

# OncoSil Medical Limited

## Appendix 4E

### Preliminary final report

#### Details of reporting period

ABN or equivalent company reference	89 113 824 141
Financial year ended ('current period')	30 June 2014
Previous corresponding period	30 June 2013

#### Results for announcement to the market

<b>Financial Results</b>				<b>June 2014</b>
				<b>\$</b>
Revenues	up	204%	to	305,225
(Loss) after tax attributable to members	up	380%	to	4,217,103
Net loss for the period attributable to members	up	380%	to	4,217,103

<b>Dividends</b>
The Directors do not propose that OncoSil Medical will pay a dividend

<b>Earnings/(loss) per share</b>	<b>June 2014</b>	<b>June 2013</b>
Basic and diluted loss per ordinary share	(0.86) cents	(0.70) cents

<b>Net Tangible Asset Backing</b>	<b>June 2014</b>	<b>June 2013</b>
Net tangible asset backing per ordinary share	2.68 cents	2.50 cents

<b>Other explanatory notes</b>
Refer to review of operations and financial performance contained in the Directors Report.

<b>Audit</b>
The financial statements on which this Preliminary Financial Report is based have been audited.

The information required by listing rule 4.3A is contained in both this Appendix 4E and the attached Annual Report.

# **OncoSil Medical Limited**

**ABN: 89 113 824 141**

## **Financial Statements**

**For the Year Ended 30 June 2014**

# OncoSil Medical Limited and its controlled entities

ABN: 89 113 824 141

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For the Year Ended 30 June 2014

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## **Corporate Directory**

### **For the Year Ended 30 June 2014**

#### **Directors**

Mr Martin Rogers, Non-Executive Chairman  
Dr Neil Frazer, Chief Executive Officer & Managing Director  
Dr Roger Aston, Non-Executive Director  
Mr Lawrence Gozlan, Non-Executive Director

#### **Company Secretaries**

Mr Peter Casey  
Mr Nicholas Falzon

#### **Registered Office**

Suite 7, Level 8, 1 Alfred Street  
Sydney, New South Wales 2000  
T: +61 2 9223 3344  
F: +61 2 9221 8535

#### **Share Registry**

Security Transfer Registrars Pty Limited  
770 Canning Highway  
Applecross WA 6153  
T: +61 8 9315 0933  
F: +61 8 9315 2233

#### **Website**

[www.oncosil.com.au](http://www.oncosil.com.au)

#### **Auditors**

Crowe Horwath Perth  
Level 6  
256 St Georges Terrace  
Perth WA 6000

#### **Bankers**

Westpac Banking Corporation  
108 Sterling Highway  
Nedlands WA 6009

#### **Solicitors**

Steinepreis Paganin  
Level 4, Next building  
16 Milligan Street  
Perth WA 6000

#### **Stock Exchange**

ASX Limited  
Exchange Centre  
Level 4, 20 Bridge Street  
Sydney NSW 2000

#### **ASX Code**

OSL - Shares

## **Chairman's Report**

### **For the Year Ended 30 June 2014**

Dear Shareholder,

It gives me great pleasure to present the Annual Report for OncoSil Medical Limited for 2013-14, and I would like to thank all shareholders for their continued support.

The 12 months coincided with a period of substantial growth and development, as the Company continued to advance the clinical development pathway for our lead product candidate, the OncoSil™ localised radiation therapy for the treatment of pancreatic cancer.

The Company's core focus is on developing the OncoSil™ product into a new, commercially available option for the treatment of pancreatic cancer globally, and I am delighted to report that significant progress has been made in pursuit of this goal.

The efforts of the OncoSil Medical team have been geared towards the initiation of the Pivotal Clinical Trial for OncoSil™. This formally commenced in March 2014, and was a landmark milestone for the Company and the clinical development of OncoSil™.

The commencement of the Trial involved a submission to the Ethics Committee of our lead Australian hospital site for review and approval to commence patient recruitment into the Trial. This approval has subsequently been granted.

The Trial for OncoSil™ proposes to enrol 150 patients across 20 trial sites. It will compare patients receiving standard-of-care (for inoperable pancreatic cancer, this is chemotherapy treatment) with patients receiving standard-of-care plus OncoSil™ treatment, in a randomised and controlled fashion. Patients will be randomised on a 2:1 ratio; that is for every 2 subjects who will receive OncoSil™ plus chemotherapy then 1 patient will receive chemotherapy alone. 150 patients are currently planned for this pivotal trial but this is subject to regulatory review later in the year from the FDA.

If positive, data generated by the Trial may facilitate the commercialisation of OncoSil™, including in the US, the world's largest health care market. The main focus of the Pivotal Trial is for FDA approval and for the results to be published in a prestigious medical journal. The Johns Hopkins in Baltimore under Prof. Joseph Herman is planned for the lead investigator.

The Company plans to roll-out the trial in Australia, in parallel with trial sites in the UK, Belgium, US and then Singapore. Engaging hospitals as trial sites is a key initial focus, followed by patient recruitment and then the commencement of dosing patients under the trial.

Also during the year, the Company strengthened its board to best position it for the development of OncoSil™ and its other commercial and corporate activities.

In July 2013, Dr Neil Frazer was appointed CEO and managing director, and I was appointed your Non-executive Chairman. Also during the year, Dr Roger Aston and Mr Lawrence Gozlan were appointed Non-executive Directors.

Being involved with a company like OncoSil Medical is very exciting, and I look forward to working with our management and clinical teams as we seek to make OncoSil™ commercial ready.

Products like OncoSil™ and other new disease treatment programs would not be possible without an ongoing commitment to investing in medical innovation, and this is one of the keys to a smart future for Australia.

## **Chairman's Report**

### **For the Year Ended 30 June 2014**

Over the past decade we have benefited significantly from the economic benefits of the country's resources boom. But Australia's greatest asset is our people; our people undertake research that leads to innovation, and we can all benefit from the innovation.

We need to invest in our people and we need to invest in innovation. As OncoSil Medical shareholders, you are assisting with this important national priority.

In contrast to many people's beliefs, Australia's largest manufactured exports are pharmaceuticals and medical devices, far exceeding cars or wine, and grew 7% in export numbers even in an environment of the highest Australian dollar on record.

Monash University in Melbourne developed the world's first IVF program. Without funding this program may not have become a reality. The program has helped many couples have families and each time the program is utilised, a royalty goes back to Monash University which allows it to re-invest in medical advancements.

Other Australian medical inventions include Cochlear's ear implant for deafness, Sirtex Medical SIR-Spheres™ liver cancer radiation device and the Resmed device for sleep apnea.

Leading Australian scientist, Professor Ian Frazer discovered the HPV vaccine against cervical cancer. This was the first vaccine designed to actually prevent cancer, and is now marketed globally by major pharma, Merck & Co (as Gardasil™) and GlaxoSmithKline (as Cervarix™).

These are just a few examples of medical innovation achieving breakthrough outcomes, and highlights the need to maintain a focus on what we do at OncoSil Medical.

Whilst pleased and excited by the achievements to date, the year ahead represents an even more significant period for the Company, as we embark on pancreatic cancer patient recruitment and treatment under the OncoSil™ Pivotal Clinical Trial.

I, along with the entire OncoSil Medical team, am totally committed to the goal of providing a new treatment option for pancreatic cancer patients, and I look forward to sharing news of our progress with you in the year ahead.

Yours sincerely  
Martin Rogers

A handwritten signature in black ink, appearing to read 'Martin Rogers', with a stylized flourish at the end.

Non- Executive Chairman  
OncoSil Medical Ltd

# OncoSil Medical Limited and its controlled entities

ABN: 89 113 824 141

## Directors' Report

30 June 2014

The directors present their report, together with the financial statements of the Group, being OncoSil Medical Limited and its controlled entities (the Group), for the financial year ended 30 June 2014. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

### Directors

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

Names	Position	Appointed/Resigned
Mr Martin Rogers	Non-Executive Chairman	
Dr Neil Frazer	Managing Director	Appointed 2 July 2013
Mr David McAuliffe	Executive Director	Resigned 13 September 2013
Dr Roger Aston	Non-Executive Director	
Mr Simon O'Loughlin	Non-Executive Director	Resigned 2 July 2013
Mr Lawrence Gozlan	Non-Executive Director	Appointed 27 February 2014

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

#### **Mr Martin Rogers** **Non-Executive Chairman**

##### Qualifications and Experience

Martin Rogers is a successful start-up investor and company director. Mr Rogers has Chemical Engineering and Science degrees and has a depth of experience in incubating companies and publicly listed organisations.

Mr Rogers has experience in all aspects of financial, strategic and operational management and has helped raise over \$100m cash equity. Mr Rogers has been both an investor and senior executive in a private funded advisory business in the science and biotechnology sectors, where he was instrumental in significantly increasing the value of those investments. Mr Rogers also holds a number of not-for-profit roles. Mr Rogers is also Chairman of Actinogen Ltd, non-executive director of Rhinomed Ltd and Cellmid Ltd.

##### Interest in Shares and Options

Mr Rogers currently holds 10,292,384 ordinary shares in OncoSil Medical and 19,000,000 options.

#### **Dr Neil Frazer** **Managing Director (appointed 2 July 2013)**

##### Qualifications and Experience

Dr Frazer has more than 25 years of drug development experience in multiple therapeutic areas, including more than six years of oncology drug development experience. Dr. Frazer commenced his medical career as an UK-based anaesthetist working in the UK National Health Service. He has worked in Europe and in the US conducting Phase I-IV studies, which have led to product registrations in multiple jurisdictions. Prior to working with OncoSil, Dr Frazer held senior management roles with Glaxo and Glaxo-Wellcome, Clintrials Research, and had also held executive medical roles with Prima BioMed, PharmaLinkFHI (eCRO), Shire Pharmaceuticals, Erimos Pharmaceuticals and Chimerix, Inc.

##### Interest in Shares and Options

Dr Frazer currently holds 26,265,632 ordinary shares in OncoSil Medical.

# OncoSil Medical Limited and its controlled entities

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## Directors' Report

30 June 2014

**Mr David McAuliffe B.Pharm LLB (Hons)**  
**Executive Director (resigned 13 September 2013)**

### Qualifications and Experience

Mr McAuliffe has over sixteen years' experience in the international Life Science sector. During this time he has been involved in numerous capital raising's and technology licensing exercises. Mr McAuliffe has an Honours Degree in Law and a Bachelor of Pharmacy degree and is The President of the Dyslexia – Speld Foundation WA (Inc).

During the past three years Mr McAuliffe has held the following ASX listed company directorships; Living Cell Technologies Limited and a Non-Executive Director of AO Energy Limited.

### Interest in Shares and Options

Mr McAuliffe currently holds 4,614,280 ordinary shares and 1,000,000 options over ordinary shares in OncoSil Medical.

**Dr Roger Aston**  
**Non-Executive Director**

### Qualifications and Experience

Roger Aston is both a scientist and seasoned biotechnology entrepreneur, with a B.Sc. (Hons) and Ph.D. degrees at the University of Manchester.

Dr Aston has been closely involved in start-up companies and major pharmaceutical companies. Aspects of his experience include FDA and EU product registration, clinical trials, global licensing agreements, fundraising through private placements, and a network of contacts within the pharmaceutical, banking and stock broking sectors.

Dr Aston has also held Directorships/Chairmanships with Clinuvel Ltd, HalcyGen Ltd, and Ascent Pharma Health Ltd, was a member of the AusIndustry Biological Committee advising the Industry Research and Development Board. More recently, Dr Aston was Executive Chairman of Mayne Pharma Group from 2009 to 2011 and until recently, CEO of Mayne Pharma Group. Dr Aston is currently a Director of Regeneus Ltd, IDT Ltd, Immuron Ltd, Pitney Pharmaceuticals Ltd and Cynata Ltd.

### Interest in Shares and Options

Dr Aston currently holds 11,016,547 ordinary shares in OncoSil Medical.

