Sementis Ltd

ABN: 36 138 550 811

Financial report

For the year ended 30 June 2019

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 (the "company") for the year ended 30 June 2019 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

Maurice O'Shannassy

Peter Wulff

Glen Burgess

Michael Hickinbotham

Martyn Evans (Appointed 27 November 2018)

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 $2,620,865 (2018: $1,638,182).

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.

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

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.
Peter Wulff	Non-Executive Director
Qualifications	European Patent Attorney
Experience	Peter has gained over 30 years' experience in the biotech and pharmaceutical industry, especially vaccines and patents. He was a co-founder of NeuroSearch, a Danish corporation listed on the Copenhagen Stock Exchange developing drugs acting on the central nervous system. Peter co-founded Bavarian Nordic, a biotechnology company listed on the Copenhagen Stock Exchange developing vaccines for infectious diseases and cancer. Peter later co-founded Sentinext Therapeutics (Malaysia) in 2009 to develop vaccines against EV71 and dengue, as well as other infectious diseases. He is currently an Independent Consultant to the Biotech industry, sits on the Advisory Board of the Veterinary Institute at the Danish Technical University and serves as advisor and/or board member of a number of companies in Malaysia, US, Germany, France, Denmark and Sweden. Peter holds a Master of Science in Organic Chemistry from the University of Copenhagen and qualified as a European Patent Attorney. Peter was the 2007 winner of the Biotechbuilders Association Hall of Fame.

Information on directors and company secretary (Continued)

Glen Burgess	Non-Executive Director
Qualifications	MB BS FRACS
Experience	Glen is an Otolaryngologist , Head and Neck surgeon. He is based in Melbourne Victoria where he is principal of Southern ENT, and Director of Monash Health, Snoring and Sleep Apnoea Clinic. He is a lecturer (adj) at Monash University Dpt of Surgery.He graduated from Monash University in 1988 and completed his FRACS -ENT Head and Neck surgery in 2000. He worked at Stanford University medical school before completing consecutive fellowships in Head and Neck Surgery at St Georges Hospital, London and Queens University Hospital Nottingham.He has been a medical consultant for the medical industry including time with Arthrocare, Smith and Nephew and Phonak. He is currently a director of Victorian Hearing.He has published papers on airway management, sleep apnoea and hearing loss. He is currently engaged in research in assessment and treatment of sleep apnoea.
Michael Hickinbotham	Non-Executive Director
Qualifications	BEc LLB
Experience	Michael is the Managing Director of the Hickinbotham Group which is the largest and longest established building and development group in South Australia and has been awarded a Centenary Medal for service to the Australian Building industry and community. He has a strong interest in entrepreneurial ventures that create value as well as innovation, education, and community building having established Australia's, and one of the world's, first joint ecumenical Anglican Catholic Schools at Andrews Farm in the north of Adelaide. He also funds educational scholarships for children from high needs families, and supports many cultural, sporting and community groups and charities. Prior to joining the Hickinbotham Group, Michael was a solicitor at the Melbourne office of national law firm Blake Dawson (now Ashurst) and he holds a degree in Economics from the university of Adelaide and an Honours degree in Law From University College London.
Martyn Evans	Non-Executive Director (Appointed 27 November 2018)
Qualifications	BSc, GDipBA
Experience	Martyn is a former member of State and Federal Parliament and held the office of South Australian Minister for Health from 1992 to 1993 and of Federal Shadow Minister of Science from 1996 to 2001. Since retiring from politics, Martyn has held several roles included working as the Director of Community Engagement at the University of Adelaide, chairing the South Australian Ministerial Advisory Committee on End of Life Matters and advising Medicines Australia on policy and government affairs. Martyn currently practices as a strategic consultant.

DIRECTORS' REPORT

Information on directors and company secretary (Continued)

Mei Cockerall	Company Secretary
Qualifications	CPA
Experience	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	8	8
Maurice O'Shannassy	8	8
Peter Wulff	8	7
Glen Burgess	8	8
Michael Hickinbotham	8	7
Martyn Evans	4	4

Options

Options over unissued ordinary shares granted by Sementis Ltd during or since the financial year, including options granted to the directors and any of the 5 most highly remunerated officers of the company (other than the directors) were as follows:

Directors	Options granted
Peter Wulff	3,050,000

Shares under option

Unissued ordinary shares of Sementis Ltd under option at the date of this report are as follows:

Date options granted	Number of unissued ordinary shares under option	Issue price of shares	Expiry date of the options
22/01/2019	3,050,000	0.01	22/01/2031

No option holder has any right under the options to participate in any other share issue of the company.

