



Sementis Ltd

ABN 36 138 550 811

Financial Report
For the year ended 30 June 2016

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SEMENTIS LTD
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DIRECTORS' REPORT

The directors present their report together with the financial report of Sementis Ltd for the year ended 30 June 2016 and auditor's report thereon.

Directors names

The names of the directors in office at any time during or since the end of the year are:

Paul Howley

Tom Quirk

Maurice O'Shannassy

The directors have been in office since the start of the year to the date of this report unless otherwise stated.

Results

The loss of the company for the year after providing for income tax amounted to \$2,143,587 (2015: \$1,599,520).

Review of operations

The company continued to engage in its principal activity, the results of which are disclosed in the attached financial statements.

Significant changes in state of affairs

There were no significant changes in the company's state of affairs that occurred during the financial year, other than those referred to elsewhere in this report.

Principal activities

The principal activity of the company during the year was research and development of medicinal vaccines.

No significant change in the nature of these activities occurred during the year.

After balance date events

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

DIRECTORS' REPORT

Likely developments

The company expects to maintain the present status and level of operations.

Environmental regulation

The company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

Dividends paid, recommended and declared

No dividends were paid or declared since the start of the year. No recommendation for payment of dividends has been made.

Information on directors and company secretary

Paul Howley	Executive director
Qualifications	PhD
Experience	Paul brings to the company experience and expertise in vaccine design and development from concept to clinical trials. His scientific background has been in the field of molecular virology, specialising in viral vectors systems and vaccinology. Paul is the inventor of the company's SCV platform vaccine delivery technology and of a number of vaccines in development. He directs and manages the vaccine development programs for Sementis, utilising his extensive knowledge, experience and networks in the areas of antigen design and discovery, proof of concept studies in animal models, GLP preclinical and toxicology studies, process development and cGMP manufacturing, regulatory affairs and cGCP first in man studies concerning live viral vectored vaccines.
Special responsibilities	Chief Scientific Officer and Chief Executive Officer
Tom Quirk	Non-Executive Director
Qualifications	M.Sc.(Melb), D.Phil., M.A.(Oxon), SMP(Harv.)
Experience	Tom was appointed a director of Sementis in 2011 and brings the experience of many biotech start-ups. Tom trained as a nuclear physicist at the University of Melbourne. He has been a Fellow of three Oxford Colleges and has lived and worked in the United States and Europe. In addition Tom has been through the Harvard Business School and subsequently worked for Rio Tinto, where he was seconded to work for James D Wolfensohn in a venture capital fund. He was an early director of Biota, the developer of an influenza drug, a director of Peptech. Tom also helped establish EnGeneIC in Sydney and has been chairman of Virax. In addition he has been Deputy Chairman of VENCORP, the company that managed the transmission and the market for wholesale natural gas and Chairman of Victrack, the owner of the railway assets in Victoria.

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DIRECTORS' REPORT

Information on directors and company secretary (Continued)

Maurice O'Shannassy

Non-Executive Director

Experience

Maurice spent twenty five years in the financial services industry in Australia, the United Kingdom and Asia. His most recent role was that of CEO of BlackRock Investment Management in Australia. Prior to that he was CEO and CIO of the Asian operations of BlackRock's antecedents, Merrill Lynch Investment Management and Mercury Asset Management, and prior to that he headed the Emerging Markets Investment team for Mercury Asset Management in London. He began his career as an Economist in the Commonwealth Treasury in Canberra. He currently holds a number of Directorships in a variety of industries and not for profit organisations.

Mei Cockerall

Company Secretary

Qualifications

CPA

Experience

Mei was appointed to the role of company secretary in February 2015. Mei has over 10 years' experience working with companies in the Biotech industry, her previous experience was with Virax Holdings Ltd. Mei joined Sementis in 2012 and participated during the company's incorporation. Mei has since provided financial support to ensure all regulatory and statutory reporting has been complied with in addition to the day to day management of all financial matters.