**Mr Lawrence Gozlan**  
**Non-Executive Director (appointed 27 February 2014)**

### Qualifications and Experience

Mr Gozlan is a highly experienced and successful biotechnology industry professional, with particular expertise in investment management and corporate advice in the life science sector. He is the founder and Chief Investment Officer of specialised global life sciences investment fund, Scientia Capital. The business manages investments for high net worth individuals, family offices and institutional investors seeking exposure to the biotechnology industry. Prior to establishing Scientia Capital, Mr Gozlan managed Australia's largest biotechnology investment portfolio, as Queensland Investment Corporation's (QIC) institutional biotechnology analyst. QIC is a funds manager with more than AU\$60 billion under management. He has also held roles with Foster Stockbroking, as the senior biotechnology analyst in the equities team and Deloitte, where he provided corporate advice for life science companies. Mr Gozlan is currently a Chairman and Non-Executive Director of Phosphagenics Ltd, a Director of Prana Biotechnology Ltd, a Director of Ausbiotech Ltd and a number of private healthcare companies. He holds a Bachelor of Science with Honours in microbiology and immunology from the University of Melbourne.

### Interest in Shares and Options

Mr Gozlan currently holds 7,500,000 ordinary shares in OncoSil Medical.



# OncoSil Medical Limited and its controlled entities

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## Directors' Report

30 June 2014

**Mr Simon O'Loughlin**  
**Non-Executive Director (resigned 2 July 2013)**

### Qualifications and Experience

Simon O'Loughlin is the founding member of O'Loughlins Lawyers, an Adelaide based medium sized specialist commercial law firm. He has obtained extensive experience in the corporate and commercial law fields while practicing in Sydney and Adelaide. More recently, he has been focusing on the resources sector. Simon also holds accounting qualifications. He is currently chairman of Kibaran Resources Limited, AO Energy Ltd and Lawson Gold Ltd and a non-executive director of Petratherm Limited, Chesser Resources Limited, WCP Resources Limited and Goldminex Limited. He has comprehensive experience with companies in the small industrial and resources sectors. Simon is a former Chairman of the Taxation Institute of Australia (SA Division) and Save the Children Fund (SA Division).

During the past three years Mr O'Loughlin has held the following ASX listed company directorships; Avenue Resources Limited, World Titanium Resources Limited, Living Cell Technologies Ltd and Strezelecki Metals Limited.

### **Principal activities**

The principal activities of the Company during the financial year focused on the development of its lead product candidate, the OncoSil™ localised radiation therapy for the treatment of pancreatic cancer.

There were no significant changes in the nature of the Group's principal activities during the financial year.

### **Operating results**

The consolidated loss of the Group amounted to \$ (4,217,103) (2013 loss: \$879,168), after providing for income tax.

### **Review of operations**

OncoSil Medical Limited is a biotechnology development company focused on the development of new radiotherapy technology for the treatment of cancer. OncoSil Medical's core clinical program is the development of the OncoSil™ brachytherapy (internal radiation therapy) product for the treatment of pancreatic cancer.

The activities and developments during the year ended 30 June 2014 are presented as follows:

### **Initiation of Pivotal Trial for OncoSil™ in Pancreatic Cancer**

On 17 March 2014, the Company reported that it had initiated its Pivotal Clinical Trial for the lead product candidate, the OncoSil™.

The commencement of the Pivotal Clinical Trial involved a submission to its lead Australian site's Ethics Committee for review and approval to commence recruitment. This ethics approval was subsequently granted in July 2014.

The Trial also has the potential to be a Global Registration Study and is a major milestone and achievement in the Company's development pathway to commercialise OncoSil™ as a viable treatment option for pancreatic cancer patients in global markets.

The OncoSil™ Trial proposes to enrol 150 patients across 20 trial sites. It will compare patients receiving standard-of-care (for inoperable pancreatic cancer, this is chemotherapy treatment) with patients receiving standard-of-care plus OncoSil™ treatment, in a randomized and controlled fashion. 150 patients will be randomized. 100 subjects will receive OncoSil™ plus chemotherapy and 50 patients will receive chemotherapy alone.

# OncoSil Medical Limited and its controlled entities

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## Directors' Report

30 June 2014

If positive, data generated by the trial may facilitate the commercialisation of OncoSil™, including in the US, the world's largest health care market.

The Company aims to roll-out the trial in Australia, in parallel with trial sites in the UK, Belgium, the Netherlands, Singapore and then the US. Engaging hospitals as trial sites is a key focus for the Company moving forward, followed by patient recruitment and then the commencement of dosing patients under the trial.

It is anticipated that the majority of patients will be enrolled on to the trial within 12 months of the first patient enrolment. An interim analysis will be conducted at approximately 12 months from date of commencement, when six months have elapsed since the first 30 patients entered the study.

Once enrolment is complete, it is expected to take 12-18 months to evaluate patients and determine their progress.

The key study measures will be;

- Overall Survival (time until patients die from their disease)
- Progression Free Survival (time before the cancer has been shown to progress)
- Quality of life
- Pain relief

A key goal of the trial is also to have results published in a prestigious medical journal, with a view to influencing the standard-of-care (the current accepted best practice treatment) provided to pancreatic cancer patients globally.

### Other Clinical Activity

The Company also continued to make preparations for an Investigational Device Exemption application (IDE) submission for OncoSil™ to the US Food and Drug Administration (FDA), and expects to submit an IDE in the near future. An IDE submission would represent a significant step in the regulatory pathway for OncoSil™, and is the first step towards securing the FDA's commercial approval for OncoSil™ under a Premarket Approval (PMA).

In February 2014, the Company announced a new development program for a next generation delivery platform for its localised radiation technology for the treatment of solid tumours.

The development program is for a treatment called OncoCal™, which is an injectable source of P-32 (radioactive phosphorus). It represents an innovation in the delivery of safer local radiation therapy for solid tumours and it is anticipated that it may complement OncoSil™, the Company's lead product candidate.

Patent coverage has been established for OncoSil™ in multiple jurisdictions, with most recently a patent being granted in the United States in October 2013.

In August 2013 the Company initiated a gap analysis assessment of OncoSil™ with the US Food and Drug Administration as part of the regulatory development pathway for OncoSil™.

In July 2013, the Company entered into a global strategic alliance with major German radiopharmaceutical and nuclear medicine company, Eckert & Ziegler, for the manufacture of OncoSil™.

# OncoSil Medical Limited and its controlled entities

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## Directors' Report

30 June 2014

### Corporate and business development

#### *Board and Management*

During the year, OncoSil Medical continued to strengthen its board and management to best position the Company to achieve its corporate objectives. In July 2013, Dr Neil Frazer was appointed CEO and managing director, and Mr Martin Rogers was appointed Non-executive Chairman. Also, at this time Dr Roger Aston was appointed a Non-executive Director. In February 2014, Mr Lawrence Gozlan joined the Company's board as a Non-executive Director.

Also in February 2014, Ms Natalie Ruffles was appointed Vice President of Clinical Research and Mr Peter Casey was appointed joint-Company Secretary (where he performs the role in tandem with Mr Nicholas Falzon).

#### *Successful Capital Raise*

In September 2013, the Company completed a successful capital raise which raised approximately \$10.3 million.

The capital raise was by way of Placement and Share Purchase Plan, and the funds raised are used to fund the Company's ongoing clinical development plans for OncoSil™.

### Financial position

#### Liquidity and capital resources

The cash flow statement shows that cash and cash equivalents at year ended 30 June 2014 were \$2,738,997 (2013: \$3,510,738)

### Dividends paid or recommended

No dividend has been paid or recommended by the Directors since the commencement of the financial year.

### Significant changes in state of affairs

There have been no significant changes in the state of affairs of entities in the Group during the year.

### Events after the reporting date

#### *Manufacturing process finalised*

On 16 July 2014, the Company reported the OncoSil™ manufacturing process had been revalidated for its localised radiation therapy treatment for pancreatic cancer to be used in its Pivotal Clinical Trial and in preparation for sales of the product under the CE mark process.

The Company completed a successful commissioning and re-validation of its manufacturing process and quality system in conjunction with its German manufacturing partner, Eckert & Ziegler, to ensure it is ready to supply OncoSil™ for the Pivotal Clinical Trial, and to meet future scalable manufacture.

# OncoSil Medical Limited and its controlled entities

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## Directors' Report

30 June 2014

### Events after the reporting date continued

#### *Ethics Approval*

On 16 July 2014, the Company advised that it had been granted Ethics Approval for the Australian hospital sites for the Pivotal Clinical Trial for OncoSil™.

The Ethics Approval is a significant advancement in the product's trial process, and is the culmination of a detailed ethics submission process with its Hospital Ethics Committee. With Ethics Approval in place for the Australian component of the trial, OncoSil Medical will now work to finalise arrangements for the first group of hospitals to commence recruiting patients into the OncoSil™ Pivotal Clinical Trial. The Company anticipates that the first trial patients will be in Australia.

Except for the above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

### Future developments and results

The Board of OncoSil Medical continues to review and invest in its current assets and at the same time will try to identify and acquire innovative products that are complementary to OncoSil Medical's current drug development strategy. In addition, the Board continues to monitor expenditure very closely.

### Environmental issues

The Directors are mindful of the regulatory regime in relation to the impact of the organisational activities on the environment.

There have been no known breaches by the Company during the financial year.

The Clean Energy Bill 2012 will have an indirect impact on the Group due to increased costs.

### Company secretaries

The following persons held the position of Group secretary at the end of the financial year:

#### **Mr Peter Casey (appointed 27 February 2014)**

##### Qualifications and Experience

Mr Casey is a highly successful senior finance executive and has significant financial expertise and experience, including extensive company secretarial knowledge. Mr Casey has worked for a private investment group as a senior finance executive with a wide range of duties, for more than 20 years. His responsibilities over this time have included financial reporting, governance and compliance, in addition to serving as Company Secretary throughout that period. He is a Chartered Accountant and a member of the Australian Institute of Company Directors. Mr Casey has a Bachelor of Arts degree, majoring in Accounting from Macquarie University.

# OncoSil Medical Limited and its controlled entities

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## Directors' Report

30 June 2014

### Company secretaries continued

#### Mr Nicholas Falzon

##### Qualifications and Experience

Nicholas Falzon is a partner at PKF Lawler Partners working with a number of listed and unlisted companies advising them on all aspects of their financial management. He works predominantly with growth phase companies and one of his special areas is R & D Tax Incentive.

In addition to his tax expertise Nicholas adds value to his clients through his extensive business management, corporate finance and compliance related experience.

Nicholas is the Company Secretary and Financial Controller of ASX-listed, Cellmid Ltd and Chairman of Dawson Sports Group Pty Ltd.

### Meetings of directors

During the financial year, 8 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Directors' Meetings	
	Number eligible to attend	Number attended
Mr Martin Rogers	8	8
Dr Neil Frazer	8	8
Mr David McAuliffe	1	1
Dr Roger Aston	8	8
Mr Simon O'Loughlin	1	1
Mr Lawrence Gozlan	3	3

### Remuneration report (audited)

#### Remuneration policy

This report outlines the remuneration arrangements in place for Directors and Key Management Personnel of OncoSil Medical Limited.

The performance of the Company depends upon the quality of its Directors and Key Management Personnel.

The OncoSil remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people of the highest quality.

# OncoSil Medical Limited and its controlled entities

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## Directors' Report

30 June 2014

### Remuneration report (audited) continued

#### Remuneration Structure

The Board of Directors is responsible for determining and reviewing compensation arrangements for Executive Directors and the senior management team.

The Board assesses the appropriateness of the nature and amount of emoluments on a periodic basis by reference to the relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and Key Management Personnel. Such employees are given the opportunity to receive their base emolument in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Company.

All Directors and Key Management Personnel may be entitled to annual bonuses payable upon the achievement of annual corporate or profitability measures. OncoSil seeks to emphasise payment for results through providing various cash bonus reward schemes, specifically the incorporation of incentive payments based on achievement of approved targets.

In accordance with best practice corporate governance, the structure of Non-Executive Director and Executive remuneration is separate and distinct.

The Directors of OncoSil Medical and their positions held are as follows:

- Mr Martin Rogers: Non-Executive Chairman (appointed 3 April 2013) Continued engagement determined by shareholder re-election. No notice required to terminate.
- Dr Neil Frazer: Managing Director & CEO (appointed 2 July 2013) 12 month contract from appointment. 3 months' notice required to terminate.
- Mr David McAuliffe: Executive Director (appointed 12 December 2011) 3 year contract appointment. 3 months' notice required to terminate.
- Dr Roger Aston: Non-Executive Director (appointed 28 March 2013) 12 month contract from appointment. 3 months' notice required to terminate.
- Mr Simon O'Loughlin: Non-Executive Director (resigned 2 July 2013).
- Mr Lawrence Gozlan: Non-Executive Director (appointed 27 February 2014).