Options (Continued)

Shares issued on exercise of options

No shares were issued during the year or up to the date of this report on exercise of options.

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: P M Howley

Paul Howley

Dated this 16th day of October 2019

SEMENTIS LTD
ABN: 36 138 550 811

AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF SEMENTIS LTD

In relation to the independent audit for the year ended 30 June 2019, 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 APES 110 *Code of Ethics for Professional Accountants*.

S D WHITCHURCH Partner

PITCHER PARTNERS

MELBOURNE

Date: 18 October 2019

SEMENTIS LTD
ABN: 36 138 550 811

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 $	2018 $
Revenue	4	20,039	15,312
Less: expenses			
Depreciation and amortisation expense	5	(83,632)	(115,266)
Employee benefits expense	5	(249,896)	(199,178)
Finance costs		(1,041)	(97,360)
Research and development expense	5	(1,683,966)	(1,207,206)
Administration Expense		(148,471)	(222,769)
Director's fees		(210,585)	(235,998)
License fees		(555,942)	-
Other expenses		(324,517)	(166,631)
		(3,258,050)	(2,244,408)
Loss before income tax expense		(3,238,011)	(2,229,096)
Income tax (expense) / benefit		617,146	590,914
Loss from continuing operations		(2,620,865)	(1,638,182)
Other comprehensive income for the year		-	-
Total comprehensive income		(2,620,865)	(1,638,182)

The accompanying notes form part of these financial statements.

SEMENTIS LTD
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STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Note	2019 $	2018 $
Current assets			
Cash and cash equivalents	7	3,706,660	3,390,306
Receivables	8	1,785,148	676,296
Other assets	9	956,259	414,452
Total current assets		6,448,067	4,481,054
Non-current assets			
Plant and equipment	10	71,963	94,969
Total non-current assets		71,963	94,969
Total assets		6,520,030	4,576,023
Current liabilities			
Payables	11	718,372	573,417
Provisions	12	104,467	92,082
Total current liabilities		822,839	665,499
Non-current liabilities			
Provisions	12	38,137	33,092
Total non-current liabilities		38,137	33,092
Total liabilities		860,976	698,591
Net assets		5,659,054	3,877,432
Equity			
Share capital	13	19,455,393	15,052,906
Accumulated losses	15	(13,796,339)	(11,175,474)
Total equity		5,659,054	3,877,432

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 2019

	Share Capital $	Accumulated Losses $	Total equity $
Balance as at 1 July 2017	9,042,906	(9,537,292)	(494,386)
Loss for the year	-	(1,638,182)	(1,638,182)
Total comprehensive income for the year	-	(1,638,182)	(1,638,182)
Transactions with owners in their capacity as owners:			
Contributions	6,010,000	-	6,010,000
Total transactions with owners in their capacity as owners	6,010,000	-	6,010,000
Balance as at 30 June 2018	15,052,906	(11,175,474)	3,877,432
Balance as at 1 July 2018	15,052,906	(11,175,474)	3,877,432
Loss for the year	-	(2,620,865)	(2,620,865)
Total comprehensive income for the year	-	(2,620,865)	(2,620,865)
Transactions with owners in their capacity as owners:			
Contributions	4,402,487	-	4,402,487
Total transactions with owners in their capacity as owners	4,402,487	-	4,402,487
Balance as at 30 June 2019	19,455,393	(13,796,339)	5,659,054

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 $	2018 $
Cash flow from operating activities			
Payments to suppliers and employees		(3,541,324)	(2,352,417)
Interest received/(paid)		35,351	-
R&D income tax incentive		590,914	503,671
Net cash used in operating activities	16(b)	(2,915,059)	(1,848,746)
Cash flow from investing activities			
Payment for plant and equipment		(60,626)	(6,492)
Net cash used in investing activities		(60,626)	(6,492)
Cash flow from financing activities			
Proceeds from share issue		3,292,039	6,530,000
Net proceeds from / (repayment of) borrowings		-	(1,317,752)
Net cash provided by financing activities		3,292,039	5,212,248
Reconciliation of cash			
Cash at beginning of the financial year		3,390,306	33,296
Net increase in cash held		316,354	3,357,010
Cash at end of financial year	16(a)	3,706,660	3,390,306

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

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

The following are the significant 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 report also complies 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 $2,620,865 during the year ended 30 June 2019 (2018: $1,638,182 loss), and as at that date the company had net assets of $5,659,054 (2018: $3,877,432).

