Minomic International Ltd

ABN 14 124 455 081

Annual Report - 30 June 2019

Minomic International Ltd
Corporate directory
30 June 2019

Directors	Dr. Brad Walsh Raymore Millard Xueliang Huang
Clinical advisory panel	Dr. David Gillatt (Chairman) Professor Daniel Chan Dr. Neal Shore Professor Mark Emberton Professor John Babich
Company secretary	David Burdis
Registered office and principal place of business	Suite 2, Ground Floor 75 Talavera Road Macquarie Park NSW 2113
Auditor	William Buck Level 20, 181 William Street Melbourne VIC 3000
Solicitors	Dentons Level 16/77 Castlereagh Street Sydney NSW 2000
Patent and trademark attorney	Spruson and Ferguson Lawyers Level 35, 31 Market Street Sydney NSW 2000
Contact information	Ph: (02) 9850 4000 Website: www.minomic.com

Minomic International Ltd
Directors' report
30 June 2019

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Minomic International Ltd (referred to hereafter as the 'Company' or 'Minomic') and the entities it controlled at the end of the year ended 30 June 2019.

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.

Dr Brad Walsh CEO	Dr 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 Non-Executive Director	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.
Xueliang Huang Non-Executive Director	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.
Dr Stewart Washer (resigned 1 March 2019) 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.

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. Brad Walsh	14,954,086	-
Raymore Millard	11,717,393	-
Xueliang Huang	33,783,785	-

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

Directors' meetings
The number of meetings of directors held during the year and the number of meetings attended by each director was as follows:

	Board meetings	
Director	No. of meetings possible to attend	No. of meetings attended
Dr. Brad Walsh	4	4
Raymore Millard	4	4
Xueliang Huang	4	3

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. The company is currently undertaking the commercialisation of the MiCheck® test as well as its ongoing research and development activities.

Review of operations
The profit for the Group after providing for income tax amounted to $5,869,599 (30 June 2018: loss of $4,078,351).

The Group continues its MiCheck® test commercialisation activities. Discussions with prospective licensees and related activities are ongoing. As previously advised, the Group has entered into a non-exclusive license agreement with Cirrus Dx Inc, a CLIA Certified “High Complexity” lab that will offer the MiCheck® test as a Laboratory Developed Test (LDT) in the US. This lab is finalising its internal validation processes and should be ready to offer the test in Q1 2020. The validation processes have been delayed due the temporary suspension of the CPT code that is intended to be used for reimbursement in the US. The code has now been reinstated so validation activities are now being ramped up. As indicated previously Cirrus will pay royalties to the Group which are levied on the amount of MiCheck® test fees received by Cirrus.

We have developed an Early Adopters programme with Cirrus Dx and are in active dialogue with a number of US urology practices who will start to use the MiCheck® test when it is available.

The Group won a pitching competition in Hangzhou China in 2018 and has since had an ongoing dialogue with potential licensees in China re licensing the MiCheck® test for use there. With this background the Group is currently in the process of establishing a wholly foreign owned entity (i.e. subsidiary) called Hangzhou Minomi Biotechnology Co Ltd which will be located in the China Australia Medical Innovation Park in Binjiang District, Hangzhou. This Group will undertake the regulatory activities necessary to obtain marketing approval from the Chinese regulator, the National Medical Products Administration (NMPA, formerly known as the CFDA). Additionally, the Group will continue discussions with potential licensees. The licensing approval process, which requires a large clinical trial, is approximately a two-year process.

In September 2018, following receipt of a private ruling from the Australian Taxation Office regarding demerger relief, shareholders approved the demerger of its therapeutic subsidiary, GlyTherix Ltd. These financial statements include the Gain on Sale recognised by the demerger.

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.

As indicated previously much of the Group’s patent estate is now in country phase. We are now starting to see these in-country registrations having now had patents granted in the US, Europe, China and Singapore to date. We expect that our ongoing research and development efforts will lead to lodgement of further patents in the coming year.