#### Principles Used to Determine the Nature and Amount of Remuneration

##### Senior Manager and Executive Director Remuneration

##### *Objective*

The Company aims to reward Executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company and so as to:

- Reward Executives for Company and individual performance against targets set by reference to appropriate benchmarks;
- Align the interests of Executives with those of shareholders;
- Link reward with the strategic goals and performance of the Company; and
- Ensure total remuneration is competitive by market standards.

##### *Structure*

Executive Directors are contracted to the Company either on a consultancy basis with remuneration and terms stipulated in individual consultancy arrangements or pursuant to an employment contract with remuneration and terms stipulated in individual employment agreements.

# OncoSil Medical Limited and its controlled entities

ABN: 89 113 824 141

## Directors' Report

30 June 2014

### Remuneration report (audited) continued

#### Company Performance

The table below shows the gross revenue, losses and earnings per share for the last three years for the Company.

	2012	2013	2014
	\$	\$	\$
Revenue	163,615	87,711	305,225
Net Loss	(430,970)	(879,168)	(4,217,103)
(Loss) per share (cents per share)	(0.44)	(0.70)	(0.86)

#### Remuneration details for the year ended 30 June 2014

The following table of benefits and payment details, in respect to the financial year, the components of remuneration for each member of the key management personnel of the Group.

#### Table of benefits and payments

	short term		post-employment			equity shares & options	
	cash salary fees	bonus	non monetary	pension and superannuation	termination benefits		\$
2014	\$	\$	\$	\$	\$	\$	\$
<b>Directors</b>							
Mr Martin Rogers	79,992	50,000	-	7,392	-	-	137,384
Dr Neil Frazer	180,000	50,000	-	16,650	-	327,651	574,301
Mr David McAuliffe	27,157	-	-	-	24,000	-	51,157
Dr Roger Aston	54,920	30,000	-	5,080	-	-	90,000
Mr Simon O'Loughlin	-	-	-	-	-	-	-
Mr Lawrence Gozlan	11,667	-	-	-	-	18,138	29,805
	353,736	130,000	-	29,122	24,000	345,789	882,647

	short term		post-employment			equity shares & options	
	cash salary fees	bonus	non monetary	pension and superannuation	termination benefits		\$
2013	\$	\$	\$	\$	\$	\$	\$
<b>Directors</b>							
Mr Martin Rogers	19,998	-	-	1,800	-	216,352	238,150
Dr Neil Frazer	-	-	-	-	-	-	-
Mr David McAuliffe	96,000	75,000	-	-	-	10,790	181,790
Dr Roger Aston	35,754	-	-	3,218	-	-	38,972
Mr Simon O'Loughlin	30,000	-	-	2,700	-	10,790	43,490
Mr Bret Mattes	39,032	-	-	3,513	-	10,790	53,335
	220,784	75,000	-	11,231	-	248,722	555,737

#### KMP shareholdings

	Balance at beginning of year	Received on options exercised	Other changes	Balance at end of year
<b>2014</b>				
Mr Martin Rogers	4,000,000	6,292,384	-	10,292,384
Dr Neil Frazer	-	26,265,632	-	26,265,632
Mr David McAuliffe	4,614,280	-	-	4,614,280
Dr Roger Aston	10,901,163	115,384	-	11,016,547
Mr Simon O'Loughlin	2,175,000	-	-	2,175,000
Mr Lawrence Gozlan	-	7,500,000	-	7,500,000

# OncoSil Medical Limited and its controlled entities

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## Directors' Report

30 June 2014

### Remuneration report (audited) continued

#### KMP option holdings

	Balance at beginning of year	Granted as remuneration	Exercised	Other changes	Balance at end of year	Vested and exercisable at end of year
<b>2014</b>						
Mr Martin Rogers	19,000,000	-	-	-	19,000,000	19,000,000
Dr Neil Frazer	-	-	-	-	-	-
Mr David McAuliffe	1,000,000	-	-	-	1,000,000	1,000,000
Dr Roger Aston	-	-	-	-	-	-
Mr Simon O'Loughlin	1,000,000	-	-	-	1,000,000	1,000,000
Mr Lawrence Gozlan	-	-	-	-	-	-

#### Indemnification and insurance of officers and auditors

During the financial year the Company paid insurance premiums to indemnify all Directors and Executive Officers of the Company, against liabilities to another person (other than the Company or a related body corporate) that may arise from their position as Directors or Officers of the Company, except where the liability arises out of conduct involving a lack of good faith.

The contract stipulates that the Company will insure Directors or Officers against costs incurred in defending proceedings for conduct involving:

- (a) a breach of duty; or
- (b) a contravention of Section 182 or 183 of the Corporations Act, as permitted by section 199B of the Corporations Act 2001.

The Company has not, during or since the financial year, indemnified or agreed to indemnify the auditor of the Company against a liability incurred as auditor.



# OncoSil Medical Limited and its controlled entities

ABN: 89 113 824 141

## Directors' Report

30 June 2014

### Proceedings on behalf of company

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

The Company was not a party to any such proceedings during the year.

### Non-audit services

No fees were paid or payable to the external auditors for non-audit services provided during the year ended 30 June 2014 (2013: Nil)

### Auditor's independence declaration

The auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001* for the year ended 30 June 2014 has been received and can be found on page 55 of the financial report.

This director's report, incorporating the remuneration report, is signed in accordance with a resolution of the Board of Directors.



Mr Martin Rogers  
Non- Executive Chairman

Dated this 28<sup>th</sup> day of August 2014

# OncoSil Medical Limited and its controlled entities

ABN: 89 113 824 141

## Consolidated Statement of Profit or Loss and Other Comprehensive Income For the Year Ended 30 June 2014

		Consolidated	
		2014	2013
	Note	\$	\$
Other income	2	305,225	87,711
Employment expenses	3	(1,140,441)	(596,333)
Occupancy		(205,742)	-
Finance and legal expenses	3	(214,222)	(103,746)
Consulting		(916,188)	-
Research		(947,620)	(129,664)
Other administration expenses	3	(834,121)	(156,089)
Gain/(Loss) on foreign exchange		(143,472)	18,953
Share based payments		(435,145)	-
<b>Loss before income tax</b>		<b>(4,531,726)</b>	<b>(879,168)</b>
Income tax benefit/(expense)	4	314,623	-
<b>Loss for the year</b>		<b>(4,217,103)</b>	<b>(879,168)</b>
Other comprehensive income		-	-
<b>Other comprehensive income/(loss), net of income tax</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive loss for the year</b>		<b>(4,217,103)</b>	<b>(879,168)</b>
<b>(Loss) per share</b>			
Basic and diluted (loss) per share (cents per share)	18	(0.86)	(0.70)

# OncoSil Medical Limited and its controlled entities

ABN: 89 113 824 141

## Consolidated Statement of Financial Position

As At 30 June 2014

		Consolidated	
		2014	2013
	Note	\$	\$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	5	2,738,997	3,510,738
Trade and other receivables	6	136,820	13,988
Financial assets	7	4,349,657	57,350
Other current assets	8	2,391,066	9,963
<b>TOTAL CURRENT ASSETS</b>		<b>9,616,540</b>	<b>3,592,039</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	16,586	3,751
Intangible assets	10	2,647,726	2,647,726
<b>TOTAL NON-CURRENT ASSETS</b>		<b>2,664,312</b>	<b>2,651,477</b>
<b>TOTAL ASSETS</b>		<b>12,280,852</b>	<b>6,243,516</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	11	36,382	53,683
Employee benefits	13	32,331	-
Other liabilities	12	52,009	139,267
<b>TOTAL CURRENT LIABILITIES</b>		<b>120,722</b>	<b>192,950</b>
<b>TOTAL LIABILITIES</b>		<b>120,722</b>	<b>192,950</b>
<b>NET ASSETS</b>		<b>12,160,130</b>	<b>6,050,566</b>
<b>EQUITY</b>			
Issued capital	14	23,785,514	13,888,590
Reserves	15	1,557,566	1,122,421
Retained earnings		(13,182,950)	(8,960,445)
<b>TOTAL EQUITY</b>		<b>12,160,130</b>	<b>6,050,566</b>

# OncoSil Medical Limited and its controlled entities

ABN: 89 113 824 141

## Statement of Changes in Equity

For the Year Ended 30 June 2014

	Issued Capital \$	Accumulated Losses \$	Share Based Payment Reserve \$	Option Reserve \$	Total Equity \$
<b>Total Equity at 1 July 2013</b>	<b>13,888,590</b>	<b>(8,960,445)</b>	<b>417,525</b>	<b>704,896</b>	<b>6,050,566</b>
<b>Comprehensive loss</b>					
Loss for the year	-	(4,217,103)	-	-	(4,217,103)
Other comprehensive loss for the year	-	-	-	-	-
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>(4,217,103)</b>	<b>-</b>	<b>-</b>	<b>(4,217,103)</b>
<b>Transactions with owner in their capacity as owner, and other transfers</b>					
Shares issued during the year (net of transaction costs)	9,896,924	-	-	-	9,896,924
Options issued during the year	-	(5,402)	435,145	-	429,743
<b>Total transactions with owner in their capacity as owner, and other transfers</b>	<b>9,896,924</b>	<b>(5,402)</b>	<b>435,145</b>	<b>-</b>	<b>10,326,667</b>
<b>Total Equity at 30 June 2014</b>	<b>23,785,514</b>	<b>(13,182,950)</b>	<b>852,670</b>	<b>704,896</b>	<b>12,160,130</b>

	Issued Capital \$	Accumulated Losses \$	Share Based Payment Reserve \$	Option Reserve \$	Total Equity \$
<b>Total Equity at 1 July 2012</b>	<b>9,708,590</b>	<b>(8,081,277)</b>	<b>150,566</b>	<b>704,896</b>	<b>2,482,775</b>
<b>Comprehensive loss</b>					
Loss for the year	-	(879,168)	-	-	(879,168)
Other comprehensive income for the year	-	-	-	-	-
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>(879,168)</b>	<b>-</b>	<b>-</b>	<b>(879,168)</b>
<b>Transactions with owner in their capacity as owner, and other transfers</b>					
Shares issued during the year (net of transaction costs)	4,180,000	-	-	-	4,180,000
Options issued during the year	-	-	266,959	-	266,959
<b>Total transactions with owner in their capacity as owner, and other transfers</b>	<b>4,180,000</b>	<b>-</b>	<b>266,959</b>	<b>-</b>	<b>4,446,959</b>
<b>Total Equity at 30 June 2013</b>	<b>13,888,590</b>	<b>(8,960,445)</b>	<b>417,525</b>	<b>704,896</b>	<b>6,050,566</b>

# OncoSil Medical Limited and its controlled entities

ABN: 89 113 824 141

## Consolidated Statement of Cash Flows

For the Year Ended 30 June 2014

		Consolidated	
		2014	2013
	Note	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Payments to suppliers and employees		(6,937,974)	(586,773)
Dividends received		59,062	-
Interest received		194,691	114,865
Interest paid		(344)	-
Grants received		314,623	-
Net cash provided by (used in) operating activities	25	(6,369,942)	(471,908)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of property, plant and equipment		(15,816)	(3,722)
Acquisition of patent		-	(97,726)
Proceeds from disposal of financial assets at fair value through profit and loss		-	27,448
Payment for held-to-maturity investments		(4,282,907)	-
Net cash provided by (used in) investing activities		(4,298,723)	(74,000)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds from issue of shares		10,325,659	1,750,000
Share issue costs		(428,735)	(105,000)
Net cash provided by (used in) financing activities		9,896,924	1,645,000
Net increase (decrease) in cash and cash equivalents held		(771,741)	1,099,092
Cash and cash equivalents at beginning of year		3,510,738	2,411,646
Cash and cash equivalents at end of financial year	5	2,738,997	3,510,738

# OncoSil Medical Limited and its controlled entities

ABN: 89 113 824 141

## Notes to the Financial Statements

### For the Year Ended 30 June 2014

OncoSil Medical Limited (the 'Company') is a company domiciled in Australia. The address of the Company's registered office is Suite 7, Level 8, 1 Alfred Street, Sydney, New South Wales. The consolidated financial statements of the Company as at and for the year ended 30 June 2014 comprise the Company and its subsidiary (together referred to as the 'Group' and individually as 'Group entities').