Meetings of directors

Directors	Directors' meetings	
	Number eligible to attend	Number attended
Paul Howley	12	12
Tom Quirk	12	12
Maurice O'Shannassy	12	11

Options

No options over unissued shares or interests in the company were granted during or since the end of the year.

DIRECTORS' REPORT

Indemnification of officers

No indemnities have been given or insurance premiums paid, during or since the end of the year, for any person who is or has been an officer of the company.

Pursuant to the company's constitution, except as may be prohibited by the *Corporations Act 2001*, every officer or agent of the company is indemnified out of the property of the company against any liability incurred by him or her in his or her capacity as officer or agent of the company, unless the liability arises out of conduct involving a lack of good faith.

Indemnification of auditors

No indemnities have been given or insurance premiums paid, during or since the end of the year, for any person who is or has been an auditor of the company.

Auditor's independence declaration

A copy of the auditor's independence declaration under section 307C of the *Corporations Act 2001* in relation to the audit for the financial year is provided with this report.

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.

Signed on behalf of the board of directors.

Director: _____



Paul Howley

Dated this 25th day of October 2016

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**AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF SEMENTIS LTD**

In relation to the independent audit for the year ended 30 June 2016, to the best of my knowledge and belief there have been:

- (i) no contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) no contraventions of any applicable code of professional conduct.



S D WHITCHURCH

Partner



PITCHER PARTNERS

Melbourne



October 2016

SEMENTIS LTD
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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 \$	2015 \$
Revenue	4	-	71,306
Less: expenses			
Administration expenses		(371,081)	(273,012)
Contractor fees		(371,000)	(364,000)
Depreciation and amortisation expense	5	(128,665)	(116,026)
Director's fees		(224,000)	(224,000)
Employee benefits expense	5	(174,438)	(134,524)
Finance costs		(161,435)	(210,364)
Loss on disposal of plant and equipment	5	-	(20,441)
Research and development expense	5	(1,576,673)	(1,037,923)
Other expenses		<u>(87,729)</u>	<u>(142,217)</u>
		<u>(3,095,021)</u>	<u>(2,522,507)</u>
Loss before income tax expense		(3,095,021)	(2,451,201)
Income tax benefit		<u>951,434</u>	<u>851,681</u>
Loss from continuing operations		<u>(2,143,587)</u>	<u>(1,599,520)</u>

The accompanying notes form part of these financial statements.

SEMENTIS LTD
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STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016

	Note	2016 \$	2015 \$
Current assets			
Cash and cash equivalents	7	70,859	26,626
Receivables	8	1,046,544	912,926
Other assets	9	<u>38,999</u>	<u>65,581</u>
Total current assets		<u>1,156,402</u>	<u>1,005,133</u>
Non-current assets			
Intangible assets	10	1,871	4,126
Plant and equipment	11	<u>329,667</u>	<u>456,077</u>
Total non-current assets		<u>331,538</u>	<u>460,203</u>
Total assets		<u>1,487,940</u>	<u>1,465,336</u>
Current liabilities			
Payables	12	2,479,590	1,884,131
Provisions	13	<u>68,271</u>	<u>50,939</u>
Total current liabilities		<u>2,547,861</u>	<u>1,935,070</u>
Total liabilities		<u>2,547,861</u>	<u>1,935,070</u>
Net assets		<u>(1,059,921)</u>	<u>(469,734)</u>
Equity			
Share capital	14	6,904,280	5,350,880
Accumulated losses	15	<u>(7,964,201)</u>	<u>(5,820,614)</u>
Total equity		<u>(1,059,921)</u>	<u>(469,734)</u>

The accompanying notes form part of these financial statements.