The directors plan to continue to increase expenditure on research and development in FY2020 and in order to continue as a going concern the company will therefore be dependent on an additional capital raise in FY2020. Should the capital raise be unsuccessful, the company may not be able to continue as a going concern. Management continue to monitor expenditure closely as part of their capital management stategy.

No adjustments have been made to the financial report relating to the recoverability and classification of the carrying amount of assets or the amount and classification of liabilities that might be necessary should the company not continue as a going concern.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Foreign currency transactions 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 undertaken in foreign currencies are recognised in the company's functional currency, using the spot rate 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 restated to the spot rate at the reporting date.

Except for certain foreign currency hedges, all exchange gains or losses are recognised in profit or loss for the period in which they arise.

(d) Other revenue and other income

Interest revenue is measured in accordance with the effective interest method.

(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 recognised 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.

(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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Plant and equipment

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

Plant and equipment

Plant and equipment is measured at cost, less accumulated depreciation and any accumulated impairment losses.

Depreciation

The depreciable amount of all other plant and equipment is depreciated over their estimated useful lives commencing from the time the asset is held available for use, consistent with the estimated consumption of the economic benefits embodied in the asset.

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
Computer software	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 company 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 costs are amortised over their estimated useful lives commencing from the time the asset is available for use. The amortisation method applied to capitalised development costs is consistent with the estimated consumption of economic benefits of the asset. Subsequent to initial recognition, capitalised development costs are measured at cost, less accumulated amortisation and any accumulated impairment losses.

Other development expenditure is recognised as an expense when incurred.

(i) Employee benefits

(i) Short-term employee benefit obligations

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Employee benefits (Continued)

Liabilities arising in respect of wages and salaries, annual leave and other employee benefits (other than termination benefits) expected to be settled wholly before twelve months after the end of the 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 are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. For currencies in which there is no deep market in such high quality corporate bonds, the market yields (at the end of the reporting period) on government bonds denominated in that currency are used. 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 company 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.

(iii) Retirement benefit obligations

Defined contribution superannuation plan

The company makes superannuation contributions to the employee's defined contribution superannuation plan of choice in respect of employee services rendered during the year. These superannuation contributions are recognised as an expense in the same period when the related employee services are received. The company's obligation with respect to employee's defined contributions entitlements is limited to its obligation for any unpaid superannuation guarantee contributions at the end of the reporting period. All obligations for unpaid superannuation guarantee contributions are measured at the (undiscounted) amounts expected to be paid when the obligation is settled and are presented as 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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) New and revised accounting standards effective at 30 June 2019

The company has applied all new and revised Australian Accounting Standards that apply to annual reporting periods beginning on or after 1 July 2018, including AASB 9: *Financial Instruments* (AASB 9) and AASB 15: *Revenue from Contracts with Customers* (AASB 15).

AASB 9: Financial Instruments

AASB 9 replaces AASB 139: *Financial Instruments: Recognition and Measurement*. The key changes introduced by AASB 9 in relation to the accounting treatment for financial instruments include:

- simplifying the general classifications of financial assets into those measured at amortised cost and those measured at fair value;
- permitting entities to irrevocably elect, on initial recognition, for gains and losses on equity instruments not held for trading to be presented in other comprehensive income (OCI);
- simplifying the requirements for embedded derivatives, including removing the requirement to separate and measure embedded derivatives at fair value, in relation to embedded derivatives associated with financial assets measured at amortised cost;
- requiring entities that elect to measure financial liabilities at fair value, to present the portion of the change in fair value arising from 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
- Introducing a new 'expected credit loss' impairment model (replacing the 'incurred loss' impairment model of previous accounting standard).