The financial report of OncoSil Medical Limited for the year ended 30 June 2014 was authorised for issue in accordance with a resolution of the Directors on 28 August 2014.

OncoSil Medical Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX).

OncoSil Medical Limited is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

#### 1 Summary of Significant Accounting Policies

##### (a) Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The significant accounting policies used in the preparation and presentation of these financial statements are provided below and are consistent with prior reporting periods unless otherwise stated. The financial statements are for the Group consisting of OncoSil Medical Limited and its subsidiaries.

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

Except for the cash flow information, the financial report has been prepared on an accruals basis and is based on historical costs, modified where applicable, by the measurement at fair value of selected financial assets.

The financial report is presented in Australian dollars.

OncoSil Medical Limited is a listed public Company, incorporated in Australia and operating in Australia and the United Kingdom. The entity's principal activities are biotechnology development.

##### (b) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of OncoSil Medical Limited ('Company' or 'parent entity') as at 30 June 2014 and the results of all subsidiaries for the year then ended. OncoSil and its subsidiaries are referred to in this financial report as the Group.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-Group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be

# OncoSil Medical Limited and its controlled entities

ABN: 89 113 824 141

## Notes to the Financial Statements

For the Year Ended 30 June 2014

### 1 Summary of Significant Accounting Policies continued

#### (b) Principles of Consolidation continued

consolidated from the date on which control is transferred out of the Group. Control exists where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing when the Group controls another entity.

Unrealised gains or transactions between the Group and its subsidiary are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the subsidiary has been changed where necessary to ensure consistency with the policies adopted by the Group.

#### (c) Property, Plant and Equipment

Plant and equipment is stated at cost less where applicable, any accumulated depreciation and impairment losses. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Plant and Equipment	3 to 15 years
---------------------	---------------

Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period the item is derecognised.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

#### (d) Intangible Assets

##### In-process research and development

In-process R&D relates to the cost of acquisition of the patent regarding products that were in development at the time of acquisition. In-process R&D is subsequently stated at cost less accumulated amortisation and any accumulated impairment losses.

Subsequent expenditure on research activities is recognized as an expense in the period in which it is incurred. Australian Accounting Standards require capitalisation of development expenditures provided if, and only if, certain criteria can be demonstrated.

An internally-generated intangible asset arising from development is recognised only if the Group can demonstrate all of the following conditions:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- the probability that the asset created will generate future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development; and

The intangible assets held by the Group are considered to have an indefinite useful life as they are at development stage and not yet available for use.

# OncoSil Medical Limited and its controlled entities

ABN: 89 113 824 141

## Notes to the Financial Statements

For the Year Ended 30 June 2014

### 1 Summary of Significant Accounting Policies continued

#### (e) Impairment of assets

At the end of each reporting period, the Group determines whether there is evidence that an asset may be impaired. The assessment will include the consideration of external and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for intangible assets with indefinite lives and intangible assets not yet available for use.

#### (f) Financial instruments

Financial instruments are recognised initially using trade date accounting, i.e. on the date that Group becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

#### Financial Assets

Financial assets are divided into the following categories which are described in detail below:

- Held-to-maturity investments
- loans and receivables; and
- financial assets at fair value through profit or loss;

Financial assets are assigned to the different categories on initial recognition, depending on the characteristics of the instrument and its purpose. A financial instrument's category is relevant to the way it is measured and whether any resulting income and expenses are recognised in profit or loss or in other comprehensive income.

All income and expenses relating to financial assets are recognised in the consolidated statement of profit or loss and other comprehensive income in the 'finance income' or 'finance costs' line item respectively.

#### Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not



# OncoSil Medical Limited and its controlled entities

ABN: 89 113 824 141

## Notes to the Financial Statements

For the Year Ended 30 June 2014

### 1 Summary of Significant Accounting Policies continued

quoted in an active market. They arise principally through the provision of goods and services to customers but also incorporate other types of contractual monetary assets.

After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Any change in their value is recognised in profit or loss.

The Group's trade other receivables fall into this category of financial instruments.

Discounting is omitted where the effect of discounting is considered immaterial.

Significant receivables are considered for impairment on an individual asset basis when they are past due at the reporting date or when objective evidence is received that a specific counterparty will default.

The amount of the impairment is the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

#### Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets:

- acquired principally for the purpose of selling in the near future
- designated by the entity to be carried at fair value through profit or loss upon initial recognition or
- are derivatives not qualifying for hedge accounting.

Assets included within this category are carried in the consolidated statement of financial position at fair value with changes in fair value recognised in finance income or expenses in profit or loss.

#### Financial liabilities

Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument. All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included in the income statement line items "finance costs" or "finance income".

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities depending on the purpose for which the liability was acquired.

The Group's financial liabilities include borrowings, trade and other payables, which are measured at amortised cost using the effective interest rate method.

#### Impairment of Financial Assets

At the end of the reporting period the Group assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired.

In the case of available for sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

# OncoSil Medical Limited and its controlled entities

ABN: 89 113 824 141

## Notes to the Financial Statements

For the Year Ended 30 June 2014

### 1 Summary of Significant Accounting Policies continued

#### Financial assets at amortised cost

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial assets original effective interest rate.

#### (g) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

#### (h) Revenue and other income

##### Interest revenue

Interest is recognised using the effective interest method.

#### (i) Income Tax

The income tax expense (income) for the year comprises current income tax (expense) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant tax authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur.

# OncoSil Medical Limited and its controlled entities

ABN: 89 113 824 141

## Notes to the Financial Statements

For the Year Ended 30 June 2014

### 1 Summary of Significant Accounting Policies continued

#### (j) Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payable are stated inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the consolidated statement of financial position.

Cash flows in the consolidated statement of cash flows are included on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

#### (k) Earnings per share

Basic earnings per share is calculated as net profit attributable to shareholders, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element. Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- (i) costs of servicing equity (other than dividends) and preference share dividends;
- (ii) the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have not been recognised as expenses; and
- (iii) other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares.

Divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

#### (l) Critical accounting estimates and judgments

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

##### Key estimates and judgments

The Company assesses impairment at each reporting date by evaluating conditions and events specific to the Company that may be indicative of impairment triggers. Specifically management consider the following:

- Loss of ownership
- Changes to competitive environment
- Market capitalisation and significant declines in value of ASX
- Clinical trial results
- Declines in funding to the company

Management have established that there were no impairment indicators at 30 June 2014.

# OncoSil Medical Limited and its controlled entities

ABN: 89 113 824 141

## Notes to the Financial Statements

For the Year Ended 30 June 2014

### 1 Summary of Significant Accounting Policies continued

#### (m) Foreign currency transactions and balances

##### Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

##### Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the yearend exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income; otherwise the exchange difference is recognised in profit or loss.

##### Group companies

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period where the average rate approximates the rate at the date of the transaction; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the consolidated statement of financial position. These differences are recognised in the consolidated statement of profit or loss and other comprehensive income in the period in which the operation is disposed.

#### (n) Trade and Other Receivables

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

#### (o) Trade and Other Payables

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 60 days of recognition of the liability.

# OncoSil Medical Limited and its controlled entities

ABN: 89 113 824 141

## Notes to the Financial Statements

For the Year Ended 30 June 2014

### 1 Summary of Significant Accounting Policies continued

#### (p) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options which vest immediately are recognised as a deduction from equity, net of any tax effects. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

#### (q) Adoption of new and revised accounting standards

During the current year, the following standards became mandatory and have been adopted retrospectively by the Group:

- AASB 10 *Consolidated Financial Statements*
- AASB 11 *Joint Arrangements*
- AASB 12 *Disclosure of Interests in Other Entities*
- AASB 13 *Fair Value Measurement*
- AASB 119 *Employee Benefits*
- AASB 127 *Separate Financial Statements*
- AASB 128 *Investment in Associates and Joint Ventures*
- AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards* [AASB 1, 2, 3, 5, 7, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17]
- AASB 2012-9 *Amendments to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039*
- AASB 2012-2 *Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities*
- AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements*

The accounting policies have been updated to reflect changes in the recognition and measurement of assets, liabilities, income and expenses and the impact of adoption of these standards are discussed below.

AASB 10 *Consolidated Financial Statements* is effective for annual reporting periods beginning on or after 1 January 2013 and therefore the Group has applied it for the first time in these financial statements. AASB 10 includes a new definition of control, including additional guidance for specific situations such as control in a principal / agent situation and when holding less than majority voting rights may give control. AASB 10 supersedes the previous requirements of AASB 127 *Consolidated and Separate Financial Statements* and Interpretation 112 *Consolidation - Special Purpose Entities* and resulted in consequential amendments to a number of other standards.

# OncoSil Medical Limited and its controlled entities

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## Notes to the Financial Statements

For the Year Ended 30 June 2014

### 1 Summary of Significant Accounting Policies continued

#### (q) Adoption of new and revised accounting standards continued

The Group has reviewed its investment in other entities to determine whether any changes were required to the consolidated entity under AASB 10. The composition of the consolidated entity is the same under AASB 10 and therefore there is no change to the reported financial position and performance.

AASB 11 *Joint Arrangements* replaces AASB 131 *Interests in Joint Ventures* and Interpretation 112 *Jointly-Controlled Entities - Non-monetary Contributions by Venturers* as well as consequential amendments to a number of other standards. AASB 11 uses the revised definition of control from AASB 10 and once joint control is determined, then classifies joint arrangements as either joint ventures or joint operations. Joint ventures are accounted for using the equity method, proportionate consolidation is not permitted under AASB 11. Joint operations are accounted for by incorporating the venturer's share of assets, liabilities, income and expenses into the financial statements. There were no changes to the accounting for joint arrangements under AASB 11.

AASB 12 *Disclosure of Interests in Other Entities* includes all disclosures relating to an entity's interest in associates, joint arrangements, subsidiaries and structured entities. On adoption of AASB 12, additional disclosures have been included in the financial statements in relation to investments held.

AASB 13 *Fair Value Measurement* does not change what and when assets or liabilities are recorded at fair value. It provides guidance on how to measure assets and liabilities at fair value, including the concept of highest and best use for non-financial assets. AASB 13 has not changed the fair value measurement basis for any assets or liabilities held at fair value, however additional disclosures on the methodology and fair value hierarchy have been included in the financial statements.

AASB 119 *Employee benefits* changes the basis for determining the income or expense relating to defined benefit plans and introduces revised definitions for short-term employee benefits and termination benefits.

The Group reviewed the annual leave liability to determine the level of annual leave which is expected to be paid more than 12 months after the end of the reporting period. Whilst this has been considered to be a long-term employee benefits for the purpose of measuring the leave under AASB 119, the effect of discounting was not considered to be material and therefore has not been performed.

AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements* removes the individual key management personnel (KMP) disclosures contained in Aus paragraphs 29.1 to 29.9.3. The individual disclosures are not required by either AASB 124's international equivalent IAS 24 *Related Parties* (which requires only aggregate, rather than individual, amounts of KMP compensation) or its New Zealand equivalent. In addition, the AASB believes that these disclosures are more in the nature of governance and so are better dealt with as part of the Corporations Act 2001. As a result, the detailed individual KMP remuneration has been removed from Note 24.

In accordance with the transition provisions in the standard, the comparative figures have been restated.

#### (r) New Accounting Standards for Application in Future

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2014 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

# OncoSil Medical Limited and its controlled entities

ABN: 89 113 824 141

## Notes to the Financial Statements

For the Year Ended 30 June 2014

### 1 Summary of Significant Accounting Policies continued

#### **AASB 9: Financial Instruments (December 2010) and AASB 2010–7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010).**

*Applicable for the financial year ended 30 June 2018*

These Standards are applicable retrospectively and include revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments.

Once adopted, this standard will affect the Group's accounting for its available-for-sale financial assets resulting in fair value gains and losses associated with the instruments being recognised directly in profit or loss.

The new hedging rules align hedge accounting more closely with the Group's risk management practices. As a general rule it will be easier to apply hedge accounting going forward. The new standard also introduces expanded disclosure requirements and changes in presentation.

#### **AASB 2012–3: Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities.**

*Applicable for the financial year ended 30 June 2015*

This Standard provides clarifying guidance relating to the offsetting of financial instruments. There is expected to be minimal impact to the group from the changes.

#### **AASB 2013–3: Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets**

*Applicable for the financial year ended 30 June 2015*

This Standard amends the disclosure requirements in AASB 136: Impairment of Assets pertaining to the use of fair value in impairment assessment. These amendments address disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

Additional disclosures will be necessary on adoption of this standard.