SEMENTIS LTD
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STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2016

	Share capital \$	Accumulated losses \$	Total equity \$
Balance as at 1 July 2014	3,786,231	(4,221,094)	(434,863)
Loss for the year	<u>-</u>	<u>(1,599,520)</u>	<u>(1,599,520)</u>
Total comprehensive income for the year	<u>-</u>	<u>(1,599,520)</u>	<u>(1,599,520)</u>
Transactions with owners in their capacity as owners:			
Contributions	<u>1,564,649</u>	<u>-</u>	<u>1,564,649</u>
Total transactions with owners in their capacity as owners	<u>1,564,649</u>	<u>-</u>	<u>1,564,649</u>
Balance as at 30 June 2015	<u>5,350,880</u>	<u>(5,820,614)</u>	<u>(469,734)</u>
Balance as at 1 July 2015	5,350,880	(5,820,614)	(469,734)
Loss for the year	<u>-</u>	<u>(2,143,587)</u>	<u>(2,143,587)</u>
Total comprehensive income for the year	<u>-</u>	<u>(2,143,587)</u>	<u>(2,143,587)</u>
Transactions with owners in their capacity as owners:			
Contributions	<u>1,553,400</u>	<u>-</u>	<u>1,553,400</u>
Total transactions with owners in their capacity as owners	<u>1,553,400</u>	<u>-</u>	<u>1,553,400</u>
Balance as at 30 June 2016	<u>6,904,280</u>	<u>(7,964,201)</u>	<u>(1,059,921)</u>

The accompanying notes form part of these financial statements.

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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 \$	2015 \$
Cash flow from operating activities			
Grant funding		-	71,303
Payments to suppliers and employees		(2,580,275)	(2,150,750)
Interest received		-	3
R&D income tax incentive		<u>851,681</u>	<u>686,572</u>
Net cash provided by / (used in) operating activities	16(b)	<u>(1,728,594)</u>	<u>(1,392,872)</u>
Cash flow from investing activities			
Payment for plant and equipment		<u>-</u>	<u>(45,552)</u>
Net cash provided by / (used in) investing activities		<u>-</u>	<u>(45,552)</u>
Cash flow from financing activities			
Proceeds from share issue		40,000	-
Net proceeds from / (repayment of) borrowings		(380,573)	1,170,000
Issue of convertible notes		<u>2,113,400</u>	<u>-</u>
Net cash provided by financing activities		<u>1,772,827</u>	<u>1,170,000</u>
Reconciliation of cash			
Cash at beginning of the financial year		26,626	295,050
Net increase / (decrease) in cash held		<u>44,233</u>	<u>(268,424)</u>
Cash at end of financial year	16(a)	<u>70,859</u>	<u>26,626</u>

The accompanying notes form part of these financial statements.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Interpretations and other applicable authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial report was approved by the directors as at the date of the directors' report.

The financial report is for the entity Sementis Ltd as an individual entity. Sementis Ltd is a company limited by shares, incorporated and domiciled in Australia. Sementis Ltd is a for-profit entity for the purpose of preparing the financial statements.

The following is a summary of the material accounting policies adopted by the company in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) Basis of preparation of the financial report

Compliance with IFRS

The financial statements of the company also comply with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Historical Cost Convention

The financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets and liabilities as described in the accounting policies.

(b) Going concern

The Directors have prepared the financial report on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The company incurred a loss from ordinary activities of \$2,143,587 during the year ended 30 June 2016 (2015: \$1,599,520 loss).

The company had a net asset deficiency position of \$1,059,921 at 30 June 2016 (2015: \$469,734), and current liabilities exceed current assets by \$1,391,459 (2015: \$929,937).

As an early stage business, the company's ability to continue as a going concern and meet its liabilities and future commitments as and when they fall due is dependent on a number of factors, including:

- Obtaining additional funding as and when required;
- Receiving the continued support of its shareholders; and
- Ultimate success with commercialising the SCV Vector System and generating future sales to enable the company to generate profit and positive cashflows.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Going concern (Continued)

On 22 August 2016 the R&D Tax Incentive receivable of \$951,434 was received. A portion of these funds were used to repay related party loans.

