

Sementis Ltd

ABN 36 138 550 811

Financial Report

For the year ended 30 June 2014

Pitcher Partners

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SEMENTIS LTD
ABN 36 138 550 811

DIRECTORS' REPORT

The directors present their report together with the financial report of Sementis Ltd for the year ended 30 June 2014 and auditor's report thereon. This financial report has been prepared in accordance with Australian Accounting Standards.

Directors names

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

Travis Molloy - Resigned 8 August 2014

Troy Neilson - Resigned 26 June 2014

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 \$1,674,013 (2013: \$1,303,814).

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 into medical vaccinations.

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

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DIRECTORS' REPORT

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.

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

| | |
|--------------------------|---|
| Travis Molloy | Executive director (resigned 8 August 2014) |
| Qualifications | BSc |
| Experience | Travis' background lies in a combination of science, pharmaceutical manufacturing and leadership consulting. His pharmaceutical experience lies in companies such as CSL and other boutique biotech companies and includes R&D, GMP manufacture, quality management systems and regulatory liaison. In recent years he has operated as a leadership consultant to a range of Melbourne based top 500s including Standard & Poors, Deloitte, ANZ, nab, Telstra and Coles. He led the Sementis Board since 2010 through the company's formation, development, fund raising and start-up operations. |
| Special responsibilities | Executive Chairman |

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DIRECTORS' REPORT

Information on directors and company secretary (Continued)

| | |
|--------------------------|---|
| Troy Neilson | Executive director (resigned 26 June 2014) |
| Experience | Troy came to Sementis with extensive experience in Electrical Engineering, with a key focus on delivering turnkey solutions and project based outcomes for clients such as Ergon Energy, Melbourne International Airport and Transfield, to name a few. Troy brought a strong focus on good corporate governance to his role, along with a solid background in guiding start-ups, through a model of scalability, through to a sale/merger endpoint. Troy co-founded Sementis Pty Ltd in the later half of 2009, and took on the role of Chief Executive Officer in late 2010. He has helped guide Sementis through its formative stages, with a focus on bringing together Sementis' patent portfolio, and aligning the business for its first round of fundraising. Troy was focused on guiding Sementis through its phases, and establishing new growth opportunities for the company. |
| Special responsibilities | Chief Executive Officer |
| 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 Interim 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. |
| Richard Partridge | Company Secretary |
| Qualifications | B.Com., LL.B., Grad Cert L.P. |
| Experience | Richard was appointed to the role as company secretary of Sementis in 2012. Richard is also a corporate advisory Partner at a top-ten Australian law firm, and brings to Sementis valuable experience and knowledge in relation to corporation and securities laws compliance. |

Meetings of directors

| Directors | Directors' meetings | |
|---------------------|---------------------------|-----------------|
| | Number eligible to attend | Number attended |
| Travis Molloy | 15 | 15 |
| Troy Neilson | 15 | 15 |
| Paul Howley | 15 | 15 |
| Tom Quirk | 15 | 15 |
| Maurice O'Shannassy | 15 | 14 |

Shares issued on exercise of options

The following ordinary shares of Sementis Ltd were issued during or since the end of the financial year as a result of the exercise of an option:

| Date issued | Number of ordinary shares issued | Amount paid per share |
|-------------|----------------------------------|-----------------------|
| 12/02/2014 | 6,250,000 | 0.08 |
| 12/02/2014 | 2,295,000 | 0.15 |
| 12/02/2014 | 100,000 | 0.15 |

There are no amounts unpaid on shares issued on exercise of options.

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 30 day of October 2014



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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 2014, 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

30 October 2014

SEMENTIS LTD
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STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2014

| | Note | 2014 | 2013 |
|---|-------------|--------------------|--------------------|
| | | \$ | \$ |
| Revenue | 4 | 61,653 | 1,722 |
| Less: expenses | | | |
| Depreciation and amortisation expense | 5 | (77,197) | (36,769) |
| Employee benefits expense | 5 | (694,570) | (841,950) |
| Occupancy expense | | (52,604) | (36,750) |
| Finance costs | | (138,781) | (1,853) |
| Research and development expense | 5 | (802,508) | (636,555) |
| Administration expenses | | (328,370) | (244,775) |
| Loss on disposal of property, plant and equipment | 5 | (29,476) | (25,087) |
| Other expenses | | <u>(298,732)</u> | <u>(191,683)</u> |
| | | <u>(2,422,238)</u> | <u>(2,015,422)</u> |
| Loss before income tax expense | | (2,360,585) | (2,013,700) |
| Income tax benefit | | <u>686,572</u> | <u>709,886</u> |
| Loss from continuing operations | | <u>(1,674,013)</u> | <u>(1,303,814)</u> |

The accompanying notes form part of these financial statements.