#### **AASB 2013–4: Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting**

*Applicable for the financial year ended 30 June 2015*

AASB 2013–4 makes amendments to AASB 139: Financial Instruments: Recognition and Measurement to permit the continuation of hedge accounting in circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations.

There is expected to be minimal impact to the group from the changes.



# OncoSil Medical Limited and its controlled entities

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## Notes to the Financial Statements

For the Year Ended 30 June 2014

### 1 Summary of Significant Accounting Policies continued

#### (s) Equity-settled compensation

The Group operates equity-settled share-based payment employee share and option schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to the Option Reserve. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a Black-Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. The cumulative cost recognised until settlement is a liability and the periodic determination of this liability is as follows:

At each reporting date between grant and settlement, the fair value of the benefit is determined

- a) During the vesting period, the liability recognised at each reporting date is the fair value of the benefit at that date multiplied by the expired portion of the vesting period
- b) From the end of the vesting period until settlement, the liability recognised is the full fair value of the liability at the reporting date
- c) All changes in the liability are recognised in profit or loss for the period.

The fair value of the liability is determined, initially and at each reporting date until it is settled, by applying the Black-Scholes option pricing model, taking into account the terms and conditions on which the benefit was granted, and to the extent to which employees have rendered service to date.

For shares acquired under limited recourse loans, the Group is required to recognise within the income statement a remuneration expense measured at the fair value of the shares inherent in the issue to the eligible person, with a corresponding increase to a share-based payments reserve in equity. The fair value is measured at grant date and recognised when the eligible person becomes unconditionally entitled to the shares, effectively on grant. A loan receivable is not recognised.



# OncoSil Medical Limited and its controlled entities

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## Notes to the Financial Statements

For the Year Ended 30 June 2014

		Consolidated	
		2014	2013
		\$	\$
<b>2</b>	<b>Income</b>		
	Bank interest	194,691	100,263
	Dividends	59,062	-
	Unrealised profit/(loss) on Investments	50,238	-
	Other income	1,234	-
	Movement in assets held at fair value through profit or loss	-	(12,552)
		<b>305,225</b>	<b>87,711</b>
<b>3</b>	<b>Corporate &amp; Administrative Expenses</b>		
	Administrative Expenses	834,121	156,089
	Finance and Legal Services	214,222	103,746
	Labour Expenses	1,140,441	596,333
		<b>2,188,784</b>	<b>856,168</b>

## 4 Income Tax Expense

The prima facie tax on operating loss from ordinary activities is reconciled to the income tax as follows:

Accounting loss before income tax from continuing operations	(4,531,726)	(879,168)
Prima facie tax on loss from ordinary activities at a rate of 30% (2013: 30%)	(1,359,518)	(263,750)
Add:		
Tax effect of:		
- Tax effect of non-deductible items	-	-
- Foreign exchange adjustments	-	-
- R&D Tax credit	1,044,895	263,750
Income tax benefit attributable to the Group	(314,623)	-

The Company has deferred tax assets in relation to tax losses arising in Australia of \$4,328,280 (2013: \$1,114,124) that are available for offset against future taxable profits subject to the Company satisfying the necessary loss recoupment tests.

# OncoSil Medical Limited and its controlled entities

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## Notes to the Financial Statements

For the Year Ended 30 June 2014

	Consolidated	
	2014	2013
	\$	\$
<b>5 Cash and Cash Equivalents</b>		
Cash at bank and in hand	448,997	505,683
Short-term bank deposits	2,290,000	3,005,055
	<b>2,738,997</b>	<b>3,510,738</b>

The effective interest rate on short-term bank deposits are made for varying periods of between three and six months depending on immediate cash requirements of the Group and earn interest at the respective short-term bank deposit rates between 3.40% - 4.50%.

<b>6 Other Receivables</b>		
Other receivables	136,820	13,988
	<b>136,820</b>	<b>13,988</b>
<b>7 Financial Assets</b>		
Financial assets at fair value through profit or loss	(a) 4,349,657	57,350
	<b>4,349,657</b>	<b>57,350</b>

### (a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss consists of investments in public listed shares. The carrying value of these investments is based on their market value as at 30 June 2014 and 2013.

<b>Balance at 1 July</b>	<b>57,350</b>	79,750
Additions	4,242,069	-
Fair value movement	50,238	5,048
Disposals	-	(27,448)
<b>Balance at 30 June</b>	<b>4,349,657</b>	<b>57,350</b>

# OncoSil Medical Limited and its controlled entities

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## Notes to the Financial Statements

For the Year Ended 30 June 2014

		Consolidated	
		2014	2013
		\$	\$
<b>8 Other Current Assets</b>			
CURRENT			
Prepaid salaries		271,163	-
Prepaid rent		207,047	-
Other prepaid expenses		1,912,856	9,963
		<b>2,391,066</b>	<b>9,963</b>
<b>9 Plant and Equipment</b>			
At cost		28,253	12,437
Accumulated depreciation		(11,667)	(8,686)
<b>Total Plant and Equipment</b>		<b>16,586</b>	<b>3,751</b>

### (a) Movements in Carrying Amount

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Office Equipment \$	Total \$
<b>Year ended 30 June 2014</b>		
Balance at the beginning of year	3,751	3,751
Additions	15,816	15,816
Disposals	-	-
Depreciation expense	(2,981)	(2,981)
<b>Balance at the end of the year</b>	<b>16,586</b>	<b>16,586</b>

	Office Equipment \$	Total \$
<b>Year ended 30 June 2013</b>		
Balance at the beginning of year	2,229	2,229
Additions	3,722	3,722
Disposals	-	-
Depreciation expense	(2,200)	(2,200)
<b>Balance at the end of the year</b>	<b>3,751</b>	<b>3,751</b>

# OncoSil Medical Limited and its controlled entities

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## Notes to the Financial Statements

For the Year Ended 30 June 2014

	Consolidated	
	2014	2013
	\$	\$
<b>10 Intangible Assets</b>		
<b>Carrying Amount</b>		
Consolidated Licence	2,647,726	2,647,726
	<b>2,647,726</b>	<b>2,647,726</b>

On 16 April 2013, OncoSil Medical Ltd settled the acquisition of Enigma Therapeutics Limited (Enigma). The acquisition of Enigma was accounted for as an "asset acquisition" under Australian Accounting Standards as Enigma only held the licence to commercialise OncoSil (formerly BrachySil), a targeted brachytherapy product for the treatment of pancreatic cancer.

The consideration for the acquisition of the OncoSil licence was settled as follows:

- 75,000,000 ordinary shares in OncoSil Medical Ltd; and
- Cash payment of US\$100,000

The consideration paid has been reconciled to the amount recognised in the financial statements as follows:

75,000,000 ordinary shares in OncoSil Medical Ltd @ 3.4 cents/share being fair value of shares at date of settlement	2,550,000
Cash payment of US\$100,000 @ average exchange rate of 1US\$0.977A\$	97,726
	<b>2,647,726</b>

The recoverable amount of the consolidated licence is based on 'fair value less cost to sell' as defined under AASB 136: Impairment of Assets, which has been estimated to have a greater value than its carrying value of \$2.6million, accordingly no impairment loss has been recognised. Fair value was determined by reference to the factors identified under AASB 136.24, which determined that there had not been a decrease in the carrying value since the prior year.

The key assumptions in determining the value of the consolidated licence are:

- Completion of clinical trials – a study of 225 patients will be completed during 2014-15.
- Obtaining a CE Mark approval from the European Union to approve the product in Europe during 2015
- Obtaining US IDE approval to trial the product in the USA during 2015.

## 11 Trade Payables

CURRENT

Trade payables	36,382	53,683
	<b>36,382</b>	<b>53,683</b>

Trade payables are non-interest bearing and are normally settled on 60-day terms.

The net of GST payable and GST receivable is remitted to the appropriate tax body on a quarterly basis.

# OncoSil Medical Limited and its controlled entities

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## Notes to the Financial Statements

For the Year Ended 30 June 2014

		Consolidated	
		2014	2013
		\$	\$
<b>12 Other Current Liabilities</b>			
Payroll liabilities		52,009	20,067
Accrued expenses		-	19,200
Licence maintenance fee		-	100,000
		<b>52,009</b>	<b>139,267</b>
<b>13 Employee Benefits</b>			
Provision for annual leave		<b>32,331</b>	-
<b>14 Issued Capital</b>			
<b>(a) Movement in issued capital (issued and fully paid)</b>			
Balance at the beginning of the year		13,888,590	9,708,590
Shares issued during the year		10,323,159	4,300,000
Share issue cost		(426,235)	(120,000)
		<b>23,785,514</b>	<b>13,888,590</b>
<b>(b) Movement in ordinary shares</b>			
		No.	No.
At the beginning of reporting period		241,989,274	96,989,274
Shares issued during the year		79,428,078	145,000,000
Employee loan share		33,730,770	-
		<b>355,148,122</b>	<b>241,989,274</b>

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Group in proportion to the number and amount paid on the share held. On a show of hands at meetings of the Group, each holder of ordinary shares has one vote in person or by proxy, and upon a poll each share is entitled to one vote. The shares have no par value and there is no current on-market buy back.

### Capital Management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor, and market confidence and to sustain future development of the business. Given the stage of the Company's development there are no formal targets set for return on capital. There were no changes to the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements.

# OncoSil Medical Limited and its controlled entities

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## Notes to the Financial Statements

For the Year Ended 30 June 2014

	Consolidated	
	2014	2013
	\$	\$
<b>15 Reserves</b>		
Share - Based Payment Reserve	852,670	417,526
Option Reserve	704,896	704,895
	<b>1,557,566</b>	<b>1,122,421</b>
<b>Share - Based Payment Reserve</b>	<b>852,670</b>	<b>417,526</b>
<b>Movement in share - based Payment Reserve</b>		
Balance at the beginning of the year	417,525	150,566
Share - based payments	435,145	266,959
Options cancelled and expired	-	-
Balance at the end of the year	<b>852,670</b>	<b>417,525</b>

The share - based payments reserve is used to record the value of equity benefits which may be provided:

- to employees and Directors as part of their remuneration under an Employee share option plan (ESOP);
- to Directors on terms determined by the Board and approved by shareholders; and
- to advisers and consultants as payment for services.

The following share-based payment transactions were undertaken during the current reporting period

On 30 October 2013 the Company issued 25,000,000 shares under the OncoSil Medical employee share plan, following shareholder approval obtained on 24 September 2013. The shares were funded by a limited resource loan. On 19 May 2014 the Company issued an additional 8,730,770 shares. The share issue has not been recognized as issued capital and has been treated as share option issue in accordance with accounting standard, AASB 2 – Share Based Payments.

A summary of movement of all company options is as follows:

	2014	2013
	Number	Number
Number of options of issue beginning of the year	47,300,000	-
Options issued during the year	-	47,300,000
Options exercised	-	-
Options cancelled and expired	-	-
Number of options on issue at the end of the year	<b>47,300,000</b>	<b>47,300,000</b>

Option Reserve

The option reserve is used to record the value of benefits on issue of options:

- under entitlement issue of 48,489,637 options at \$0.01;
- placement issue of 22,000,000 options at \$0.01; and
- placement issue of 2,000,000 options at \$0.01.

# OncoSil Medical Limited and its controlled entities

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## Notes to the Financial Statements

For the Year Ended 30 June 2014

### 16 Segment Information

#### Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

Prior to the acquisition of Enigma Therapeutic Ltd, the Company operated in neuroscience drug development in Australia. Enigma is based in the United Kingdom and has a Bio Asset in development that offers potential treatment for pancreatic cancer. Other than the cost of acquiring Enigma \$2,647,726 (note 10) \$32,232 has been spent on the OncoSil Licence all of which has been incurred in the United Kingdom. The financial information presented in the income statements and the balance sheet is the same as that presented to the chief operating decision maker.

#### Basis of accounting for purposes of reporting by operating segments

#### Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker is in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

### 17 Auditor's Remuneration

Amounts received or due and receivable by Crowe Horwath Perth for:  
- audit or review of the financial report of the entity

Consolidated	
2014	2013
\$	\$
<b>34,500</b>	37,300

# OncoSil Medical Limited and its controlled entities

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## Notes to the Financial Statements

For the Year Ended 30 June 2014

### 18 Earnings/(loss) per Share

Basic earnings/(loss) per share amounts are calculated by dividing net loss for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings/(loss) per share amounts are calculated by dividing the net loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of dilutive options).