The Directors anticipate that the net cash requirements to maintain operations for the forthcoming 12 months, of a minimum \$1,500,000, is to be funded partially by further equity raising.

As at the date of this report the equity raising has not been completed.

The company has however received a letter of financial support indicating Maurice O'Shaunnassy (the underwriter) will underwrite \$1,500,000

of capital should Sementis Ltd require it. The commitment of financial support is subject to:

- the requirements of the *Corporations Act 2001* being satisfied by Sementis Ltd;
- the underwriter being satisfied with the outcome of, and responses to, his due diligence enquiries on the status of Sementis Ltd's intellectual property that may be undertaken by him at the time at which the Board may propose to conduct such a capital raising; and
- the underwriter and Sementis Ltd, if requested by either party, entering into a separate formal underwriting agreement as a substitute to the letter of financial support.

As a result, at the date of this report, the Directors consider the going concern basis of accounting is appropriate for the Company based on the factors outlined above.

The financial report does not include any adjustment relating to the recoverability or classification of recorded asset amounts nor to the amounts or classification of liabilities that might be necessary should the consolidated entity be unable to trade as forecast or to raise sufficient funding to continue as a going concern.

If the going concern basis of accounting is found to no longer be appropriate, the recoverable amounts of assets shown in the Statement of Financial Position are likely to be significantly less than the amounts disclosed and the extent of the liabilities may differ significantly from those reflected in the Statement of Financial Position.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Foreign currency translations and balances

Functional and presentation currency

The financial statements are presented in Australian dollars which is the company's functional and presentation currency.

Transactions and Balances

Transactions in foreign currencies of the company are translated into functional currency at the rate of exchange ruling at the date of the transaction.

Foreign currency monetary items that are outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are translated using the spot rate at the end of the financial year.

Except for certain foreign currency hedges, all resulting exchange differences arising on settlement or re-statement are recognised as revenues and expenses for the financial year.

(d) Revenue

Interest revenue is recognised when it becomes receivable on a proportional basis taking in to account the interest rates applicable to the financial assets.

Grant income is recognised when the entity obtains control over the funds which is generally at the time of receipt.

All revenue is measured net of the amount of goods and services tax (GST).

(e) Income tax

Current income tax expense or revenue is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities.

Deferred tax assets and liabilities are recognised for temporary differences at the applicable tax rates when the assets are expected to be recovered or liabilities are settled. Deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

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.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Cash and cash equivalents

Cash and cash equivalents include cash on hand and at banks, short-term deposits with an original maturity of three months or less held at call with financial institutions, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

(g) Plant and equipment

Each class of plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and any accumulated impairment losses.

Plant and equipment

Plant and equipment is measured on a cost basis.

Depreciation

The depreciable amount of all plant and equipment is depreciated over their estimated useful lives commencing from the time the asset is held ready for use.

Class of fixed asset	Depreciation rates	Depreciation basis
Plant and equipment at cost	15-30%	Diminishing value
Office equipment at cost	50-66.67%	Diminishing value
Furniture, fixtures and fittings at cost	20%	Diminishing value
Computer software at cost	25%	Straight line

(h) Research and development expenditure

Expenditure on research activities is recognised as an expense when incurred.

Development costs are capitalised when the entity can demonstrate all of the following: the technical feasibility of completing the asset so that it will be available for use or sale; the intention to complete the asset and use or sell it; the ability to use or sell the asset; how the asset will generate probable future economic benefits; the availability of adequate technical, financial and other resources to complete the development and to use or sell the asset; and the ability to measure reliably the expenditure attributable to the asset during its development. Capitalised development expenditure is carried at cost less any accumulated amortisation and any accumulated impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of the intangible asset over its estimated useful life. Amortisation commences when the intangible asset is available for use.

Other development expenditure is recognised as an expense when incurred.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Employee benefits

(i) Short-term employee benefit obligations

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits (other than termination benefits) expected to be settled wholly before twelve months after the end of the annual reporting period are measured at the (undiscounted) amounts based on remuneration rates which are expected to be paid when the liability is settled. The expected cost of short-term employee benefits in the form of compensated absences such as annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables in the statement of financial position.