SEMENTIS LTD
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STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

| | Note | 2014 \$ | 2013 \$ |
|----------------------------------|------|--------------------|--------------------|
| Current assets | | | |
| Cash and cash equivalents | 7 | 295,050 | 27,218 |
| Receivables | 8 | 747,677 | 767,418 |
| Other assets | 9 | <u>81,430</u> | <u>44,460</u> |
| Total current assets | | <u>1,124,157</u> | <u>839,096</u> |
| Non-current assets | | | |
| Intangible assets | 10 | 6,381 | 8,636 |
| Plant and equipment | 11 | <u>544,737</u> | <u>117,968</u> |
| Total non-current assets | | <u>551,118</u> | <u>126,604</u> |
| Total assets | | <u>1,675,275</u> | <u>965,700</u> |
| Current liabilities | | | |
| Payables | 12 | 2,043,492 | 487,871 |
| Provisions | 13 | 37,246 | 77,929 |
| Other liabilities | 14 | <u>29,400</u> | <u>-</u> |
| Total current liabilities | | <u>2,110,138</u> | <u>565,800</u> |
| Total liabilities | | <u>2,110,138</u> | <u>565,800</u> |
| Net assets | | <u>(434,863)</u> | <u>399,900</u> |
| Equity | | | |
| Share capital | 15 | 3,786,231 | 2,946,981 |
| Accumulated losses | 16 | <u>(4,221,094)</u> | <u>(2,547,081)</u> |
| Total equity | | <u>(434,863)</u> | <u>399,900</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 2014

| | Contributed equity \$ | Reserves \$ | Retained earnings \$ | Total equity \$ |
|---|-----------------------------|----------------|----------------------------|--------------------|
| Balance as at 1 July 2012 | 2,184,081 | - | (1,243,267) | 940,814 |
| Profit/(loss) for the year | <u>-</u> | <u>-</u> | <u>(1,303,814)</u> | <u>(1,303,814)</u> |
| Total comprehensive income for the year | <u>-</u> | <u>-</u> | <u>(1,303,814)</u> | <u>(1,303,814)</u> |
| Transactions with owners in their capacity as owners: | | | | |
| Contributions | <u>762,900</u> | <u>-</u> | <u>-</u> | <u>762,900</u> |
| Total transactions with owners in their capacity as owners | <u>762,900</u> | <u>-</u> | <u>-</u> | <u>762,900</u> |
| Balance as at 30 June 2013 | <u>2,946,981</u> | <u>-</u> | <u>(2,547,081)</u> | <u>399,900</u> |
| Balance as at 1 July 2013 | 2,946,981 | - | (2,547,081) | 399,900 |
| Profit/(loss) for the year | <u>-</u> | <u>-</u> | <u>(1,674,013)</u> | <u>(1,674,013)</u> |
| Total comprehensive income for the year | <u>-</u> | <u>-</u> | <u>(1,674,013)</u> | <u>(1,674,013)</u> |
| Transactions with owners in their capacity as owners: | | | | |
| Contributions | <u>839,250</u> | <u>-</u> | <u>-</u> | <u>839,250</u> |
| Total transactions with owners in their capacity as owners | <u>839,250</u> | <u>-</u> | <u>-</u> | <u>839,250</u> |
| Balance as at 30 June 2014 | <u>3,786,231</u> | <u>-</u> | <u>(4,221,094)</u> | <u>(434,863)</u> |

The accompanying notes form part of these financial statements.

SEMENTIS LTD
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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2014

| | Note | 2014 \$ | 2013 \$ |
|--|-------|--------------------|------------------|
| Cash flow from operating activities | | | |
| Grant funding | | 59,508 | - |
| Payments to suppliers and employees | | (2,491,313) | (1,502,799) |
| Interest received | | 1,690 | 1,722 |
| R&D income tax incentive | | <u>709,886</u> | <u>669,117</u> |
| Net cash provided by / (used in) operating activities | 17(b) | <u>(1,720,229)</u> | <u>(831,960)</u> |
| Cash flow from investing activities | | | |
| Payment for plant and equipment | | <u>(531,189)</u> | <u>(92,105)</u> |
| Net cash provided by / (used in) investing activities | | <u>(531,189)</u> | <u>(92,105)</u> |
| Cash flow from financing activities | | | |
| Proceeds from share issue | | 749,250 | 562,900 |
| Proceeds from borrowings | | 1,770,000 | - |
| Repayment of borrowings | | <u>-</u> | <u>(106,270)</u> |
| Net cash provided by financing activities | | <u>2,519,250</u> | <u>456,630</u> |
| Reconciliation of cash | | | |
| Cash at beginning of the financial year | | 27,218 | 494,653 |
| Net increase / (decrease) in cash held | | <u>267,832</u> | <u>(467,435)</u> |
| Cash at end of financial year | 17(a) | <u>295,050</u> | <u>27,218</u> |