The following reflects the income and share data used in the total operations basic and diluted earnings per share computations:

	2014	2013
Earnings/(loss) per Share	<u>(0.86)</u>	<u>(0.70)</u>
a) Profit or Loss used in calculating earnings per share		
- Loss from continuing operations	<u>(4,217,103)</u>	<u>(879,168)</u>
b) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS		
	<u>No.</u>	<u>No.</u>
	<u>491,171,654</u>	<u>125,816,789</u>

#### Diluted earnings per share

When dilutive earnings per share would result in more favourable earnings, diluted and basic earnings per share are considered equal.

There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.



# OncoSil Medical Limited and its controlled entities

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## Notes to the Financial Statements

For the Year Ended 30 June 2014

### 19 Commitments and Contingencies

On 16 April 2013, OncoSil Medical Ltd settled the acquisition of Enigma Therapeutics Limited (Enigma). Enigma holds a licence to commercialise OncoSil™ (formerly BrachySil™), a targeted brachytherapy product for the treatment of pancreatic cancer under a licence agreement from pSiMedica.

pSiMedica has granted to Enigma an exclusive world-wide royalty-bearing license for the term of the pSiMedica Transaction (with limited rights to sublicense) under the Licensed Patents solely to make, use, sell, offer to sell and import the Product in the field of therapy in human neoplastic disease (cancer). Key terms of the licence agreement have been summarised below:

- Enigma is required to make a payment of up to US\$100,000 to pSiMedica annually to support existing patents;
- Enigma is required to make the following payments for patents and subject to the OncoSil completing positive clinical trials and becoming registered for sale:

During the term of the licence, 8% of future net sales (future sales which cannot be guaranteed) of the Product or any other product protected by the rights arising from the Assigned Patents (if sold by Enigma or its affiliates) and services performed using the Product or such other products, on a product-by-product and country-by-country basis. Only half of this payment must be made whenever approved generic competitor products derived from the Product maintain at least a 20% world-wide market share of sales, on a country-by-country and product-by-product basis.

20% of any form of consideration, payments, royalties, third party net sales income and other payments received from third party licensing deals and various other agreements with third parties in relation to OncoSil™ or any other product protected by the rights arising from the Assigned Patents, for the term of the pSiMedica licence, on a product-by-product and country-by-country basis.

Potential milestone payments based only upon OncoSil™ being a commercial success, which cannot be guaranteed now or in the future (ranging from US\$1,000,000 to US\$5,000,000) upon:

- Enigma, its affiliates and any of Enigma's third party transferees together potentially achieving US\$5,000,000 aggregate net sales for OncoSil™ and any other product protected by the rights arising from the Assigned Patents, for (I) an indication and (II) a second indication;

- aggregate net sales of OncoSil™ and any other product protected by the rights arising from the Assigned Patents, paid to Enigma, its affiliates and third party transferees in a calendar year first potentially equals or exceeds US\$20,000,000; and

- aggregate net sales of OncoSil™ and any other product protected by the rights arising from the Assigned Patents, paid to Enigma, its affiliates and third party transferees in a calendar year first potentially equals or exceeds US\$100,000,000.

# OncoSil Medical Limited and its controlled entities

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## Notes to the Financial Statements

For the Year Ended 30 June 2014

### 19 Commitments and Contingencies continued

#### *Termination of licence agreement*

Unless terminated early for customary reasons such as a material breach, or by pSiMedica due to a patent challenge being brought against pSiMedica in certain circumstances (including by Enigma), the term of the licence for the Licensed Patents and Enigma's rights to exploit the Product and any other products arising from the Assigned Patents, remain in effect on a country-by-country and product by product basis, until the later to occur of:

- the date on which the Product or any other product protected by the rights arising from the Assigned Patents in such country is no longer covered or protected by a potential claim of the Licensed Patents or the Assigned Patents in such country; and
- ten years from the date of first commercial sale of a Product or any other product protected by the rights arising from the Assigned Patents in such country.

In addition, if Enigma reasonably forms the view that it is not capable of commercialising OncoSil, Enigma shall have the right to terminate the license agreement by 60 days prior written notice to pSiMedica.

The Directors are not aware of any other commitments or contingencies as at 30 June 2014.

### 20 Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise cash, short-term deposits and short-term investments.

The main purpose of these financial instruments is to provide finance for the Group's operations.

The Group has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

The main financial risks arising from the Group's financial instruments are interest rate risk, market risk, liquidity risk, and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

The Group also monitors the market price risk arising from all financial instruments. The magnitude of this risk that has arisen over the year is discussed in Note 20 and Note 21.

#### Market Risk

The Company's exposure to market risk for changes in interest rates relates primarily to the Company's cash at bank and short term deposits. Such risk is managed by using a mix of fixed and floating rate deposits.

The details of exposures to interest rate risk of financial assets and liabilities, together with the maturity analysis are detailed in Note 20.

The Company is also exposed to securities price risk on investments held for trading over the medium to long term. Such risk is managed through diversification of investments across industries and geographical locations.

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**For the Year Ended 30 June 2014**

## Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or a counter party to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from customers and cash at bank.

The Company trades only with recognised, creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant.

The credit risk on liquid funds is limited because the counter party is a bank with high credit rating.

## Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial liabilities as and when they fall due. The Company manages liquidity risk by continually monitoring cash reserves and cashflow forecasts to ensure that financial commitments can be met when and as they fall due.

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of finance leases and equity funding.

## Fair values

The fair values of all financial assets and liabilities of the Group approximate their carrying values.

## 21 Financial Instruments

## Interest rate risk

The following table sets out the carrying amount of the financial instruments that are exposed to interest rate risk:

	< 1 year		maturity >1- < 5 years		+ 5 years		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
	\$	\$	\$	\$	\$	\$	\$	\$
Cash and cash equivalents	2,738,997	3,510,738	-	-	-	-	2,738,997	3,510,738
Financial assets at fair value through profit or loss	4,282,907	-	-	-	-	-	4,282,907	-
	7,021,904	3,510,738	-	-	-	-	7,021,904	3,510,738

	2014	2013
	%	%
Weighted Average Interest Rate	6.30	3.75

Interest on financial assets classified as floating rate is reprised at intervals of less than one year. Interest on financial assets classified as fixed until maturity of the financial instrument.

# OncoSil Medical Limited and its controlled entities

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## Notes to the Financial Statements

For the Year Ended 30 June 2014

### 21 Financial Instruments continued

The other financial instruments of the Group that are not included in the above tables are non-interest bearing and are therefore not subject to interest rate risk.

#### Interest rate sensitivity

Interest rate risk sensitivity analysis:

	Effect on Profit		Effect on Equity	
	2014	2013	2014	2013
	\$	\$	\$	\$
<b>Sensitivity*</b>				
+1.50%	<b>78,724</b>	52,661	<b>78,724</b>	52,661
-1.5%	<b>(78,724)</b>	(52,661)	<b>(78,724)</b>	(52,661)

\* The method used to arrive at the possible change of 150 basis points was based on the analysis of the average change of the Reserve Bank of Australia (RBA) monthly issued cash rate over the past 5 years. It is considered that 150 basis points is a 'reasonably possible' estimate as it accommodates for the maximum variations inherent in the interest rate movement over the past five years.

#### Equity price sensitivity

The sensitivity analysis below has been determined based on the exposure to equity price risk at the end of the reporting period.

If equity prices had been 10% higher/lower:

- profit for the year ended 30 June 2014 would increase/decrease by \$6,675 as a result of the changes in fair value of financial assets at fair value through profit or loss.

#### Financial Instruments Measured at Fair Value

The financial instruments recognised at fair value in the statement of financial position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements. The fair value hierarchy consists of the following levels:

- quoted prices in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

# OncoSil Medical Limited and its controlled entities

ABN: 89 113 824 141

## Notes to the Financial Statements

For the Year Ended 30 June 2014

	Consolidated	
	2014	2013
	\$	\$

### 21 Financial Instruments continued

Level 1		Level 2		Level 3		Total	
2014	2013	2014	2013	2014	2013	2014	2013
\$	\$	\$	\$	\$	\$	\$	\$

#### Financial assets:

Financial assets at fair value through profit or loss:

- Investments - held for trading

<b>66,750</b>	57,350	-	-	-	-	<b>66,750</b>	57,350
<b>66,750</b>	57,350	-	-	-	-	<b>66,750</b>	57,350

### 22 Capital and Leasing Commitments

#### (a) Operating Leases

Minimum lease payments under non-cancellable operating leases:

- not later than one year

- between one year and five years

- later than five years

<b>97,020</b>	-
<b>145,530</b>	-
-	-
<b>242,500</b>	-

Operating leases have been taken out for the commercial premises. Lease payments are increased on an annual basis to reflect market rentals.

### 23 Related Parties

During the year the Company made payments to Directors and their related entities for services provided. Details are disclosed at Note 24.

### 24 Directors and Key Management Personnel

#### (a) Remuneration of Directors and Key Management Personnel

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Group's Key Management Personnel for the year ended 30 June 2014.

The totals of remuneration paid to Key Management Personnel of the Group during the year are as follows:

Short-term employee benefits	<b>536,858</b>	307,015
Share-based payments	<b>345,789</b>	248,722
	<b>882,647</b>	555,737

- The remuneration payments to Mr D McAuliffe were made to a director-related entity, Concept Biotech Pty Ltd.

# OncoSil Medical Limited and its controlled entities

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## Notes to the Financial Statements

For the Year Ended 30 June 2014

### 24 Directors and Key Management Personnel continued

- The remuneration payments to Mr M Rogers were made to a director-related entity, Structure Investments Pty Ltd.
- The remuneration payments to Mr Lawrence Gozlan were made to a director-related entity, Montoya Pty Ltd.

### 25 Cash Flow Information

Reconciliation of net income to net cash provided by operating activities:

Total loss for the year	(4,217,103)	(879,168)
Adjustments for:		
- depreciation	2,981	2,200
- unrealised (gains)/losses on fair value through profit and loss financial assets	(9,400)	(5,048)
- share based payments	429,743	251,959
Changes in assets and liabilities:		
- (increase)/decrease in trade and other receivables	(122,832)	5,986
- (increase)/decrease in other assets	(2,381,103)	-
- increase/(decrease) in trade and other payables	(17,301)	46,402
- increase/(decrease) in accruals	(87,258)	105,761
- increase/(decrease) in employee benefits	32,331	-
Net cash used in operating activities	(6,369,942)	(471,908)

### 26 Controlled Entities

	Country of Incorporation	Percentage Owned (%)* 2014	Percentage Owned (%)* 2013
<b>Subsidiaries:</b>			
Enigma Therapeutics Limited	United Kingdom	100	100
OncoSil Medical Germany GmbH	Germany	100	-
OncoSil Medical US Inc.	United States	100	-

OncoSil Medical Germany GmbH was incorporated on 25 June 2014. As at 30 June 2014 OncoSil Medical Germany GmbH had not traded.

OncoSil Medical US Inc. was incorporated on 29 June 2014. As at 30 June 2014 OncoSil Medical US Inc. had not traded.

# OncoSil Medical Limited and its controlled entities

ABN: 89 113 824 141

## Notes to the Financial Statements

For the Year Ended 30 June 2014

### 27 Share-based Payments

The Group's Employee Options Plan is designed as an incentive for senior managers and above. Under the plan, participants are granted options which only vest if certain performance standards are met. Once granted the options have a vesting period as stated in the below table. There are no cash settlement alternatives.