(ii) Long-term employee benefit obligations

The provision for other long-term employee benefits, including obligations for long service leave and annual leave, which are not expected to be settled wholly before twelve months after the end of the reporting period, are measured at the present value of the estimated future cash outflow to be made in respect of the services provided by employees up to the reporting date. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee turnover, and are discounted at rates determined by reference to market yields at the end of the reporting period on high quality corporate bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the change occurs.

Other long-term employee benefit obligations are presented as current liabilities in the statement of financial position if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur. All other long-term employee benefit obligations are presented as non-current liabilities in the statement of financial position.

(j) Comparatives

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

NOTE 2: ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the company. The company has decided not to early adopt any of these new and amended pronouncements. The company's assessment of the new and amended pronouncements that are relevant to the company but applicable in future reporting periods is set out below.

AASB 9: Financial Instruments (December 2014), AASB 2014-7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2014), AASB 2014-8: Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) - Application of AASB 9 (December 2009) and AASB 9 (December 2010) (applicable for annual reporting periods commencing on or after 1 January 2018).

These Standards will replace AASB 139: Financial Instruments: Recognition and Measurement. The key changes that may affect the company on initial application of AASB 9 and associated amending Standards include:

- simplifying the general classifications of financial assets into those carried at amortised cost and those carried at fair value;
- permitting entities to irrevocably elect on initial recognition to present gains and losses on an equity instrument that is not held for trading in other comprehensive income (OCI);
- simplifying the requirements for embedded derivatives, including removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in OCI, except when it would create an 'accounting mismatch';
- introducing a new model for hedge accounting that permits greater flexibility in the ability to hedge risk, particularly with respect to non-financial items; and
- requiring impairment of financial assets carried at amortised cost to be based on an expected loss approach.

Although the directors anticipate that the adoption of AASB 9 may have an impact on the company's financial instruments, it is impracticable at this stage to provide a reasonable estimate of such impact.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

AASB 15: Revenue from Contracts with Customers, AASB 2014-5: Amendments to Australian Accounting Standards arising from AASB 15, AASB 2015-8: Amendments to Australian Accounting Standards - Effective Date of AASB 15 and AASB 2016-3: Amendments to Australian Accounting Standards - Clarifications to AASB 15 (applicable for annual reporting periods commencing on or after 1 January 2018).

AASB 15 will provide (except in relation to some specific exceptions, such as lease contracts and insurance contracts) a single source of accounting requirements for all contracts with customers, thereby replacing all current accounting pronouncements on revenue.

These Standards provide a revised principle for recognising and measuring revenue. Under AASB 15, revenue is recognised in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the provider of the goods or services expects to be entitled. To give effect to this principle, AASB 15 requires the adoption of the following 5-step model:

- identify the contract(s) with a customer;
- identify the performance obligations under the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations under the contract(s); and
- recognise revenue when (or as) the entity satisfies the performance obligations.

AASB 15 also provides additional guidance to assist entities in applying the revised principle to licences of intellectual property, warranties, rights of return, principal/agent considerations and options for additional goods and services.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

NOTE 3: FINANCIAL RISK MANAGEMENT

The company is exposed to the following financial risk:

(a) Liquidity risk

The board of directors have overall responsibility for identifying and managing operational and financial risks.