The accompanying notes form part of these financial statements.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

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 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) as 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 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 \$1,674,013 during the year ended 30 June 2014 (2013: \$1,303,814 loss).

The company had a net asset deficiency position of \$(434,863) at 30 June 2014 (2013: surplus \$399,900), and current liabilities exceed current assets by \$(985,981), (2013: \$(273,296)).

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
- Ultimately 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 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Going concern (Continued)

On 21 August 2014 the R&D Tax Incentive Receivable of \$686,572 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 at \$0.02 per share should Sementis Ltd require it. The commitment of financial support is subject to:

- the requirements of the Corporations Act 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.

(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.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Foreign currency translations and balances (Continued)

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 stated 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. No deferred tax asset or liability is recognised in relation to temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or 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.

(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.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 fixed assets is depreciated over their estimated useful lives commencing from the time the asset is held ready for use. Land and the land component of any class of fixed asset is not depreciated.

| 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.

Expenditure on development activities is capitalised only when technical feasibility studies demonstrate that the project will deliver future economic benefits and these benefits can be measured reliably. Capitalised development expenditure is stated at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of its estimated useful life commencing when the intangible asset is available for use.

Other development expenditure is recognised as an expense when incurred.

(i) Employee benefits

(i) Short-term employee benefit obligations

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal 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.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Employee benefits (Continued)

(ii) Long-term employee benefit obligations

Liabilities arising in respect of long service leave and annual leave which is not expected to be settled within twelve months of the reporting date are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date.

Employee benefit obligations are presented as current liabilities in the balance sheet 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.

(j) Comparatives

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

NOTE 2: ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT OPERATIVE AT 30 JUNE 2014

AASB 9 Financial Instruments improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. When adopted, the standard could change the classification and measurement of financial assets. AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income for equity investments that are not held for trading. In the current reporting period, the company recognised \$NIL in other comprehensive income in relation to the movements in the fair value of available for sale financial assets, which are not held for trading.

Most of the requirements for financial liabilities were carried forward unchanged. However, some changes were made to the fair value option for financial liabilities to address the issue of own credit risk. The company does not have any financial liabilities that are designated at fair value through profit or loss. The new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss. Therefore, there will be no impact on the company's accounting for financial liabilities.

In December 2013, new general hedge accounting requirements were incorporated into AASB 9. The new model aligns hedge accounting more closely with risk management, and will be easier to apply and reduce the costs of implementation. However, the new model requires extended disclosure. The standard is not applicable until 1 January 2017 but is available for early adoption. The company has yet to assess the impact of new general hedge accounting model on its hedge arrangements. The company has decided not to early adopt AASB 9 at 30 June 2014.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 3: FINANCIAL RISK MANAGEMENT

The company is exposed to a variety of financial risks comprising:

(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:

| | 2014 | 2013 |
|------------------------------|------------------|----------------|
| | \$ | \$ |
| Financial assets | | |
| Cash and cash equivalents | 295,050 | 27,218 |
| Receivables | 723,897 | 747,664 |
| Related party receivables | <u>23,283</u> | <u>19,754</u> |
| | <u>1,042,230</u> | <u>794,636</u> |
| Financial liabilities | | |
| Related party payables | 1,770,000 | - |
| Other payables and accruals | <u>273,492</u> | <u>414,518</u> |
| | <u>2,043,492</u> | <u>414,518</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.

| | 2014 | 2013 |
|---|---------------|--------------|
| | \$ | \$ |
| NOTE 4: REVENUE AND OTHER INCOME | | |
| Interest income | 1,690 | 925 |
| Other revenue | 455 | 797 |
| Funding received | <u>59,508</u> | <u>-</u> |
| | <u>61,653</u> | <u>1,722</u> |