The following share-based payment transactions were undertaken during the reporting period:

				Exercise Price	Fair value at grant date	Vesting conditions
	Number	Grant date	Expiry date	\$	\$	
<b>2014</b>						Options vesting if OncoSil total shareholder returns (TSR) in respect of holding ordinary shares equals 175%.
Granted 29 October 2013(a)	5,000,000	29/10/2013	28/10/2017	0.10	0.09190	Options vesting when TSR equals 250%.
Granted 29 October 2013(a)	5,000,000	29/10/2013	28/10/2017	0.10	0.09190	Options vesting when the Company receives US FDA approval.
Granted 29 October 2013(a)	5,000,000	29/10/2013	28/10/2016	0.10	0.09190	Options vest following 3 years of continuous employment.
Granted 29 October 2013(a)	5,000,000	29/10/2013	28/10/2016	0.10	0.09190	Options vesting when Company receives US FDA approval.
Granted 19 May 2014(b)	8,730,770	19/05/2014	18/05/2019	0.11	0.08880	3 years of continuous employment with the Company.
<b>2013</b>						
Granted 4 April 2013(c)	3,300,000	4/04/2013	30/06/2016	0.05	0.01079	None
Granted 4 April 2013(d)	25,000,000	4/04/2013	30/06/2016	0.05	0.01079	None
Granted 4 June 2013(e)	10,000,000	4/06/2013	3/06/2017	0.05	0.01985	None
Granted 4 June 2013(e)	3,000,000	4/06/2013	3/06/2017	0.05	0.00298	Options vesting if OncoSil shares trade at or above 10c on the ASX for 10 consecutive days.
Granted 4 June 2013(e)	3,000,000	4/06/2013	3/06/2017	0.05	0.00199	Options vesting if OncoSil shares trade at or above 10c on the ASX for 15 consecutive days.
Granted 4 June 2013(e)	3,000,000	4/06/2013	3/06/2017	0.05	0.00092	Options vesting if OncoSil shares trade at or above 10c on the ASX for 20 consecutive days.

(a) Neil Frazer (Director) and Peter Knox (Chief Scientific Officer) were issued 20,000,000 and 5,000,000 options respectively as per the existing employee share option plan approved by shareholders on 24 September 2013.

(b) Peter Casey, Natalie Ruffles and Lawrence Gozlan were issued 461,539, 769,231 and 7,500,000 options respectively in accordance with the Group's employee share option plan.

(c) Bret Mattes, Simon O'Loughlin and David McAuliffe (Directors of the Company) were issued 1,000,000 options each as per a resolution of shareholders at a general meeting on 28 March 2013. In addition, 300,000 options were issued to the Robert Hodby, the company secretary on terms similar to the Director options. The issue of options to the Company Secretary did not require shareholder approval.

(d) 25,000,000 options were issued to Forrest Capital Pty Ltd in part consideration for its services as lead managers for the capital raising undertaken by the Company during the year.

(e) Options were issued to Martin Rogers, a Director of the Company pursuant to a resolution of shareholders at a general meeting on 22 May 2013.

# OncoSil Medical Limited and its controlled entities

ABN: 89 113 824 141

## Notes to the Financial Statements

### For the Year Ended 30 June 2014

The fair value of the options granted during the year was calculated using the Black-Scholes option pricing model using the following inputs:

	Number	Exercise price \$	Expiry date	Expected Volatility %	Risk free rate %	Fair value at grant date
<b>2014</b>						
Granted 29 October 2013	20,000,000	0.10	28/10/2017	82	2.50	0.0919
Granted 29 October 2013	5,000,000	0.10	28/10/2016	82	2.50	0.0919
Granted 19 May 2014	8,730,770	0.11	18/05/2019	95	2.50	0.0776
<b>2013</b>						
Granted 4 April 2013	3,300,000	0.05	30/06/2016	70	2.70	0.0108
Granted 4 April 2013	25,000,000	0.05	30/06/2016	70	2.70	0.0070
Granted 4 June 2013	10,000,000	0.05	3/06/2017	75	2.93	0.0199
Granted 4 June 2013	3,000,000	0.05	3/06/2017	75	2.93	0.0030
Granted 4 June 2013	3,000,000	0.05	3/06/2017	75	2.93	0.0020
Granted 4 June 2013	3,000,000	0.05	3/06/2017	75	2.93	0.0009



# OncoSil Medical Limited and its controlled entities

ABN: 89 113 824 141

## Notes to the Financial Statements

For the Year Ended 30 June 2014

### 28 Parent entity

The following information has been extracted from the books and records of the parent, OncoSil Medical Limited and its controlled entities and has been prepared in accordance with Accounting Standards.

	2014	2013
	\$	\$
<b>Consolidated Statement of Financial Position</b>		
Assets		
Current assets	5,140,162	3,545,209
Non-current assets	7,006,904	2,701,477
Total Assets	12,147,066	6,246,686
Liabilities		
Current liabilities	32,260	92,950
Total Liabilities	32,260	92,950
Equity		
Issued capital	23,785,514	13,888,590
Retained earnings	(8,957,275)	(8,857,275)
Reserves	1,557,566	1,122,421
Total Equity	16,385,805	6,153,736
<b>Consolidated Statement of Profit or Loss and Other Comprehensive Income</b>		
Total loss for the year	(4,206,479)	(775,998)
<b>Total comprehensive income</b>	<b>(4,206,479)</b>	<b>(775,998)</b>

#### Guarantees

The parent entity has not entered into any guarantees, in the current or previous financial year, in relation to the debts of its subsidiaries (2013: Nil)

#### Contingent liabilities

The Directors are not aware of any contingent liabilities or assets as at the date of these financial statements (2013: Nil).

#### Contractual commitments

The parent entity did not have any commitments as at 30 June 2014 or 30 June 2013.

### 29 Events Occurring After the Reporting Date

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

# OncoSil Medical Limited and its controlled entities

ABN: 89 113 824 141

## Notes to the Financial Statements

For the Year Ended 30 June 2014

### 30 Company Details

The registered office of the company is:

Suite 7, Level 8

1 Alfred Street

Sydney, New South Wales 2000

AUSTRALIA

# OncoSil Medical Limited and its controlled entities

ABN: 89 113 824 141

## Directors' Declaration

In accordance with a resolution of the Directors I state that:

In the opinion of the Directors:

1. the financial statements and notes for the year ended 30 June 2014 are in accordance with the *Corporations Act 2001* and:
  - a. comply with Accounting Standards, which, as stated in accounting policy note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and
  - b. give a true and fair view of the financial position and performance of the consolidated group;
2. the Chief Executive Officer and Chief Finance Officer have given the declarations required by Section 295A that:
  - a. the financial records of the Group for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
  - b. the financial statements and notes for the financial year comply with the Accounting Standards; and
  - c. the financial statements and notes for the financial year give a true and fair view.
3. the remuneration report disclosures contained in the Director's Report comply with Australian Accounting Standard 124 *Related Party Transactions*, the *Corporations Act 2001* and the Corporations Regulation 2001; and
4. in the directors' opinion, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

At the date of this declaration, there are reasonable grounds to believe that the companies which are party to this deed of cross guarantee will be able to meet any obligations or liabilities to which they are, or may become subject to, by virtue of the deed.

This declaration is made in accordance with a resolution of the Board of Directors.



Mr Martin Rogers  
Non- Executive Chairman

Dated this 28<sup>th</sup> day of August 2014

## **Corporate Governance Statement**

**30 June 2014**

The Board is committed to achieving and demonstrating the highest standards of corporate governance. The Board continues to refine and improve the governance framework and practices in place to ensure they meet the interests of shareholders. The Company complies with the Australian Securities Exchange (ASX) Corporate Governance Council's Corporate Governance Principles and Recommendations (the Principles).

Copies of OncoSil Medical Limited and its controlled entities' Board and Board committee charters and key corporate governance policies or summaries are available in the Corporate Governance section of the website at [www.oncosil.com.au](http://www.oncosil.com.au).

### **Principle 1: Lay solid foundations for management and oversight**

#### **Role of the Board and Management**

The Board of Directors is responsible for the corporate governance of the Company. The Board provides strategic guidance for the Company, and effective oversight of management. The Board guides and monitors the business and affairs of the Group on behalf of the shareholders by whom they are elected and to whom they are accountable.

The Board has adopted a Charter that details its roles and responsibilities, which is available on our website.

The Board has delegated responsibility for day-to-day management of the Company to the CEO and there is a formal delegations structure in place which sets out the powers delegated to the CEO and those specifically retained by the Board, these delegations are reviewed on a regular basis.

#### **Responsibilities of the Board**

The Board is responsible for:

- Overseeing the company, including its control and accountability systems;
- Appointing and removing the CEO;
- Where appropriate, ratifying the appointment and removal of senior executives;
- Providing input into and final approval of management's development of corporate strategy and performance objectives;
- Reviewing, ratifying and monitoring systems of risk management and internal controls, codes of conduct and legal compliance;
- Monitoring senior executives performance and implementation of strategy;
- Ensuring appropriate resources are available to senior executives;
- Approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestiture's; and
- Approving and monitoring financial and other reporting.

#### **Allocation of individual responsibilities**

Formal letters of appointment are provided to all new Directors setting out key terms and conditions of their appointment.

## **Corporate Governance Statement**

**30 June 2014**

### **Induction**

All new Directors participate in a formal induction process co-ordinated by the Company Secretary. This induction process includes briefings on the Company's financial, strategic, operational and risk management position, the Company's governance framework and key developments in the Company and the industry and environment in which it operates.

### **Evaluation of Directors**

A performance evaluation for Directors and Senior Executives take place at least annually, the last review took place in 26/05/14 in compliance with the established evaluation process. The Company's policy for Directors and Senior Executive evaluation is available on the Company's website.

### **Principle 2: Structure the Board to add Value**

The Board's policy is that the Board needs to have an appropriate mix of skills, experience, expertise and diversity to be well equipped to help the Company navigate the range of challenges faced by the company.

The names of the members of the Board as at the date of this report are set out below:

- Dr Neil Frazer
- Mr Martin Rogers
- Dr Roger Aston
- Mr Lawrence Gozlan

Details of the Board member's experience, expertise, qualifications, term of office and independence status, are set out in the directors' report.

### **Composition of the Board**

The Board's composition is determined based on criteria set out in the Company's constitution and the Board Charter.

The Board seeks to ensure that:

- At any point in time, its membership represents an appropriate balance between directors with experience and knowledge of the Company and directors with an external or fresh perspective;
- There is a sufficient number of directors to serve on Board committees without overburdening the directors or making it difficult for them to fully discharge their responsibilities; and
- The size of the Board is appropriate to facilitate effective discussion and efficient decision making.

In accordance with the ASX Listing Rules, the Company must hold an election of Directors each year.

### **Board committees**

To ensure that the responsibilities of the Board are upheld and executed to the highest level, the Board has established the following Board committees:

- Remuneration Committee

## Corporate Governance Statement

30 June 2014

- Audit Committee

Each of these committees has established charters and operating procedures in place, which are reviewed on a regular basis. The Board may establish other committees from time to time to deal with matters of special importance. The Committees have access to the Company's executives and senior management as well as independent advice. Copies of the minutes of each Committee meeting are made available to the full Board, and the Chairman of each Committee provides an update on the outcomes at the Board meeting that immediately follows the Committee meeting.

### Independent decision making

The Board recognises the important contribution independent Directors make to good corporate governance. All Directors, whether independent or not, are required to act in the best interests of the Company and to exercise unfettered and independent judgment.

The Board has adopted specific principles in relation to directors' independence and considers the following, at least annually, when determining if a Director is independent:

Whether the Director:

- Is a substantial shareholder of the company or an officer of, or otherwise associated directly with, a substantial shareholder of the company.
- Is employed, or has previously been employed in an executive capacity by the company or another group member, and there has not been a period of at least three years between ceasing such employment and serving on the Board.
- Has within the last three years been a principal of a material professional adviser or a material consultant to the company or another group member, or an employee materially associated with the service provided.
- Is a material supplier or customer of the company or other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer.
- Has a material contractual relationship with the company or another group member other than as a director.

### Role of the Chair

The Chair of the Board is responsible for leadership of the Board and for the efficient organisation and conduct of the Board's functioning.

The Chair facilitates the effective contribution of all directors and promotes constructive and respectful relations between directors and between Board and management.

### Nomination committee

The Nomination Committee meets as required during the year to assist the Board in fulfilling its corporate governance responsibilities in regard to:

- Board appointments, re-elections and performance
- Directors' induction and continuing development
- Board Committee membership and

## **Corporate Governance Statement**

**30 June 2014**

- Endorsement of Executive appointments.

The Nomination Committee's Charter which is available in the Corporate Governance section of the Company's website, sets out the Committee's responsibilities which include making recommendations to the Board on the appropriate skill mix, personal qualities, expertise and diversity of each position following the annual assessment of the Board. When a vacancy exists or there is a need for particular skills, the Committee, in consultation with the Board, determines the selection criteria based on the skills deemed necessary. Board appointees must stand for election at the next Annual General Meeting of shareholders.