The Group has, and will continue to prepare, papers for publication in peer reviewed journals as well as written and oral presentations at relevant scientific conferences. We have recently submitted 2 papers for publication regarding our prospective trial. The first paper is titled “A comparison of Prostate Health Index, total PSA, %free PSA and proPSA in a contemporary US population - the MiCheck-01 prospective trial”. The second paper is titled ”Development and evaluation of the MiCheck® test for aggressive prostate cancer”. We expect publication of these papers will be confirmed shortly.

Our Chairman, Dr Stewart Washer, resigned as a Director of the Group earlier this year due to his other business commitments. We would like to take this opportunity to thank him for his input and insight since his appointment in 2013.

The Group intends to appoint a new Chairman and is currently assessing the skills and profile required recognising the Group has reached a significant milestone in its commercialisation efforts.

Significant changes in the state of affairs

On 14 September 2018, following shareholder approval at a General Meeting of shareholders held on 7 September 2018 the Group did demerge its wholly owned subsidiary, GlyTherix Ltd, as an equal capital reduction (without cancelling any Share of the Group) by making a pro-rata in specie distribution of the GlyTherix Ltd shares owned by it to the Shareholders in the ratio of one GlyTherix Limited for every one Share held in the Group.

As a consequence of the demerger the fair market value of the intellectual property acquired by GlyTherix Limited from the Group has been recognised in the accounts of the Group as a Gain on sale. The amount recognised for the in-specie dividend is the difference between the fair market value of the intellectual property acquired and the fair value of the cash amount payable to the Group by GlyTherix Limited.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the Group’s operations, the results of those operations, or the Group’s state of affairs in future financial years.

Likely developments and expected results of operations
Information on likely developments in the operations of the Group 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 Group.

Environmental regulation
The Group is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Options and performance shares
There are no options outstanding at the date of this report

As at the date of this report there are 21,847,285 performance shares on issue. Of these performance shares 17,502,285 have fully vested at the date of this report.

Indemnity and insurance of officers
The Group has indemnified the directors and executives of the Group for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Group paid a premium in respect of a contract to insure the directors and executives of the Group against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor
The Group has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Group or any related entity against a liability incurred by the auditor.

During the financial year, the Group has not paid a premium in respect of a contract to insure the auditor of the Group or any related entity.

Proceedings on behalf of the Group
No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Group, or to intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings.

Auditor's independence declaration
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

Non-audit services
Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 12 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 12 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Group, acting as advocate for the Group or jointly sharing economic risks and rewards.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

3 December 2019

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 2019 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 3rd day of December, 2019

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General information

The financial statements cover Minomic International Ltd as an individual entity. The financial statements are presented in Australian dollars, which is Minomic International Ltd's functional and presentation currency.

Minomic International Ltd is a company limited by shares, incorporated and domiciled in Australia.

A description of the nature of the Group operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 3 December 2019. The directors have the power to amend and reissue the financial statements.

Minomic International Ltd
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2019

	Note	2019 $	2018 $
Revenue			
Gain on sale	5	8,091,722	-
Research and development credits		628,943	1,880,453
Interest income		86,071	8,707
Other income		51,303	140,649
Expenses			
Corporate and administration costs		(722,255)	(1,104,728)
Depreciation expense		(28,001)	(52,996)
Director fees and employee benefits expense		(1,309,576)	(2,185,624)
Finance costs		(29,871)	(8,485)
Research and development expenses		(898,737)	(2,756,327)
Profit/(loss) before income tax expense		5,869,599	(4,078,351)
Income tax expense		-	-
Profit/(loss) after income tax expense for the year attributable to the owners of Minomic International Ltd	10	5,869,599	(4,078,351)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the owners of Minomic International Ltd		5,869,599	(4,078,351)
Basic earnings per share	11	2.32	(1.62)
Diluted earnings per share	11	2.22	(1.62)