SEMENTIS LTD
ABN 36 138 550 811

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

| | 2014 | 2013 |
|--|----------------|----------------|
| | \$ | \$ |
| NOTE 5: OPERATING PROFIT | | |
| Profit / (losses) before income tax has been determined after: | | |
| Depreciation | | |
| - plant and equipment | 54,752 | 5,413 |
| - office equipment | 9,843 | 17,019 |
| - furniture, fixtures and fittings | 4,985 | 6,405 |
| - computer software | <u>5,362</u> | <u>7,932</u> |
| | 74,942 | 36,769 |
| Amortisation of non-current assets | | |
| - formation expenses | <u>2,255</u> | - |
| Research and development costs | 802,508 | 636,555 |
| Employee benefits: | | |
| - Other employee benefits | 694,570 | 841,950 |
| Net loss on disposal of non-current assets | | |
| - Loss on sale of property, plant and equipment | 29,476 | 25,087 |
| Remuneration of auditors for: | | |
| <i>Pitcher Partners (Melbourne)</i> | | |
| Audit and assurance services | | |
| - Audit of the financial report | 23,965 | 21,875 |
| Other non-audit services | | |
| - Taxation services | <u>4,635</u> | <u>4,500</u> |
| | <u>28,600</u> | <u>26,375</u> |
| NOTE 6: KEY MANAGEMENT PERSONNEL COMPENSATION | | |
| Compensation received by key management personnel of the company | | |
| - short-term employee benefits | 514,663 | 500,000 |
| - post-employment benefits | <u>53,608</u> | <u>45,000</u> |
| | <u>568,271</u> | <u>545,000</u> |

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 6: KEY MANAGEMENT PERSONNEL COMPENSATION (CONTINUED)

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

| Name | Appointment / resignation details |
|---------------------|--|
| Travis Molloy | - Resigned 8 August 2014 |
| Troy Neilson | - Resigned 26 June 2014 |
| Paul Howley | - Appointed 29 July 2009 |
| Tom Quirk | - Appointed 28 May 2012 |
| Maurice O'Shannassy | - Appointed 28 May 2012 |

The names of key management personnel during the year are:

| Name | Appointment / resignation details | Position |
|---------------|--|--------------------------|
| Travis Molloy | - Resigned 8 August 2014 | Executive Chairman |
| Troy Neilson | - Resigned 26 June 2014 | Chief Executive Officer |
| Paul Howley | - Appointed 29 July 2009 | Chief Scientific Officer |

NOTE 7: CASH AND CASH EQUIVALENTS

| | | |
|--------------|----------------|---------------|
| Cash at bank | <u>295,050</u> | <u>27,218</u> |
|--------------|----------------|---------------|

NOTE 8: RECEIVABLES

CURRENT

| | | |
|------------------------------|----------------|----------------|
| Trade debtors | 500 | - |
| Other receivables | | |
| GST Input Credits | 37,325 | 37,778 |
| R&D Tax Incentive Receivable | <u>686,572</u> | <u>709,886</u> |
| | <u>723,897</u> | <u>747,664</u> |
| Amounts receivable from: | | |
| - Directors | <u>23,280</u> | <u>19,754</u> |
| | <u>747,677</u> | <u>767,418</u> |

SEMENTIS LTD
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

| | 2014 | 2013 |
|-----------------------------|----------------------|----------------------|
| | \$ | \$ |
| NOTE 9: OTHER ASSETS | | |
| CURRENT | | |
| Prepayments | 81,430 | 17,500 |
| Other current assets | <u>-</u> | <u>26,960</u> |
| | <u><u>81,430</u></u> | <u><u>44,460</u></u> |

NOTE 10: INTANGIBLE ASSETS

| | | |
|---|---------------------|---------------------|
| Formation expenses at cost | 11,277 | 11,277 |
| Accumulated amortisation and impairment | <u>(4,896)</u> | <u>(2,641)</u> |
| | <u><u>6,381</u></u> | <u><u>8,636</u></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 | 8,636 | 8,636 |
| Amortisation expense | <u>(2,255)</u> | <u>-</u> |
| Closing balance | <u><u>6,381</u></u> | <u><u>8,636</u></u> |

Amortisation expense in relation to intangible assets is included within depreciation and amortisation expenses in the statement of comprehensive income.