The company holds the following financial instruments:

	2016	2015
	\$	\$
Financial assets		
Cash and cash equivalents	70,859	26,626
Receivables	1,023,264	889,646
Related party receivables	<u>23,280</u>	<u>23,280</u>
	<u>1,117,403</u>	<u>939,552</u>
Financial liabilities		
Loan - director related parties	1,250,088	1,670,000
Loan - executive	200,200	-
Loan - convertibles notes	600,000	-
Other payables and accruals	<u>429,302</u>	<u>214,131</u>
	<u>2,479,590</u>	<u>1,884,131</u>

(a) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The financial liabilities of the company at balance date are all expected to mature within six months of balance date. The company will have sufficient cash reserves to settle these liabilities. The company does not have an overdraft or loan facility. The company's cash reserves are actively managed and compared with forecast liabilities to ensure that sufficient cash is available to settle liabilities as they fall due.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

NOTE 3: FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Liquidity risk (Continued)

Maturity analysis

The table below represents the undiscounted contractual settlement terms for financial instruments and managements expectation for settlement of undiscounted maturities.

Year ended 30 June 2016	< 6 months	6-12 months	1-5 years	Total contractual cash flows	Carrying amount
	\$	\$	\$	\$	\$
Other payables and accruals	429,302	-	-	429,302	2,479,590
Loan - executive	200,200	-	-	200,200	-
Loan - convertible notes	600,000	-	-	600,000	-
Loan - director related parties	<u>1,250,088</u>	<u>-</u>	<u>-</u>	<u>1,250,088</u>	<u>-</u>
Net maturities	<u>2,479,590</u>	<u>-</u>	<u>-</u>	<u>2,479,590</u>	<u>2,479,590</u>

Year ended 30 June 2015

Other payables and accruals	214,131	-	-	214,131	1,884,131
Loan - director related parties	<u>1,670,000</u>	<u>-</u>	<u>-</u>	<u>1,670,000</u>	<u>-</u>
Net maturities	<u>1,884,131</u>	<u>-</u>	<u>-</u>	<u>1,884,131</u>	<u>1,884,131</u>

NOTE 4: REVENUE AND OTHER INCOME

Interest income	-	3
Funding received	<u>-</u>	<u>71,303</u>
	<u>-</u>	<u>71,306</u>

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

	2016	2015
	\$	\$
NOTE 5: OPERATING PROFIT		
Profit / (losses) before income tax has been determined after:		
Depreciation		
- plant and equipment	115,924	101,033
- office equipment	1,922	5,161
- furniture, fixtures and fittings	251	-
- computer software	<u>8,313</u>	<u>7,577</u>
	126,410	113,771
Amortisation of non-current assets		
- formation expenses	<u>2,255</u>	<u>2,255</u>
Research and development costs	1,576,673	1,037,923
Employee benefits:		
- Other employee benefits	174,438	134,524
Net loss on disposal of non-current assets		
- Loss on sale of plant and equipment	-	20,441
Remuneration of auditors for:		
<i>Pitcher Partners (Melbourne)</i>		
Audit and assurance services		
- Audit of the financial report	25,300	24,680
Other non-audit services		
- Taxation services	<u>4,950</u>	<u>4,755</u>
	<u>30,250</u>	<u>29,435</u>

SEMENTIS LTD
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

2016	2015
\$	\$

NOTE 6: KEY MANAGEMENT PERSONNEL COMPENSATION

Compensation received by key management personnel of the company

- short-term employee benefits	224,000	224,000
- post-employment benefits	<u>30,115</u>	<u>28,611</u>
	<u><u>254,115</u></u>	<u><u>252,611</u></u>

The names of directors who have held office during the year are:

Name	Appointment / resignation details
Paul Howley	Appointed 29 July 2009
Tom Quirk	Appointed 28 May 2011
Maurice O'Shannassy	Appointed 28 May 2012

The names of key management personnel during the year are:

Name	Appointment / resignation details	Position
Paul Howley	Appointed 29 July 2009	Chief Scientific Officer

NOTE 7: CASH AND CASH EQUIVALENTS

Cash at bank	<u>70,859</u>	<u>26,626</u>
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NOTE 8: RECEIVABLES

CURRENT

Other receivables		
GST input credits	71,830	37,965
R&D tax incentive receivable	<u>951,434</u>	<u>851,681</u>
	<u><u>1,023,264</u></u>	<u><u>889,646</u></u>

Amounts receivable from:

- related party	<u>23,280</u>	<u>23,280</u>
	<u><u>1,046,544</u></u>	<u><u>912,926</u></u>

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

	2016 \$	2015 \$
NOTE 9: OTHER ASSETS		
CURRENT		
Prepayments	<u>38,999</u>	<u>65,581</u>

NOTE 10: INTANGIBLE ASSETS

Formation expenses at cost	11,277	11,277
Accumulated amortisation and impairment	<u>(9,406)</u>	<u>(7,151)</u>
	<u>1,871</u>	<u>4,126</u>

(a) Reconciliations

Reconciliation of the carrying amounts of intangible assets at the beginning and end of the current financial year

Formation expenses at cost

Opening balance	4,126	6,381
Amortisation expense	<u>(2,255)</u>	<u>(2,255)</u>
Closing balance	<u>1,871</u>	<u>4,126</u>

Amortisation expense in relation to intangible assets has been recognised in depreciation and amortisation expenses within profit or loss.

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

	2016 \$	2015 \$
NOTE 11: PLANT AND EQUIPMENT		
Plant and equipment		
Plant and equipment at cost	609,349	609,350
Accumulated depreciation	<u>(284,842)</u>	<u>(168,900)</u>
	324,507	440,450
Office equipment at cost	39,865	76,755
Accumulated depreciation	<u>(37,944)</u>	<u>(72,912)</u>
	1,921	3,843
Furniture, fixtures and fittings at cost	11,390	37,656
Accumulated depreciation	<u>(11,390)</u>	<u>(37,656)</u>
	-	-
Computer software at cost	39,143	39,143
Accumulated depreciation	<u>(35,904)</u>	<u>(27,359)</u>
	<u>3,239</u>	<u>11,784</u>
Total plant and equipment	<u><u>329,667</u></u>	<u><u>456,077</u></u>
(a) Reconciliations		
Reconciliation of the carrying amounts of plant and equipment at the beginning and end of the current financial year		
<i>Plant and equipment</i>		
Opening carrying amount	440,450	498,924
Additions	-	42,559
Depreciation expense	<u>(115,924)</u>	<u>(101,033)</u>
Closing carrying amount	<u><u>324,526</u></u>	<u><u>440,450</u></u>
<i>Office equipment</i>		
Opening carrying amount	3,843	9,004
Depreciation expense	<u>(1,922)</u>	<u>(5,161)</u>
Closing carrying amount	<u><u>1,921</u></u>	<u><u>3,843</u></u>
<i>Furniture, fixtures and fittings</i>		
Opening carrying amount	-	20,441
Disposals	<u>-</u>	<u>(20,441)</u>
Closing carrying amount	<u><u>-</u></u>	<u><u>-</u></u>

SEMENTIS LTD
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

	2016 \$	2015 \$
NOTE 11: PLANT AND EQUIPMENT (CONTINUED)		
(a) Reconciliations (Continued)		
<i>Computer software</i>		
Opening carrying amount	11,784	16,368
Additions	-	2,993
Depreciation expense	<u>(8,313)</u>	<u>(7,577)</u>
Closing carrying amount	<u><u>3,471</u></u>	<u><u>11,784</u></u>
<i>Total property, plant and equipment</i>		
Carrying amount at 1 July	456,077	544,737
Additions	-	45,552
Disposals	-	(20,441)
Depreciation expense	<u>(126,159)</u>	<u>(113,771)</u>
Carrying amount at 30 June	<u><u>329,918</u></u>	<u><u>456,077</u></u>
NOTE 12: PAYABLES		
CURRENT		
<i>Unsecured liabilities</i>		
Other payables	31,031	8,471
Accrued expenses	398,271	205,660
Loan - convertible notes	600,000	-
Loan - executive	200,200	-
Loan - director related parties	<u>1,250,088</u>	<u>1,670,000</u>
	<u><u>2,479,590</u></u>	<u><u>1,884,131</u></u>
NOTE 13: PROVISIONS		
CURRENT		
Annual leave	63,194	47,316
Long service leave	<u>5,077</u>	<u>3,623</u>
	<u><u>68,271</u></u>	<u><u>50,939</u></u>