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 2019

	Note	2019 $	2018 $
Assets			
Current assets			
Cash and cash equivalents		90,025	734,619
Research and development credits receivable		628,947	1,889,648
Loan to GlyTherix Ltd	5	2,131,061	-
Total current assets		2,850,033	2,624,267
Non-current assets			
Plant and equipment		113,752	143,077
Total non-current assets		113,752	143,077
Total assets		2,963,785	2,767,344
Liabilities			
Current liabilities			
Trade and other payables	6	1,730,666	889,096
Borrowings	7	850,000	1,370,000
Provision for employee benefits	8	257,561	216,145
Total current liabilities		2,838,227	2,475,241
Non-current liabilities			
Provision for employee benefits	8	2,793	4,316
Total non-current liabilities		2,793	4,316
Total liabilities		2,841,020	2,479,557
Net assets		122,765	287,787
Equity			
Issued capital	9	24,551,861	23,621,093
Reserves		449,809	373,476
Accumulated losses		(24,878,905)	(23,706,782)
Total equity		122,765	287,787

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 2019

	Issued capital $	Performance share reserve $	Accumulated losses $	Total equity $
Balance at 1 July 2017	23,321,093	345,074	(19,628,431)	4,037,736
Loss after income tax expense for the year	-	-	(4,078,351)	(4,078,351)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(4,078,351)	(4,078,351)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 9)	300,000	-	-	300,000
Vesting of performance shares	-	28,402	-	28,402
Balance at 30 June 2018	23,621,093	373,476	(23,706,782)	287,787

	Issued capital $	Performance shares reserve $	Accumulated losses $	Total equity $
Balance at 1 July 2018	23,621,093	373,476	(23,706,782)	287,787
Profit after income tax expense for the year	-	-	5,869,599	5,869,599
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	5,869,599	5,869,599
Transactions with owners in their capacity as owners:				
Issue of shares (note 9)	930,768	-	-	930,768
Vesting of performance shares	-	76,333	-	76,333
In specie dividend paid during the year	-	-	(7,041,722)	(7,041,722)
Balance at 30 June 2019	24,551,861	449,809	(24,878,905)	122,765

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 2019

	Note	2019 $	2018 $
Cash flows from operating activities			
Proceed from research and development credits from ATO		1,889,648	1,808,048
Proceeds from funding		54,534	162,185
Proceeds from customers		12,816	51,881
Payments to suppliers and employees		(2,928,088)	(5,778,831)
Interest received		86,071	8,707
Interest paid		(156,601)	(83,458)
Net cash used in operating activities		(1,041,620)	(3,831,468)
Cash flows from investing activities			
Payments for property, plant and equipment		(13,742)	(22,801)
Net cash used in investing activities		(13,742)	(22,801)
Cash flows from financing activities			
Proceeds from issue of shares	9	930,768	300,000
Research and development loan proceeds/(repayments)		(520,000)	1,370,000
Net cash from financing activities		410,768	1,670,000
Net decrease in cash and cash equivalents		(644,594)	(2,184,269)
Cash and cash equivalents at the beginning of the financial year		734,619	2,918,888
Cash and cash equivalents at the end of the financial year		90,025	734,619

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. 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 Group 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.

Going concern

These financial statements have been prepared on a going concern basis, notwithstanding that for the year ended 30 June 2019 the Group generated a profit of $5,869,599 including the gain on sale of $8,091,722 (2018: loss of $4,078,351), cash outflows from operations were $1,041,620 (2018: $3,831,468) and as at 30 June 2019 the Group had a working capital surplus of $11,804 (30 June 2018: $292,103)

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 their 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.

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 Group‘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 2.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 20.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Minomic International Ltd (referred to hereafter as the 'Company' or 'Minomic') as at 30 June 2019 and the results of all subsidiaries for the year then ended. Minomic International Ltd and its subsidiaries together are referred to in these financial statements as the 'Group'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Note 1. Significant accounting policies (continued)

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Revenue recognition
The Group recognises revenue as follows:

Interest
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue
Other revenue is recognised when it is received or when the right to receive payment is established.