In accordance with the transition requirements of AASB 9, the company has elected to apply AASB 9 retrospectively to each prior reporting period presented in the financial statements, with the cumulative impact, if any, of initially applying the new standard recognised as at the beginning of the earliest prior period presented (i.e., as at 1 July 2017). The company has also applied to consequential amendments to AASB 7: *Financial Instruments: Disclosure* to the disclosure of information about the company's financial instruments for the current financial year, and the comparative reporting period.

The application of AASB 9 has not materially impacted the classification and measurement of the company's financial assets and financial liabilities.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) New and revised accounting standards effective at 30 June 2019 (Continued)
AASB 15: Revenue from Contracts with Customers

AASB 15 provides (other than 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. The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to a customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under the previous accounting standard, AASB 118 Revenue, revenue from the sale of goods was recognised when the significant risks and rewards of ownership of the goods transferred to the buyer, and revenue from the rendering of services was recognised by reference to the stage of completion of the transaction at the end of the reporting period.

In accordance with the transition requirements of AASB 15, the company has elected to apply AASB 15 retrospectively to each prior reporting period presented in the financial statements, with the cumulative impact, if any, of initially applying the new standard recognised as at the beginning of the earliest prior period presented (i.e., as at 1 July 2017).

The application of AASB 15 has not materially impacted the recognition and measurement of the company's revenue from contracts with customers.

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 16: Leases (applicable for annual reporting periods commencing on or after 1 January 2019).

AASB 16 will replace AASB 117: Leases and introduces a single lessee accounting model that will require a lessee to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Right-of-use assets are initially measured at their cost and lease liabilities are initially measured on a present value basis. Subsequent to initial recognition:

(a) right-of-use assets are accounted for on a similar basis to non-financial assets, whereby the right-of-use asset is accounted for in accordance with a cost model unless the underlying asset is accounted for on a revaluation basis, in which case if the underlying asset is:

   i. investment property, the lessee applies the fair value model in AASB 140: Investment Property to the right-of-use asset; or

   ii. property, plant or equipment, the lessee can elect to apply the revaluation model in AASB 116: Property, Plant and Equipment to all of the right-of-use assets that relate to that class of property, plant and equipment; and

(b) lease liabilities are accounted for on a similar basis as other financial liabilities, whereby interest expense is recognised in respect of the liability and the carrying amount of the liability is reduced to reflect lease payments made.

AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, under AASB 16 a lessor would continue to classify its leases as operating leases or finance leases subject to whether the lease transfers to the lessee substantially all of the risks and rewards incidental to ownership of the underlying asset, and would account for each type of lease in a manner consistent with the current approach under AASB 117.

The directors of the company has not yet determined the likely impact of the initial application of AASB 16 on its financial statements.

NOTE 3: FINANCIAL RISK MANAGEMENT

The company is exposed to the following financial risks in respect to the financial instruments that it held at the end of the reporting period:

(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:

	2019 $	2018 $
Financial assets		
Cash and cash equivalents	3,706,660	3,390,306
Receivables	76,274	62,102
Related party receivables	1,091,728	23,280
	4,874,662	3,475,688
Financial liabilities		
Other payables and accruals	718,372	573,417
	718,372	573,417

(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 twelve months of balance date. The company expect to have sufficient cash reserve 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.

NOTE 3: FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Liquidity risk (Continued)

Maturity analysis

The following table outlines the company's remaining contractual maturities for non-derivative financial instruments. The amounts presented in the table are the undiscounted contractual cash flows of the financial liabilities, allocated to time bands based on the earliest date on which the company can be required to pay.