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

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SEMENTIS LTD
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

	2016	2015
	\$	\$
NOTE 15: ACCUMULATED LOSSES		
Accumulated losses at beginning of year	(5,820,614)	(4,221,094)
Net loss	<u>(2,143,587)</u>	<u>(1,599,520)</u>
	<u>(7,964,201)</u>	<u>(5,820,614)</u>
NOTE 16: CASH FLOW INFORMATION		
(a) Reconciliation of cash		
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position is as follows:		
Cash at bank	<u>70,859</u>	<u>26,626</u>
(b) Reconciliation of cash flow from operations with profit after income tax		
Loss from ordinary activities after income tax	(2,143,587)	(1,599,520)
Adjustments and non-cash items		
Amortisation	2,255	2,255
Depreciation	126,410	113,771
Net loss on disposal of plant and equipment	-	21,911
Interest expense not actually paid	160,861	208,308
Changes in assets and liabilities		
Increase in receivables	(133,618)	(165,249)
Decrease in other assets	26,582	15,849
Increase / (decrease) in payables	215,171	(3,890)
Increase in provisions	<u>17,332</u>	<u>13,693</u>
Cash flows from operating activities	<u>(1,728,594)</u>	<u>(1,392,872)</u>

SEMENTIS LTD
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

NOTE 17: RELATED PARTY TRANSACTIONS

(a) Transactions with key management personnel of the entity or its parent and their personally related entities

During the current financial year, Sementis Ltd entered into the following transactions with key management personnel:

Director related entities Shakespeare Enterprises Pty Ltd, Chickhad Pty Ltd and the Tiger Fund Pty Ltd lent Sementis Ltd \$300,088, \$450,000 and \$450,000, respectively. These balances were outstanding as at 30 June 2016.

Loan agreements are in place with interest payable at 12% per annum.

NOTE 18: EVENTS SUBSEQUENT TO REPORTING DATE

There has been no matter or circumstance, which has arisen since 30 June 2016 that has significantly affected or may significantly affect:

- (a) the operations, in financial years subsequent to 30 June 2016, of the company, or
- (b) the results of those operations, or
- (c) the state of affairs, in financial years subsequent to 30 June 2016, of the company.

NOTE 19: COMPANY DETAILS

The registered office of the company is:

Sementis Ltd
9 Sing Crescent
Berwick VIC 3806

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 6 - 26, are in accordance with the *Corporations Act 2001*; and
 - (a) comply with Accounting Standards in Australia and the *Corporations Regulations 2001*; and
 - (b) as stated in Note 1, the financial statements also comply with *International Financial Reporting Standards*; and
 - (c) give a true and fair view of the financial position as at 30 June 2016 and 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.

Director:  _____
Paul Howley

Dated this 25th day of October 2016

SEMENTIS LTD
ABN 36 138 550 811

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SEMENTIS LTD**

We have audited the accompanying financial report of Sementis Ltd, which comprises the statement of financial position as at 30 June 2016, the statement of profit or loss and other comprehensive income, statement of changes in equity and 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 1, 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 company'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 company'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*.

SEMENTIS LTD
ABN 36 138 550 811

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SEMENTIS LTD

Opinion

In our opinion:

- (a) the financial report of Sementis 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 and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1(b) in the financial report which indicates that the company incurred a net loss of \$2,143,587 during the year ended 30 June 2016 (2015: loss of \$1,599,520) and as at that date the company's total liabilities exceeded its total assets by \$1,059,921 (2015: deficiency \$469,734). These conditions, along with other matters as set forth in Note 1(b), indicate the existence of a material uncertainty that 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 discharge its liabilities in the normal course of business.



S D WHITCHURCH

Partner



PITCHER PARTNERS

Melbourne

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October 2016