 $	2015 $
Cash at bank and on hand	**240,621**	**1,107,296**
	240,621	**1,107,296**

Reconciliation of net loss after tax to net cash flows from operations		
Loss for the year	**(2,832,316)**	**(3,320,166)**
Non-cash flows in profit		
Depreciation	**66,913**	**70,003**
Share-based payments	**161,526**	**206,069**
Movements in working capital		
(Increase)/decrease in trade receivables and other assets	**(17,981)**	**(200,146)**
(Decrease)/increase in trade and other payables	**160,198**	**218,055**
(Decrease)/increase in provisions	**72,233**	**53,788**
Net cash outflows from operating activities	**(2,389,427)**	**(2,972,397)**

14. CAPITAL AND OPERATING LEASE COMMITMENTS

	2016 $	2015 $
(a) Finance Lease Commitments		
Non-cancellable motor vehicle finance leases capitalised in the Financial Statements		
Payable — minimum lease payments		
▪ not later than 12 months	**11,556**	**12,892**
▪ later than 12 months and not later than five years	**-**	**10,895**
	11,556	**23,787**
(b) Operating Lease Commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements, excluding outgoings and including lease incentive and licence charge:		
▪ not later than 12 months	**130,509**	**139,377**
▪ later than 12 months and not later than five years	**-**	**133,009**
	130,509	**272,386**

The above operating lease is in respect of the office lease of the Company's premises. An option to renew exists at the end of the lease in June 2017 for a further 3 years. The Company is not required to guarantee the lease whilst it remains the tenant at the premises.

15. CONTINGENT LIABILITIES & COMMITMENTS

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

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2016

16. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the financial year, the Company issued 10,470,000 ordinary shares at $0.20 per share. No other matter or circumstance has arisen since 30 June 2016 that has significantly affected, or may significantly affect the entity's operations, the results of those operations, or the entity's state of affairs in future financial years.

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
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 2015	Note 1	Note 2	Net change - Other	Balance 30 June 2016
Dr Stewart Washer	1,363,599	166,540	-	-	1,530,139
Dr Brad Walsh	11,646,801	-	807,285	-	12,454,086
Raymore Millard	20,708,787	107,315	-	-	20,816,102
Alan Liddle	1,200,000	-	-	-	1,200,000
David Burdis	8,871,852	-	-	-	8,871,852

Note 1 – these shares were granted in respect of the settlement of liabilities accrued for directors' fees and consulting expenses and are included in key management personnel compensation.

Note 2 – these shares were issued on 22 September 2015 under the Company's share performance plan for its employees, which are financed by the Company to its employees through limited recourse loans. Refer to Note 11 which describes the plan and its accounting treatment in detail.

Net change – Other represents shares acquired/(sold)

(ii) Key management personnel compensation

	2016	2015
	$	$
Short-term employee benefits (1)	**741,658**	**813,267**
Share based payments	**57,570**	**43,111**
Post-employment benefits	**38,785**	**33,738**
	838,013	**890,116**

(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.

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2016

18. TRANSACTIONS WITH RELATED PARTIES

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.

Directors' Declaration

The directors of the Company declare that:

1 The attached financial statements and the notes are in accordance with the Corporations Act 2001, and:

(a) comply with Accounting Standards which, as stated in accounting policy Note 1 to the financial statements constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and

(b) give a true and fair view of the financial position as at 30 June 2016 and of the performance for the year ended on that date of the Company.

2 In the directors' opinion there are reasonable grounds to believe that the Company 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.

Dr Stewart Washer

Chairman

Date: 19 October 2016

William Buck

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MINOMIC INTERNATIONAL LTD

Report on the Financial Report

We have audited the accompanying financial report of Minomic International Ltd (the company), which comprises the statement of financial position as at 30 June 2016, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility 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 Note 2, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

CHARTERED ACCOUNTANTS & ADVISORS

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Hawthorn East VIC 3123

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williambuck.com

William Buck

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MINOMIC INTERNATIONAL LTD (CONT)

Auditor's Opinion

In our opinion:

a) the accompany financial report of Minomic International Ltd 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 2016 and of its performance for the year ended on that date; and
   ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Emphasis of Matter

Without modification to our opinion expressed above, we draw attention to Note 2 of the financial statements which indicates that the Company incurred a net loss before income tax of $2,832,316 for the year ended 30 June 2016 and as of that date the company's current liabilities exceeded its current assets by $242,431. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

William Buck

William Buck Audit (VIC) Pty Ltd

ABN 59 116 151 136

N. S Benbow

Director

Dated this 19th day of October, 2016