

# Biomics Biopharma Limited

(ACN 613 499 184)

## Fourth Supplementary Prospectus

### IMPORTANT INFORMATION

This is a supplementary prospectus ("**Fourth Supplementary Prospectus**") intended to be read with the replacement prospectus dated 13 April 2017 ("**Prospectus**"), the supplementary prospectus dated 30 June 2017 ("**First Supplementary Prospectus**"), the second supplementary prospectus dated 28 September 2017 ("**Second Supplementary Prospectus**") and the third supplementary prospectus dated 22 December 2017 ("**Third Supplementary Prospectus**") issued by Biomics Biopharma Limited (ACN 613 499 184) ("**Company**").

This Fourth Supplementary Prospectus is dated 22 March 2018 and was lodged with ASIC on that date. Neither ASIC nor ASX take any responsibility as to the contents of this Fourth Supplementary Prospectus.

This Fourth Supplementary Prospectus should be read together with the Prospectus, the First Supplementary Prospectus, the Second Supplementary Prospectus and the Third Supplementary Prospectus. Other than the changes set out in this Fourth Supplementary Prospectus, all other details in relation to the Prospectus, the First Supplementary Prospectus, the Second Supplementary Prospectus and the Third Supplementary Prospectus remain unchanged. To the extent of any inconsistency between this Fourth Supplementary Prospectus, the Prospectus, the First Supplementary Prospectus, the Second Supplementary Prospectus and the Third Supplementary Prospectus, the provisions of this Fourth Supplementary Prospectus will prevail. Unless otherwise indicated, terms defined and used in the Prospectus, the First Supplementary Prospectus, the Second Supplementary Prospectus and the Third Supplementary Prospectus have the same meaning in this Fourth Supplementary Prospectus.

The Company has issued a printed and electronic version of this Fourth Supplementary Prospectus, the Prospectus, the First Supplementary Prospectus, the Second Supplementary Prospectus and the Third Supplementary Prospectus. Any person may obtain an electronic version of this Fourth Supplementary Prospectus, the Prospectus, the First Supplementary Prospectus, the Second Supplementary Prospectus and the Third Supplementary Prospectus from the Company's website at [www.biomics.com](http://www.biomics.com) or a hard copy of these documents free of charge by contacting the Company by telephone on +61 2 8075 4595.

This Fourth Supplementary Prospectus, the Prospectus, the First Supplementary Prospectus, the Second Supplementary Prospectus and Third Supplementary Prospectus are important documents that should be read in their entirety. If you are in any doubt as to the contents of this Fourth Supplementary Prospectus, the Prospectus, the First Supplementary Prospectus, the Second Supplementary Prospectus or the Third Supplementary Prospectus you should consult your stockbroker, lawyer, accountant or other professional adviser without delay.

### 1. **FOURTH SUPPLEMENTARY PROSPECTUS**

#### 1.1 **Reasons for this Fourth Supplementary Prospectus**

This Fourth Supplementary Prospectus has been prepared to:

- (a) extend the period for admission to quotation of Shares offered under the Prospectus from three months from the date of the Third Supplementary Prospectus to 30 April 2018, being the date that is 13 months from the date that the Company's prospectus which initially included the Offer was lodged with ASIC and the final date Shares can be issued under the Offer ("**Quotation Condition**"); and

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*This is a fourth supplementary prospectus intended to be read with the Prospectus dated 13 April 2017, the First Supplementary Prospectus dated 30 June 2017, the Second Supplementary Prospectus dated 28 September 2017 and the Third Supplementary Prospectus dated 22 December 2017 issued by Biomics Biopharma Limited*

- (b) extend the period for the Minimum Subscription to be achieved from four months from the date of the Third Supplementary Prospectus to 30 April 2018, being the date that is 13 months from the date that the Company's prospectus which initially included the Offer was lodged with ASIC and the final date Shares can be issued under the Offer ("**Minimum Subscription Condition**"),

pursuant to the ASIC Corporations ("**Minimum Subscription and Quotation Conditions**") Instrument 2016/70 ("**Instrument**").