The Committee also makes recommendations to the Board and oversees implementation of the procedure for evaluating the Board's performance, as well as oversees and makes recommendations to the Board in respect of ongoing training requirements of Directors.

The names of the members of the Nominations Committee as at the date of this report are set out below:

- Dr Neil Frazer
- Mr Martin Rogers

The Nomination Committee met 4 times during the year.

### **Access to information**

The Board is provided with the information it needs to discharge its responsibilities effectively and all Directors have complete access to senior management through the Chairman, CEO or Company Secretary at any time.

In certain circumstances, each Director has the right to seek independent professional advice at the Company's expense, within specified limits, or with the prior approval of the Chairman.

## **Principle 3: Promote ethical and responsible decision-making**

### **Code of conduct**

The Board acknowledges and emphasises the importance of all directors and employees maintaining the highest standards of corporate governance practice and ethical conduct.

A code of conduct has been established requiring directors and employees to:

- Act honestly and in good faith;
- Exercise due care and diligence in fulfilling the functions of office;
- Avoid conflicts and make full disclosure of any possible conflicts of interest;
- Comply with the law;
- Encourage the reporting and investigating of unlawful and unethical behaviour; and
- Comply with the share trading policy outlined in the Code of Conduct.

A copy of the Code of Conduct is available from the company's website.

## **Corporate Governance Statement**

**30 June 2014**

### **Diversity policy**

In respect of diversity, the Board considers that diversity includes differences that relate to gender, age, ethnicity and cultural background. It also includes differences in background and life experience, communication styles, interpersonal skills, education and problem solving skills.

The Board seeks to develop a culture of diversity within the Company whereby a mix of skills and diverse backgrounds are employed by the Company at all levels.

The Company strives to:

1. develop and maintain a diverse and skilled workforce through transparent recruitment processes.
2. promote an inclusive workplace culture that values and utilises the contributions of all employees backgrounds, experiences and perspective through improved awareness of the benefits of workforce diversity.
3. facilitate diversity in the workplace by developing programs that promote growth for all employees, so each employee may reach their full potential, and providing maximum benefit for the Company.
4. set measurable objectives to encourage diversity within the Company.

OncoSil Medical Limited and its controlled entities consider the key management personnel, excluding Directors, to be the senior executives of the company.

### **Principle 4: Safeguard integrity in financial reporting**

#### **Audit Committee**

The audit committee assists the Board in fulfilling its corporate governance responsibilities in regard to:

- the integrity of the financial reporting
- compliance with legal and regulatory obligations
- the effectiveness of the company's risk management and internal control framework
- oversight of the independence of the external auditors

The names and qualifications of those appointed to the audit committee and their attendance at meetings of the committee are included in the directors' report.

The audit committee reports to the full Board after every meeting on all matters relevant to the committee's roles and responsibilities.

#### **External auditor**

The Audit Committee oversees the relationship with the external auditor. In accordance with the Corporations Act 2001, the lead Audit Partner on the audit is required to rotate at the completion of a 5 year term.

The external auditor attends the AGM and is available to answer your shareholder questions about the conduct of the audit



## **Corporate Governance Statement**

**30 June 2014**

and the preparation and content of the auditor's report.

### **Principle 5: Make timely and balanced disclosure**

OncoSil Medical Limited and its controlled entities has established policies and procedures to ensure timely and balanced disclosures of all material matters concerning the Company, and to ensure that all investors have access to information on the Company's financial performance.

These policies and procedures include a comprehensive disclosure policy that includes identification of matters that may have a material effect on the price on the Company's securities, notifying them to the ASX, posting relevant information on the Company's website and issuing media releases.

The Annual Report includes relevant information about the operations of the company during the year, key financial information, changes in the state of affairs and indications of future developments. The Annual Reports for the current year and for previous years are available under the Investor Relations section of the company website.

The half year and full year financial results are announced to the ASX and are available to shareholders via the company and ASX websites.

All announcements made to the market, and related information (including presentations to investors and information provided to analysts or the media during briefings) are made available to all shareholders under the investor relations section of the company website after they are released to the ASX. All ASX announcements, media releases and financial information are available on Company website within one day of public release.

### **Principle 6: Respect the rights of shareholders**

The Company Secretary has been nominated as the person responsible for communications with the ASX.

All Executive Management have an ongoing obligation to advise the Company Secretary of any material non-public information which may need to be communicated to the market.

The Company has a Shareholder Communications Policy which promotes effective communication with shareholders and encourages participation at general meetings.

The company makes all ASX announcements available via its website. In addition, shareholders who are registered receive email notification of announcements.

The Notice of Annual General Meeting (AGM) will be provided to all shareholders and posted on the company's website. Notices for general meetings and other communications with shareholders are drafted to ensure that they are honest, accurate and not misleading and that the nature of the business of the meeting is clearly stated and explained where necessary.

The Board encourages full participation by shareholders at the Annual General Meeting to ensure a high level of Director accountability to shareholders and shareholder identification with the Company's strategy and goals.

For shareholders unable to attend, an AGM question form will accompany the Notice of Meeting, giving shareholders the opportunity to forward questions and comments to the company or the external auditor prior to the AGM.

### **Principle 7: Recognise and manage risk**

The Board considers identification and management of key risks associated with the business as vital to maximise shareholder wealth. A yearly assessment of the business's risk profile is undertaken and reviewed by the Board, covering all aspects of the business from the operational level through to strategic level risks.

The CEO has been delegated the task of implementing internal controls to identify and manage risks for which the Board

## **Corporate Governance Statement**

**30 June 2014**

provides oversight. The effectiveness of these controls is monitored and reviewed regularly. The recent economic environment has emphasised the importance of managing and reassessing its key business risks.

The Board is responsible for reviewing the company's policies on risk oversight and management and satisfying itself that management has developed and implemented a sound system of risk management and internal control.

The Board requires management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively.

The Board has received a report from management as to the effectiveness of the company's management of its material business risks.

A summary of the Company's risk related policies can be found with other corporate governance policies under the Corporate Governance section of the company's website.

### **Internal control**

The Board is responsible for reviewing the company's policies on risk oversight and management and satisfying itself that management has developed and implemented a sound system of risk management and internal control.

The Board has received assurance from the Chief Executive Officer and the Chief Financial Officer that the declaration provided in accordance with section 295A of the Corporations Act 2001 is founded on a system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

### **Principle 8: Remunerate fairly and responsibly**

The company's remuneration policy is designed in such a way that it:

- motivates senior executives to pursue the long-term growth and success of the company
- demonstrates a clear relationship between senior executives' performance and remuneration.

The remuneration policy, which sets the terms and conditions for the key management personnel (KMP) was developed by the remuneration committee after seeking professional advice from independent consultants and was approved by the Board.

All executives receive a base salary, superannuation, fringe benefits, performance incentives and retirement benefits. The remuneration committee reviews executive packages annually by reference to company performance, executive performance, comparable information from industry sectors and other listed corporations and independent advice. The performance of executives is measured against criteria agreed half yearly which are based on the forecast growth of the company's profits and shareholder value. The policy is designed to attract the highest caliber executives and reward them for performance which results in long-term growth in shareholder value.

The Board expects that the remuneration structure implemented will result in the company being able to attract and retain the best executives. It will also provide executives with the necessary incentives to work to grow long-term growth in shareholder value.

The payment of bonuses, options and other incentive payments are reviewed by the remuneration committee annually as part of the review of executive remuneration and a recommendation is put to the Board for approval. All bonuses, options and incentives must be linked to predetermined performance criteria. The Board can exercise its discretion in relation to approving incentives, bonuses and options and can recommend changes to the committee's recommendations. Any changes must be justified by reference to measurable performance criteria.

Further information about the company's remuneration strategy and policies and their relationship to company performance can be found in the Remuneration Report which forms part of the directors' report, together with details of the remuneration paid to key management personnel.

## **Corporate Governance Statement**

**30 June 2014**

### **Remuneration committee**

The responsibilities of the remuneration committee include a review of and recommendation to the Board on:

- the company's remuneration, recruitment, retention and termination policies and procedures for senior executives
- senior executives' remuneration and incentives
- superannuation arrangements
- the remuneration framework for directors
- remuneration by gender.

Each member of the remuneration committee:

- is familiar with the legal and regulatory disclosure requirements in relation to remuneration
- has adequate knowledge of executive remuneration issues, including executive remuneration issues, including executive retention and termination policies and short term and long term incentive arrangements.

## Additional Information for Listed Public Companies

30 June 2014

### ASX Additional Information

Additional information required by the ASX Limited Listing Rules and not disclosed elsewhere in this report is set out below. This information is effective as at.

### Substantial shareholders

The number of substantial shareholders and their associates are set out below:

Shareholders	Number of shares
Neil Frazer	26,115,384
Webinvest Pty Limited	20,050,000
Tisia Nominees Pty Limited	15,000,000
JK Nominees Pty Limited	15,000,000

### Voting rights

#### Ordinary Shares

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

#### Options

No voting rights.

### Distribution of equity security holders

Holding	Ordinary shares	
	Shares	Options
1 - 1,000	7,406	-
1,001 - 5,000	380,554	-
5,001 - 10,000	1,499,603	-
10,001 - 100,000	34,248,891	-
100,000 and over	319,011,677	47,300,000

### Twenty largest shareholders

	Ordinary shares	
	Number held	% of issued shares
Neil Frazer	26,115,384	7.35
Webinvest Pty Limited	20,050,000	5.65
Tisia Nominees Pty Limited	15,000,000	4.22
JK Nominees Pty Limited	15,000,000	4.22
Newtonmore Biosciences Pty Limited	11,016,547	3.10
Drew Ferguson	11,016,547	3.10
Peter Knox	11,016,547	3.10

## Additional Information for Listed Public Companies

30 June 2014

Structure Investments Pty Limited	10,312,532	2.90
Sandhurst Trustees Pty Limited	9,844,951	2.77
Tashtech Pty Limited	9,608,461	2.71
Oaktone Nominees Pty Limited	8,720,930	2.46
Bannaby Investments	8,000,000	2.25
Montoya Pty Limited	7,500,000	2.11
Jason and Lisa Peterson	7,198,077	2.03
Denlin Nominees Pty Limited	5,763,070	1.62
Pershing Australia Nominees Pty Limited	4,235,000	1.19
Myall Res Pty Limited	4,000,000	1.13
Cabletime Pty Limited	3,515,384	0.99
Margaret Livingston	3,490,750	0.98
Karen Silbert	3,450,158	0.97

### Twenty largest option holders

	Options	
	Number held	% of issued options
Structure Investments Pty Limited	19,000,000	40.17
Tisia Nominees Pty Limited	8,000,000	16.91
Denlin Nominees Pty Limited	8,000,000	16.91
JK Nominees Pty Limited	8,000,000	16.91
Margaret Livingston	1,000,000	2.11
Yoix Pty Limited	1,000,000	2.11
Brett Wayne Mattes	1,000,000	2.11
Harshell Investees Pty Limited	750,000	1.59
RWH Nominees Pty Limited	300,000	0.63
TFT Holdings Pty Limited	250,000	0.53

### Unissued equity securities

Options issued 47,300,000.


### Securities exchange

The Company is listed on the Australian Securities Exchange.

## AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of OncoSil Medical Ltd for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.



CROWE HORWATH PERTH



PHILIPPA HOBSON  
Partner

Signed at Perth, 28 August 2014

## INDEPENDENT AUDIT REPORT TO MEMBERS OF ONCOSIL MEDICAL LIMITED AND ITS CONTROLLED ENTITY

### REPORT ON THE FINANCIAL REPORT

We have audited the accompanying financial report of OncoSil Medical Ltd, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated 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 of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

#### *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 is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

#### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

#### *Independence*

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

*Auditor's Opinion*

In our opinion:

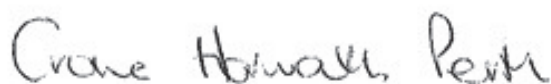
- (a) the financial report of OncoSil Medical Ltd is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

**REPORT ON THE REMUNERATION REPORT**

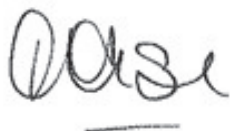
We have audited the Remuneration Report included in pages 10 to 13 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

*Opinion*

In our opinion, the Remuneration Report of OncoSil Medical Ltd for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.



CROWE HORWATH PERTH



PHILIPPA HOBSON  
Partner

Signed at Perth, 28 August 2014