Government research and development credits
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.

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 Group 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 or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled, and it is probable that the temporary difference will not reverse in the foreseeable future.

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.

Note 1. Significant accounting policies (continued)

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 Group'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.

A liability is classified as current when: it is either expected to be settled in the Group'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.

Deferred tax assets and liabilities are always 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.

Depreciation is calculated on a diminishing value basis to write off the net cost of each item of plant and equipment (excluding land) over their expected useful lives as follows:

Lab equipment	10 - 50%
Office equipment	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 plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. 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.

Impairment of non-financial assets
Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Note 1. Significant accounting policies (continued)

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables
These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

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.

Fair value measurement
When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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.

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.

Note 1. Significant accounting policies (continued)

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 Group for the annual reporting period ended 30 June 2019. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

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 at 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 Group plans to apply AASB 16 using the modified retrospective approach. Based on the analysis undertaken for the leases entered into by the Group, the expected cumulative impact of the implementation of this standard as at 1 July 2019 is set out below:

	Total expected $ value
Total expected value of right of use asset	$188,511
Total expected value of lease liability	$206,926
Total expected impact to retained earnings	($18,415)

Note 2. 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 9, are provided to employees.

Recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Note 2. Critical accounting judgements, estimates and assumptions (continued)

Employee benefits provision
As discussed in note 1, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Fair value of IP sold during the year
The directors of Minomic excercised significant judgement when valuing the consideration to be paid by Glytherix Ltd in exchange for Minomic's therapeutic intellectual property, including recognising a 30% discount on the debt to reflect the repayment risk. Futher detail into the transaction with Glytherix Ltd is detailed in note 5.

Note 3. 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 Group 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 2019 were $12,874,299 (30 June 2018: $11,701,086)

Note 4. Segment note

The Group operates in one segment, being the research, evaluation and commercialisation of biomarkers in the diagnosis and treatment of human disease in the Pan-Pacific region.

Note 5. Gain on sale and loan to GlyTherix Ltd and in-specie dividend

	2019 $	2018 $
Loan to GlyTherix Ltd	2,131,061	-

The Group undertook the following internal restructuring steps in order to implement and complete the demerger of GlyTherix Limited:

1. Incorporation of the following companies
    a. GlyTherix Limited (GlyTherix) ACN 621 291 996
    b. GlyP Holdings Pty Limited (GlyP Holdings) ACN 622 546 522 (the Minomic and GlyTherix each hold 50% of the shares in GlyP Holdings); and
    c. GlyP Operations Pty Limited (GlyP Operations) ACN 622 547 782 (a wholly owned subsidiary of GlyP Holdings).
2. Minomic transferred its therapeutics business and assets (including the intellectual property used exclusively in that business) to GlyTherix. Minomic retained the diagnostic business and any intellectual property used exclusively in that business.
3. Minomic transferred the joint intellectual property (i.e. the intellectual property used in both the diagnostic and therapeutic businesses) (Joint IP) to GlyP Holdings.
4. GlyP Holdings then licenced the Joint IP to GlyP Operations, who entered in sub-licence agreements with Minomic and GlyTherix in respect of the Joint IP

Note 5. Loan to GlyTherix Ltd (continued)

The Group has recognised a Gain on sale upon the transfer of its therapeutic business to GlyTherix Limited being the fair market value of intellectual property acquired by it. This value being $8,091,722, was independently assessed by SLM Corporate Pty Limited. GlyTherix satisfied the acquisition of the Group's therapeutic business via the issue of its shares to the Group and agreement to pay $1.5 million in cash. Following shareholder approval at a meeting to approve the demerger of GlyTherix and the Group, the shares in GlyTherix acquired by the Group were subsequently distributed to shareholders as an in-specie dividend of $7,041,722 being the value of the intellectual property less the discounted debt. Under the terms of the Business and Asset transfer deed payment of the cash consideration is deferred until receipt by GlyTherix of funds from either third-party investors or debt providers. No interest in payable on this debt. This debt has been recorded at fair market value, i.e. Directors have applied a 30% discount on this debt to reflect repayment risk given the debt is only repayable once GlyTherix raises appropriate funding.