In addition, this Fourth Supplementary Prospectus has been prepared to reflect changes to the:

- (a) financial information set out in section 4 of the Prospectus; and
- (b) Investigating Accountant's Report in section 5 of the Prospectus.

## **1.2 Quotation Condition**

The Company makes the following statements regarding the Quotation Condition as required by the Instrument.

- (a) An application for admission to quotation of the Shares offered under the Prospectus was made within 7 days after the date of the Prospectus.
- (b) The Shares offered under the Prospectus have not been admitted to quotation as at the date of this Fourth Supplementary Prospectus.
- (c) ASX has not indicated whether the Shares offered under the Prospectus will be admitted to quotation or will not be admitted to quotation.
- (d) The Quotation Condition is being amended to extend the period for admission to quotation of Shares offered under the Prospectus from 23 March 2018 to 30 April 2018.
- (e) The Quotation Condition must be satisfied by 30 April 2018.
- (f) As at the date of this Fourth Supplementary Prospectus, the Company has received applications for 25,160,000 Shares pursuant to the Offer.

## **1.3 Minimum Subscription Condition**

The Company makes the following statements regarding the Minimum Subscription Condition as required by the Instrument.

- (a) As at the date of this Fourth Supplementary Prospectus, the Company has raised \$5,032,000 under the Offer.
- (b) The Minimum Subscription Condition is being amended to extend the period for the Minimum Subscription to be achieved from 23 April 2018 to 30 April 2018.
- (c) The Minimum Subscription Condition must be satisfied by 30 April 2018.

## **2. APPLICATIONS**

### **2.1 Investors who HAVE previously submitted an Application Form**

A copy of this Fourth Supplementary Prospectus will be sent to all applicants who have subscribed for Shares under the Prospectus, the First Supplementary Prospectus, the Second Supplementary Prospectus and the Third Supplementary Prospectus prior to the date of this Fourth Supplementary Prospectus. In accordance with section 724 of the Corporations Act,

the Company will allow investors who have lodged Application Forms prior to the date of this Fourth Supplementary Prospectus a period of 1 month from the date of this Fourth Supplementary Prospectus (i.e. ending 23 April 2018) to obtain a refund of their Application Monies if they do not wish to proceed with their application (“**Withdrawal Period**”). The Offer will remain open until, at least, the end of the Withdrawal Period.

Any investor who wishes to obtain a refund under the Offer should write to the Company’s Share Registry at the following address:

**Biomics Biopharma Limited  
c/- Advanced Share Registry Ltd  
PO Box 1156  
NEDLANDS WA 6909**

If you do not wish to withdraw your application, you do not need to take any action.

## **2.2 Investors who HAVE NOT previously submitted an Application Form**

The Offer is made in the Prospectus, the First Supplementary Prospectus, the Second Supplementary Prospectus, the Third Supplementary Prospectus and this Fourth Supplementary Prospectus. If you wish to apply for Shares and have not yet completed an Application Form, First Supplementary Application Form, Second Supplementary Application Form, Third Supplementary Application Form and/or Fourth Supplementary Application Form please complete and return a Fourth Supplementary Application Form which is attached to this Fourth Supplementary Prospectus.

The Fourth Supplementary Application Form must be received by 5:00 pm AWST on 23 April 2018 and must be completed in accordance with the relevant instructions in section 1.2 of the Prospectus and the Fourth Supplementary Application Form. Applications must NOT be made on an Application Form attached to or accompanying the Prospectus, the First Supplementary Prospectus, the Second Supplementary Prospectus or the Third Supplementary Prospectus.

## **3. AMENDMENTS TO THE PROSPECTUS**

The Prospectus is amended in accordance with this section 3.

### **3.1 Financial Information**

Replace the content of section 4 of the Prospectus with the new financial Information at Annexure 1 to this Fourth Supplementary Prospectus.