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

| | 2014 | 2013 |
|--|-----------------|-----------------|
| | \$ | \$ |
| NOTE 11: PLANT AND EQUIPMENT | | |
| Plant and equipment | | |
| Plant and equipment at cost | 566,791 | 43,791 |
| Accumulated depreciation | <u>(67,867)</u> | <u>(13,115)</u> |
| | 498,924 | 30,676 |
| | | |
| Office equipment at cost | 39,865 | 51,269 |
| Accumulated depreciation | <u>(30,861)</u> | <u>(21,018)</u> |
| | 9,004 | 30,251 |
| | | |
| Furniture, fixtures and fittings at cost | 31,831 | 37,656 |
| Accumulated depreciation | <u>(11,390)</u> | <u>(6,404)</u> |
| | 20,441 | 31,252 |
| | | |
| Computer software at cost | 36,150 | 35,330 |
| Accumulated depreciation | <u>(19,782)</u> | <u>(9,541)</u> |
| | <u>16,368</u> | <u>25,789</u> |
| | | |
| Total plant and equipment | <u>544,737</u> | <u>117,968</u> |

(a) Reconciliations

Reconciliation of the carrying amounts of plant and equipment at the beginning and end of the current financial year

Plant and equipment

| | | |
|-------------------------|-----------------|----------------|
| Opening carrying amount | 30,676 | 42,446 |
| Additions | 523,000 | - |
| Disposals | - | (6,357) |
| Depreciation expense | <u>(54,752)</u> | <u>(5,413)</u> |
| Closing carrying amount | <u>498,924</u> | <u>30,676</u> |

Office equipment

| | | |
|-------------------------|----------------|-----------------|
| Opening carrying amount | 30,251 | 16,782 |
| Additions | 7,369 | 48,606 |
| Disposals | (18,773) | (18,118) |
| Depreciation expense | <u>(9,843)</u> | <u>(17,019)</u> |
| Closing carrying amount | <u>9,004</u> | <u>30,251</u> |

SEMENTIS LTD
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

| | 2014 | 2013 |
|---|------------------|-----------------|
| | \$ | \$ |
| NOTE 11: PLANT AND EQUIPMENT (CONTINUED) | | |
| (a) Reconciliations (Continued) | | |
| <i>Furniture, fixtures and fittings</i> | | |
| Opening carrying amount | 31,252 | - |
| Additions | - | 37,657 |
| Disposals | (5,826) | - |
| Depreciation expense | <u>(4,985)</u> | <u>(6,405)</u> |
| Closing carrying amount | <u>20,441</u> | <u>31,252</u> |
| <i>Computer software</i> | | |
| Opening carrying amount | 25,789 | 27,879 |
| Additions | 820 | 5,842 |
| Disposals | (4,879) | - |
| Depreciation expense | <u>(5,362)</u> | <u>(7,932)</u> |
| Closing carrying amount | <u>16,368</u> | <u>25,789</u> |
| <i>Total property, plant and equipment</i> | | |
| Carrying amount at 1 July | 117,968 | 87,107 |
| Additions | 531,189 | 92,105 |
| Disposals | (29,478) | (24,475) |
| Depreciation expense | <u>(74,942)</u> | <u>(36,769)</u> |
| Carrying amount at 30 June | <u>544,737</u> | <u>117,968</u> |
| NOTE 12: PAYABLES | | |
| CURRENT | | |
| <i>Unsecured liabilities</i> | | |
| Other payables | 12,209 | 41,618 |
| Accrued expenses | 261,283 | 446,253 |
| Loans - convertible notes | 1,270,000 | - |
| Loan from director related party | <u>500,000</u> | <u>-</u> |
| | <u>2,043,492</u> | <u>487,871</u> |

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

| | 2014 | 2013 |
|----------------------------|----------------------|----------------------|
| | \$ | \$ |
| NOTE 13: PROVISIONS | | |
| CURRENT | | |
| Annual leave | 34,878 | 77,929 |
| Long service leave | <u>2,368</u> | <u>-</u> |
| | <u>37,246</u> | <u>77,929</u> |

NOTE 14: OTHER LIABILITIES

| | | |
|-----------------------------|---------------|----------|
| CURRENT | | |
| Amounts received in advance | <u>29,400</u> | <u>-</u> |