Under the terms of the Business and Asset transfer deed the Group may also provide Contract Research Services to GlyTherix. These services are provided at cost. The Group has provided a loan facility to GlyTherix to cover these costs until such time as it has raised funds from third party investors. This loan attracts interest at the benchmark interest rate under section 109N(2) of the Income tax Assessment Act 1936 (Cth).

	2019 $	2018 $
Fair market value - Business and Asset transfer deed debt	1,050,000	-
Additional advances	1,823,000	-
Contract Research Services	1,503,149	-
Interest	86,071	-
Other	(46,169)	-
Repayments	(2,284,990)	-
	2,131,061	-

Note 6. Trade and other payables

	2019 $	2018 $
Trade payables	668,480	589,800
Accrued and sundry payables	1,062,186	299,296
	1,730,666	889,096

As at 30 June 2019 there were accruals of $187,589 owed to key management personnel in respect of accrued directors and consulting fees arising from transactions with the Group in the ordinary course of business (2018: $35,062)

Note 7. Borrowings

	2019 $	2018 $
R&D prepayment facility	850,000	1,370,000

The R&D prepayment facility is made available to assist the timing of research and development activity funds. The facility limit is $1,000,000, the undrawn balance on the facility at balance date is $150,000. The facility is secured against all present and after acquired property of the Group, including its rights to R&D tax offsets. Repayment date is on the first day after the Group's R&D tax offset claim is determined and paid out by the ATO. Interest is charged at 1.25% per annum on drawn and 5% per annum on all undrawn balances during the term of the facility. Interest is payable monthly in arrears.

Note 8. Employee benefits

	2019 $	2018 $
Current		
Annual leave	132,618	99,802
Long service leave	124,943	116,343
	257,561	216,145
Non-current		
Long service leave	2,793	4,316
	260,354	220,461

Note 9. Equity - Issued capital

	2019 Shares	2019 $	2018 Shares	2018 $
At the beginning of the reporting period	251,926,250	23,621,093	242,036,250	23,321,093
Issue of granting of ordinary fully paid shares	3,256,959	930,768	1,000,000	300,000
Capital raising costs	-	-	-	-
Shares issued under performance plan	-	-	9,430,000	-
Share buyback and cancellation under the performance plan	(1,820,000)	-	(540,000)	-
	253,363,209	24,551,861	251,926,250	23,621,093

Performance shares
These shares were issued under the Group's Performance Share Plan for its employee and consultants. They are financed by the Group by limited recourse loans. The shares have all the rights and entitlements attached to the 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 Group'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;
(c) The outstanding loan becomes dues and payable upon the earlier of a trade sale (whereby control of the Group is assumed by a major shareholder) or quotation on a listed exchange market.

In assessing the accounting treatment of the transaction, the directors considered AASB2 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 shares. A Black-Scholes options 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 2019 this was $76,333 (30 June 2018: $28,402)

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Group in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Group does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Note 10. Earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:

	2019	2018
Net profit/(loss) attributable to ordinary equity holders (used in calculating basic and diluted EPS)	5,869,599	(4,078,351)
Weighted average number of ordinary shares for the purpose of basic earnings per share	251,929,706	251,926,250
Adjustments for calculation of diluted earnings per share		
Options over ordinary shares	12,417,285	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	264,346,991	251,926,250

Note 11. Financial instruments and financial risk management

Financial risk management objectives
The Group's financial instruments consist mainly of deposits with banks, accounts receivable, R&D loan and accounts payable. The Board of Directors are responsible for monitoring and managing financial risk exposures of the Group.