The financial information included in the Prospectus has been replaced to include the Company’s financial accounts as at 31 December 2017 prepared by its auditor, Pitcher Partners SA Pty Ltd, which include, among other things, the following changes in the financial position of the Company since the date of the Prospectus:

- the forgiveness of loans advanced by Shareholders to the Company after the date of the Prospectus;
- an adjustment to the value of inventory; and
- the collection of receivables.

See the financial information at Annexure 1 for more details.

### 3.2 Investigating Accountant's Report

Replace the Investigating Accountant's Report in section 5 of the Prospectus with the new Investigating Accountant's Report prepared by Moore Stephens (VIC) Pty Ltd at Annexure 2 to this Fourth Supplementary Prospectus.

### 3.3 Entrustment loan

Replace section 6.1.19 of the Prospectus with the following:

#### 6.1.19 Renewal of loans

As at the date of the Fourth Supplementary Prospectus, the Group has a secured entrustment loan of RMB30,000,000 which expires in November 2018. The loan is secured by a mortgage over all the buildings on the land at 76 Changxing Road, Nantong Economic & Technology Development Zone, Jiangsu Province, PRC.

The Group has obtained an indemnity from each of its Managing Director and Chief Executive Officer, Dr Zhu and the entities controlled by non-executive directors Mr Gao and Mr Huang for any amounts payable under this loan.

The Nantong Government has approved the extension of the term of this loan by a further 12 months from when it expires in November 2018. The Group is not in default of this loan and it has no reason to believe that this loan will not be renewed again in the future should the Group apply for another renewal. However, there are no assurances that this loan will be renewed on terms favourable to the Group or at all.

See sections 8.6 and 8.7 of the Prospectus for further details on the loan and indemnity provided by Dr Zhu and the entities controlled by non-executive directors Mr Gao and Mr Huang.

The Entrustment Loan described in section 8.6 of the Prospectus has expired. The Group has entered into a new secured entrustment loan with Nantong Fu Min Gang Liang Zhong Chang, a subsidiary of the Nantong Economic and Technology Development Zone Government. Replace section 8.6 of the Prospectus with the following:

#### 8.6 Entrustment loan

As at the date of the Fourth Supplementary Prospectus, the Group has entered into a secured loan of RMB30,000,000 with Nantong Fu Min Gang Liang Zhong Chang, a subsidiary of the Nantong Economic and Technology Development Zone Government, as the consignor, and the Bank of Nanjing, Nantong Economic and Technology Development Zone Branch as consignee. The terms of this bank loan are typical of those expected in such financial arrangements in the PRC. Details of the Group's Entrustment Loan are set out below:

<b>Consignor</b>	Nantong Fu Min Gang Liang Zhong Chang
<b>Consignee</b>	Bank of Nanjing, Nantong Development Zone Branch
<b>Amount RMB/(A\$)</b>	RMB30,000,000 (approximately A\$5,680,000)
<b>Annual interest rate</b>	6.00%
<b>Term of loan</b>	1 year. Expires in November 2018
<b>Secured by</b>	Mortgage over all the buildings on the land at 76 Changxing Road, Nantong Economic & Technology Development Zone,

	Jiangsu Province, PRC.
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The Nantong Government has approved the extension of the term of this loan by a further 12 months from when it expires in November 2018.

Remove the definition of 'Entrustment Loan' from section 13.

### 3.4 Indicative timetable

The indicative timetable set out in section 3.1 of the Third Supplementary Prospectus is deleted and replaced with the following:

Important dates	
Lodgement of the Prospectus with ASIC	13 April 2017
Opening Date	14 April 2017
Closing Date	23 April 2018
Issue of new Shares	26 April 2018
Holding statements sent to Shareholders	27 April 2018
Expected date for Shares to commence trading on ASX	30 April 2018

## 4. CONSENTS

Pitcher Partners SA Pty Ltd has given and has not before lodgement of this Fourth Supplementary Prospectus withdrawn its written consent to be named in this Fourth Supplementary Prospectus as the auditor of the Company in the form and context in which it is named. Pitcher Partners SA Pty Ltd has not authorised or caused the issue of this Fourth Supplementary Prospectus and takes no responsibility for any part of this Fourth Supplementary Prospectus other than references to its name.