Year ended 30 June 2019	< 6 months	6-12 months	1-5 years	Total contractual cash flows	Carrying amount
	$	$	$	$	$
Other payables and accruals	718,372	-	-	718,372	718,372
Net maturities	718,372	-	-	718,372	718,372
Year ended 30 June 2018					
Other payables and accruals	573,417	-	-	573,417	573,417
Net maturities	573,417	-	-	573,417	573,417

NOTE 4: REVENUE

	2019	2018
	$	$
Other revenue		
Interest income	20,039	15,312
	20,039	15,312

	2019 $	2018 $
NOTE 5: OPERATING PROFIT		
Losses before income tax has been determined after:		
Depreciation		
- plant and equipment	80,597	113,622
- computer equipment	3,035	1,644
	83,632	115,266
Research and development costs	1,683,966	1,207,206
Employee benefits:		
- Other employee benefits	249,896	199,178
Remuneration of auditors for:		
Pitcher Partners (Melbourne)		
Audit and assurance services		
- Audit of the financial report	26,700	26,700
Other non-audit services		
- Taxation services	5,300	5,300
	32,000	32,000

	2019	2018
	$	$

NOTE 6: KEY MANAGEMENT PERSONNEL COMPENSATION

	2019	2018
Compensation received by key management personnel of the company		
- short-term employee benefits	210,585	235,998
- post-employment benefits	20,006	19,000
	230,591	254,998

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

Name	Appointment / resignation details
Paul Howley	Apppointed 29 July 2009
Maurice O'Shannassy	Appointed 28 May 2012
Peter Wulff	Appointed 12 June 2017
Glen Burgess	Appointed 12 December 2017
Michael Hickinbotham	Appointed 12 December 2017
Martyn Evans	Appointed 27 November 2019

The names of key management personnel during the year are:

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

	2019	2018
	$	$
NOTE 7: CASH AND CASH EQUIVALENTS		
Cash at bank	3,706,660	3,390,306

NOTE 8: RECEIVABLES

CURRENT

	2019	2018
Other receivables		
Interest receivable	-	15,312
GST Input Credits	76,274	46,790
R&D tax incentive receivable	617,146	590,914
	693,420	653,016
Amounts receivables from:		
- related party	1,091,728	23,280
	1,785,148	676,296

	2019	2018
	$	$

NOTE 9: OTHER ASSETS

	2019	2018
CURRENT		
Prepayments	956,259	414,452

NOTE 10: PLANT AND EQUIPMENT

	2019	2018
Plant and equipment		
Plant and equipment at cost	667,216	606,590
Accumulated depreciation	(598,331)	(517,734)
	68,885	88,856
Office equipment at cost	23,215	23,215
Accumulated depreciation	(23,215)	(23,215)
	-	-
Computer software at cost	35,532	35,532
Accumulated depreciation	(32,454)	(29,419)
	3,078	6,113
Total plant and equipment	71,963	94,969

(a) Reconciliations

	2019	2018
Plant and equipment		
Opening carrying amount	88,856	202,478
Additions	60,626	-
Depreciation expense	(80,597)	(113,622)
Closing carrying amount	68,885	88,856
Computer Software		
Opening carrying amount	6,113	1,265
Additions	-	6,492
Depreciation expense	(3,035)	(1,644)
Closing carrying amount	3,078	6,113

		2019 $	2018 $

NOTE 10: PLANT AND EQUIPMENT (CONTINUED)

(a) Reconciliations (Continued)

	2019 $	2018 $
Total property, plant and equipment		
Carrying amount at 1 July	94,969	203,743
Additions	60,626	6,492
Depreciation expense	(83,632)	(115,266)
Carrying amount at 30 June	71,963	94,969

NOTE 11: PAYABLES

	2019 $	2018 $
CURRENT		
Unsecured liabilities		
Other payables	9,020	9,075
Accrued expenses	709,352	564,342
	718,372	573,417

NOTE 12: PROVISIONS

	2019 $	2018 $
CURRENT		
Employee benefits	104,467	92,082
NON CURRENT		
Employee benefits	38,137	33,092

NOTE 13: SHARE CAPITAL

		2019 $	2018 $
Issued and paid-up capital			
1,412,739,689 (2018: 955,490,963) ordinary shares	(a)	19,455,393	15,052,906

NOTE 13: SHARE CAPITAL (CONTINUED)

	2019 Number	2019 $	2018 Number	2018 $
(a) Ordinary shares				
Opening balance	955,490,963	15,052,906	354,490,963	9,042,906
Shares issued:				
29 March 2018	-	-	601,000,000	6,010,000
31 March 2019	4,000,000	14,000	-	-
30 April 2019	16,250,000	32,500	-	-
31 May 2019	1,750,000	3,500	-	-
30 June 2019	435,248,726	4,352,487	-	-
	457,248,726	4,402,487	601,000,000	6,010,000
At reporting date	1,412,739,689	19,455,393	955,490,963	15,052,906

Rights of each type of share

Ordinary shares participate in dividends and the proceeds on winding up of the Company 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 cash flows.