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Specific Financial Risk Exposures and Management
The only significant risk the Group is exposed to through its financial instruments is liquidity risk. The directors consider all of the Group's financial instruments, which are measured at amortised cost, to approximate fair value.

Liquidity Risk
Liquidity risk arises from the possibility that the Group 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 Group 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 Group has an overdraft facility of $50,000 which is secured by a charge over its bank deposits. All current financial liabilities have repayment terms of between 14 and 60 days.

Fair value of financial instruments
Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 12. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by, the auditor of the Group:

	2019 $	2018 $
Audit services - William Buck		
Audit of the financial statements	22,000	31,000
Other services - William Buck		
Taxation services	1,760	13,750
	23,760	44,750

Note 13. Related party transactions

Parent entity
Minomic International Ltd is the parent entity.

Transactions with related parties
There were no transactions with related parties during the current and previous financial year.

Receivable from and payable to related parties
There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties
Details of the loan to GlyTherix is detailed in note 5.

Note 14. Events after the reporting period

No matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Note 15. Reconciliation of profit/(loss) after income tax to net cash from/(used in) operating activities

	2019 $	2018 $
Profit/(loss) after income tax expense for the year	5,869,599	(4,078,351)
Non-cash flows in profit		
Gain on sale	(8,091,722)	-
Depreciation	43,067	52,995
Share-based payments	76,333	28,402
Movements in working capital		
(Increase)/decrease in trade receivables and other assets	179,640	(72,405)
Increase/(decrease) in trade and other payables	841,570	185,815
Increase/(decrease) in provisions	39,893	52,075
Net cash from/(used in) operating activities	(1,041,620)	(3,831,469)

Note 16. Contingent liabilities & commitments

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

Note 17. Key management personnel

No matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Details of Key Management Personnel

(i) Directors

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

(ii) Key management personnel compensation

	2019	2018
	$	$
Short term employment benefits [1]	645,073	774,696
Share based payments	14,509	34,743
Post-employment benefits	29,326	38,960
	688,908	848,400

[1] Short-term employee benefits include 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. Transactions with related parties

Details of specific transactions and balances with related parties have been disclosed throughout these financial statements including the transactions with Glytherix Ltd detailed at note 5. Unless otherwise stated, all transactions and balances have occurred on an arm's length terms.

Note 19. Interest in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following wholly-owned subsidiaries in accordance with the accounting policy described in note 1:

Name	Principal placed of business/ Country of incorporation	Ownership interest 2019	Ownership interest 2018
		%	%
GlyTherix Ltd	Australia	-	100%
GlyP Holdings Pty Limited	Australia	50%	100%
GlyP Operations Pty Limited	Australia	50%	100%

Note 20. Parent company information

The subsidiaries of Minomic International Ltd did not contribute assets, liabilities or a result for the year end 30 June 2019. The financial information provided in the annual report is therefore both of the Group and of the parent entity, Minomic International Ltd individually.

Minomic International Ltd
Directors' declaration
30 June 2019

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 1 to the financial statements;

- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the financial year ended on that date; and

- there are reasonable grounds to believe that the Group 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

BJ Walsh

3 December 2019

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 consolidated statement of financial position as at 30 June 2019, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated 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 2019 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Relating to Going Concern

We draw attention to note 1, in the financial report which describes that during the year ended 30 June 2019 net cash outflows from operations were $1,041,620 and as at 30 June 2019 the Company had net working capital of $11,804. 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 Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

ACCOUNTANTS & ADVISORS

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Melbourne VIC 3000

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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 2019, 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.

A further description of our responsibilities for the audit of these financial statements is located at the Auditing and Assurance Standards Board website at:

https://www.auasb.gov.au/auditors_responsibilities/ar3.pdf

This description forms part of our independent auditor's report.

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

Dated this 3rd day of December, 2019.