NOTE 15: SHARE CAPITAL

| | | |
|---|-----|-----------------------------------|
| Issued and paid-up capital | | |
| 2014: 118,547,500 (2013: 109,777,500) ordinary shares | (a) | <u>3,786,231</u> <u>2,946,981</u> |

| | 2014 | | 2013 | |
|---|---------------------------|-------------------------|---------------------------|-------------------------|
| | Number | \$ | Number | \$ |
| (a) Ordinary shares | | | | |
| Opening balance | 109,777,500 | 2,946,981 | 95,075,000 | 2,184,081 |
| Shares issued: | | | | |
| 9 July 2012 | - | - | 5,090,000 | 386,200 |
| 26 September 2012 | - | - | 850,000 | 83,000 |
| 28 September 2012 | - | - | 2,187,500 | 175,000 |
| 10 October 2012 | - | - | 3,000,000 | 240,000 |
| 7 February 2013 | - | - | 1,000,000 | 80,000 |
| 23 May 2013 | - | - | 2,575,000 | 515,000 |
| 11 July 2013 | 125,000 | 10,000 | - | - |
| 18 August 2013 | (1,000,000) | (80,000) | - | - |
| 12 February 2014 | 6,250,000 | 500,000 | - | - |
| 12 February 2014 | 1,000,000 | 80,000 | - | - |
| 12 February 2014 | 2,295,000 | 344,250 | - | - |
| 12 February 2014 | 100,000 | 15,000 | - | - |
| Transaction costs relating to shares issued, net of tax | <u>-</u> | <u>(30,000)</u> | <u>-</u> | <u>(716,300)</u> |
| | <u>8,770,000</u> | <u>839,250</u> | <u>14,702,500</u> | <u>762,900</u> |
| At reporting date | <u>118,547,500</u> | <u>3,786,231</u> | <u>109,777,500</u> | <u>2,946,981</u> |

SEMENTIS LTD
ABN 36 138 550 811

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 15: SHARE CAPITAL (CONTINUED)

Rights of each type of share

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

Capital management

When managing capital, management's objective is to ensure the company continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. This is achieved through the monitoring of historical and forecast performance and cashflows.

During 2014, management did not paid dividends.

NOTE 16: ACCUMULATED LOSSES

| | | |
|---|--------------------|--------------------|
| Accumulated losses at beginning of year | (2,547,081) | (1,243,267) |
| Net profit / (loss) | <u>(1,674,013)</u> | <u>(1,303,814)</u> |
| | <u>(4,221,094)</u> | <u>(2,547,081)</u> |

SEMENTIS LTD
ABN 36 138 550 811

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

| | 2014 | 2013 |
|--|--------------------|------------------|
| | \$ | \$ |
| NOTE 17: 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>295,050</u> | <u>27,218</u> |
| (b) Reconciliation of cash flow from operations with profit after income tax | | |
| Profit / (loss) from ordinary activities after income tax | (1,674,013) | (1,303,814) |
| Adjustments and non-cash items | | |
| Amortisation | 2,255 | - |
| Depreciation | 74,942 | 36,769 |
| Net (gain) / loss on disposal of property, plant and equipment | 29,476 | 24,475 |
| Share based payment | 120,000 | 200,000 |
| Changes in assets and liabilities | | |
| (Increase) / decrease in receivables | (47) | 6,531 |
| (Increase) / decrease in other assets | (36,970) | (44,460) |
| Increase / (decrease) in payables | (274,502) | 170,610 |
| Increase / (decrease) in other liabilities | 29,400 | - |
| Increase / (decrease) in provisions | <u>(40,683)</u> | <u>77,929</u> |
| Cash flows from operating activities | <u>(1,770,142)</u> | <u>(831,960)</u> |

NOTE 18: EVENTS SUBSEQUENT TO REPORTING DATE

There has been no matter or circumstance, which has arisen since 30 June 2014 that has significantly affected or may significantly affect:

- (a) the operations, in financial years subsequent to 30 June 2014, of the company, or
- (b) the results of those operations, or
- (c) the state of affairs, in financial years subsequent to 30 June 2014, of the company.

NOTE 19: COMPANY DETAILS

The registered office of the company is:

Sementis Ltd
9 Sing Crescent
Berwick VIC 3806

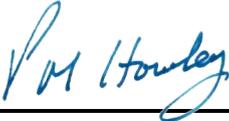
SEMENTIS LTD
ABN 36 138 550 811

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 7 - 24, 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 2014 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 30 day of October 2014

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 performance as at 30 June 2014, the statement of 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 conducting the audit in accordance with Australian Auditing Standards. Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

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 in 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.

SEMENTIS LTD
ABN 36 138 550 811

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

Independence

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

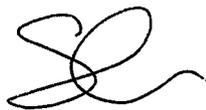
Opinion

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 2014 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 modifying our opinion, we draw attention to Note 1(b) in the financial report, which indicates that the company incurred a net loss of \$1,674,013 during the year ended 30 June 2014 (2013: \$1,303,814 loss) and as at that date the company's current liabilities exceeded its total assets by \$434,863. 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

30 October 2014