Moore Stephens ("VIC") Pty Ltd has given and has not before lodgement of this Fourth Supplementary Prospectus withdrawn its written consent to be named in this Fourth Supplementary Prospectus as the investigating accountant in the form and context in which it is named and to the inclusion of the Investigating Accountant's Report in Annexure 2 in the form and context in which it is included. Moore Stephens ("VIC") Pty Ltd has not authorised or caused the issue of this Fourth Supplementary Prospectus and takes no responsibility for any part of this Fourth Supplementary Prospectus other than references to its name and the Investigating Accountant's Report in Annexure 2.

## 5. DIRECTORS' AUTHORISATION

This Fourth Supplementary Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with section 720 of the Corporations Act, each Director has consented to the lodgement of this Fourth Supplementary Prospectus with ASIC and has not withdrawn that consent prior to lodgement.

Signed for and on behalf of the Company on 22 March 2018.

A handwritten signature in black ink, appearing to read 'York Zhu', written in a cursive style.

**Dr York Zhu**  
Executive Chairman, Managing Director

Annexure 1 – Financial Information

## 4. Financial Information

### 4.1 OVERVIEW

This Section 4 contains a summary of the Pro Forma & Consolidated Historical Financial Information and Pro Forma Consolidated Historical Financial Information (collectively referred to as the Financial Information) in relation to Biomics Biopharma Limited (Company) which the Directors consider relevant to investors. Investors are referred to Section 3.1 of the Prospectus for an overview of the Company's corporate structure. Investors should note that Group's financial year (FY) is from 1 January to 31 December.

The Financial Information comprises the following:

#### 4.1.1 PRO FORMA & CONSOLIDATED HISTORICAL FINANCIAL INFORMATION

The Pro Forma Historical Information in respect of FY2015 and FY2016 relates solely to Biomics Biotechnologies Co., Ltd (PRC BIO), a company incorporated in the PRC and consists of:

- (a) Audited Pro Forma Historical Statement of Comprehensive Income for, FY2015 and FY 2016 as set out in Section 4.3.1;
- (b) Audited Pro Forma Historical Statement of Cash Flows for, FY2015 and FY2016 as set out in Section 4.3.2; and
- (c) Audited Pro Forma Historical Statement of Financial Position as at 31 December 2015 and 31 December 2016 as set out in Section 4.3.3.

The audit reports of the financial statements for PRC BIO from which the above Pro Forma Historical Financial Information was compiled were qualified on closing stock for FY 2014 and qualified on opening stock for FY 2015 and contain an emphasis of matter paragraph on going concern for FY 2015 and FY 2016. Details of the qualification and emphasis of matter paragraph are set out in Annexure 2 Investigation Accountant's Report of this Prospectus.

Also set out in Section 4.3 is the Audited Consolidated Historical Financial Information of the Company in respect of FY2017. This comprises the Consolidated Financial Statements of Comprehensive Income, Cash Flows and Position of the Company and its subsidiaries, (i.e. inclusive of PRC BIO). This FY2017 information is set out together with the FY2015 and FY2016 Pro Forma Historical Financial Information described above for PRC BIO for ease of comparison.

The Consolidated Historical Financial Information has been derived from the financial year ending 31 December 2017 financial statements of the Company prepared in accordance with Australian Accounting Standards (AASB) and the Corporations Act 2001 and presented in Australian Dollars. Those financial statements were audited by Pitcher Partners Adelaide in accordance with Australian Auditing Standards and on which an unmodified conclusion containing emphasis of matter paragraph on going concern was issued.