During 2019, management did not pay dividends.

NOTE 14: SHARE BASED PAYMENTS

(a) Equity-settled share-based payments

(i) Employee share scheme

The number of shares issued under the plan to participating employees on 14/01/2019 was 18,000,000.

Each participant was issued with shares, the most of which being 12,750,000 shares based on the issue price of $0.002.

NOTE 14: SHARE BASED PAYMENTS (CONTINUED)

(ii) Expenses recognised from share-based payment transactions

The expense recognised in relation to the share-based payment transactions was recognised within employee benefit expense within the statement of profit or loss were as follows:

	2019	2018
	$	$
Shares issued under employee share scheme	42,000	-
Total expenses recognised from share-based payment transactions	42,000	-

	2019	2018
	$	$
NOTE 15: ACCUMULATED LOSSES		
Accumulated Losses at beginning of year	(11,175,474)	(9,537,292)
Net loss	(2,620,865)	(1,638,182)
	(13,796,339)	(11,175,474)

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:

	2019	2018
Cash at bank	3,706,660	3,390,306

(b) Reconciliation of cash flow from operations with profit after income tax

	2019	2018
Loss from ordinary activities after income tax	(2,620,865)	(1,638,182)
Adjustments and non-cash items		
Depreciation	83,632	115,266
Interest expense not actually paid	-	96,665
Gain on debt forgiveness	(35,000)	-
Shares issued under employee share scheme	42,000	-
Changes in operating assets and liabilities		
(Increase) / decrease in receivables	(40,404)	(120,697)
(Increase) / decrease in other assets	(541,807)	(429,764)
Increase in payables	179,955	98,575
Increase in provisions	17,430	29,391
Cash flows from operating activities	(2,915,059)	(1,848,746)

NOTE 17: RELATED PARTY TRANSACTIONS

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

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

Peter Wulff performed consultancy services for Sementis Ltd, totalling $105,851 across the financial year.

NOTE 18: EVENTS SUBSEQUENT TO REPORTING DATE

There has been no matter or circumstance, which has arisen since 30 June 2019 that has significantly affected or may significantly affect:

(a) the operations, in financial years subsequent to 30 June 2019, of the company, or
(b) the results of those operations, or
(c) the state of affairs, in financial years subsequent to 30 June 2019, 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. In the directors opinion, the financial statements and notes thereto, as set out on pages 8 - 27, are in accordance with the *Corporations Act 2001*, including:

   (a) complying with 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 2019 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: P M Howley
Paul Howley

Dated this 16th day of October 2019

SEMENTIS LTD
ABN: 36 138 550 811

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SEMENTIS LTD

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Sementis Ltd, "the company", which comprises the statement of financial position as at 30 June 2019, 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, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of Sementis Ltd, is in accordance with the *Corporations Act 2001*, including:

(a) 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

(b) 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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SEMENTIS LTD

Emphasis of Matter

We draw attention to Note 1 in the financial report which indicates that Sementis Ltd incurred a net loss after tax of $2,620,865 (2018: $1,638,182) during the year ended 30 June 2019 and, as of that date the company had net assets of $5,659,054 (2018: $3,877,432).

The directors plan to continue to increase expenditure on research and development in FY2020 and in order to continue as a going concern the company will therefore be dependent on an additional capital raise in FY2020. Should the capital raise be unsuccessful, the company may not be able to continue as a going concern. Management continue to monitor expenditure closely as part of their capital management.

These conditions 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. Our opinion is not modified in respect of this matter.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the company’s director's report for the year ended 30 June 2019, but does not include the financial report and our 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.

SEMENTIS LTD
ABN: 36 138 550 811

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SEMENTIS LTD

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 company's ability 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 have 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.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

SEMENTIS LTD
ABN: 36 138 550 811

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SEMENTIS LTD

Auditor's Responsibilities for the Audit of the Financial Report (Continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

S D WHITCHURCH Partner

PITCHER PARTNERS

MELBOURNE

Date 18 October 2019