#### 4.1.2 PRO FORMA CONSOLIDATED HISTORICAL FINANCIAL INFORMATION

The Pro Forma Consolidated Historical Financial Information includes the Consolidated Historical Financial Information of the Company as at 31 December 2017 derived from the 31 December 2017 financial statements described above, and assumes the pro forma transactions as set out in Note 2 of section 4.5 had occurred and consist of:

- Pro Forma Consolidated Historical Statement of Financial Position of the Company as at 31 December 2017 at the minimum and full subscription; and
- Pro Forma Consolidated Historical Statement of Changes in Equity of the Company as at December 2017 at the minimum and full subscription

The Financial Information contained in this section of the Prospectus is presented in an abbreviated form and does not contain all the disclosures that are usually provided in an annual report prepared in accordance with Australian equivalents to International Financial Reporting Standards (“AIFRS”) and the Corporations Act. In the view of the Directors of the Company, the omitted disclosures would provide no further relevant information to potential investors.

The Financial Information should be read in conjunction with the risk factors associated with an investment in the Company set out in Section 6, the Investigating Accountant’s Report in Section 5 and the other information contained in this Prospectus. Investors should note the scope and limitations of the Investigating Accountant’s Report.

## **4.2 BASIS OF PREPARATION OF THE FINANCIAL INFORMATION**

### **4.2.1 PRO FORMA HISTORICAL FINANCIAL INFORMATION**

The Pro Forma Historical Financial Information has been compiled from the financial statements of PRC BIO for FY2015 and FY2016 (“Financial Statements”).

The Financial Statements were audited in accordance with Australian Auditing Standards by Pitcher Partners Adelaide and on which audit opinions issued were qualified on closing stock for FY 2014 and qualified on opening stock for FY 2015. Each of Pitcher Partners reports contained an emphasis of matter paragraph with respect to going concern. Pitcher Partner’s audit reports on the Financial Statements were provided solely in the context of their compliance with International Financial Reporting Standards (IFRS) and expressed no opinion on the Financial Statements compliance with the relevant accounting, statutory and regulatory requirements in the PRC.

The Financial Statements are prepared and presented in its functional currency (RMB). The Pro Forma Historical Financial Information has no adjustment to those Financial Statements other than conversion to Australian Dollars (\$) at applicable exchange rates.

### **4.2.2 PRO FORMA CONSOLIDATED HISTORICAL FINANCIAL INFORMATION**

The Pro Forma Historical Financial Information of the Company has been compiled from the Pitcher Partner audited consolidated financial information of Company for the financial year ended 31 December 2017.

### **4.2.3 FOREIGN CURRENCY TRANSLATION**

In accordance with the requirements of Australian Accounting Standards, the Company has adopted the foreign currency translation accounting policy set out in Section 4.5 in which assets and liabilities of the Company and its controlled entities (on a Pro forma basis) are translated at exchange rates in effect at reporting date. Revenue and expenses are translated at the exchange rates in effect at the date of the transaction. Exchange differences arising are recognised directly to the Group’s foreign currency translation reserve in the Statement of Financial Position.

The exchange rates used in the preparation of the Financial Information in this Section 4 is as follows:

Year	RMB: AUD	
	Year ended Average	Year ended Spot
31 December 2013	0.16798	0.18468
31 December 2014	0.17975	0.19662
31 December 2015	0.21153	0.21078
31 December 2016	0.20223	0.19886
31 December 2017	0.19300	0.19669

Share capital of PRC BIO was converted at spot rates applicable on the date of capital injection.

### 4.3 PRO FORMA & CONSOLIDATED HISTORICAL FINANCIAL INFORMATION

Set out below the Historical Pro Forma Financial Information for PRC BIO in respect of FY2015 and FY2016 together with the Audited Consolidated Historical Financial Information of the Company in respect of FY2017. The basis of preparation of the Historical Financial Information is set out in Section 4.2. The accounting policies adopted by PRC BIO and the Company in preparation of the Financial Statements are set out in Note 1 of Section 4.5.

#### 4.3.1 PRO FORMA & CONSOLIDATED HISTORICAL STATEMENT OF COMPREHENSIVE INCOME

Pro Forma & Consolidated Historical Statement of Comprehensive Income	FY2015 PRC BIO Pro Forma	FY2016 PRC BIO Pro Forma	FY2017 Company Consolidated
	\$'000	\$'000	\$'000
Revenue	923	1,214	761
Cost of Sales	(346)	(419)	(479)
<b>Gross Profit</b>	<b>577</b>	<b>795</b>	<b>282</b>
Other revenue	3,889	162	94
Gains / (Losses) on financial assets held for trading	(269)	(94)	48
Operating expenses	(163)	(150)	(216)
Administration expenses	(789)	(1,224)	(780)
Finance costs	(425)	(382)	(366)
Research & Development expenses	(1,649)	(1,406)	(1,423)
Other expenses	(206)	(667)	(377)
Share of Gains / (Losses) for investment in associates	(22)	-	-
Impairment for available for sale assets	-	(83)	-
<b>Profit before income tax expense</b>	<b>943</b>	<b>(3,049)</b>	<b>(2,738)</b>
Income tax expense/(benefit)	-	-	-
<b>Profit after income tax expense</b>	<b>943</b>	<b>(3,049)</b>	<b>(2,738)</b>
<b>Other comprehensive income</b>			

<b>Pro Forma &amp; Consolidated Historical Statement of Comprehensive Income</b>	<b>FY2015 PRC BIO Pro Forma</b>	<b>FY2016 PRC BIO Pro Forma</b>	<b>FY2017 Company Consolidated</b>
Foreign currency translation gain/(loss)	(198)	162	147
<b>Total comprehensive income</b>	<b>745</b>	<b>(2,887)</b>	<b>(2,591)</b>

The above Pro Forma Historical Statements of Comprehensive Income have been translated from RMB to AUD\$ at average exchange rates applicable for the reporting period, as set out Section 4.2.3.

#### 4.3.2 PRO FORMA & CONSOLIDATED HISTORICAL STATEMENTS OF CASH FLOWS

<b>Pro Forma &amp; Consolidated Historical Statements of Cash Flow</b>	<b>FY2015 PRC BIO Pro Forma</b>	<b>FY2016 PRC BIO Pro Forma</b>	<b>FY2017 Company Consolidated</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Cash flows from operating activities</b>			
Receipts from customers	2,883	930	1,211
Payments to suppliers, employees and others	(3,500)	(2,364)	(3,276)
Interest received	10	3	1
Finance expense paid	(425)	(382)	(366)
Receipts of government grants	153	125	10
<b>Net cash provided by (used in) operating activities</b>	<b>(879)</b>	<b>(1,688)</b>	<b>(2,420)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	(31)	(61)	(8)
Purchase of intangibles	(18)	-	-
Proceed from disposal of investment in associates	825	-	-
<b>Net cash provided by (used in) investing activities</b>	<b>776</b>	<b>(61)</b>	<b>(8)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings	7,404	-	12,082
Repayment of borrowings	(7,404)	-	(11,580)
Cash receipts(Advanced) From(to) related parties	393	1,598	1,611
<b>Net cash provided by (used in) financing activities</b>	<b>393</b>	<b>1,598</b>	<b>2,113</b>
Net change in cash and cash equivalents held	290	(151)	(315)
Forex translation movement	5	(19)	156
Cash and cash equivalents at beginning of financial year	89	384	214
<b>Cash and cash equivalents at end of financial year</b>	<b>384</b>	<b>214</b>	<b>55</b>

The above pro forma historical statements of cash flows should be read in conjunction with the notes hereto

Notes:

1. Cash and cash equivalent at the beginning and end of the financial year have been translated at the applicable spot rates at the balance date, as set out in Section 4.2.3.
2. Other than as stated above, all other figures have been translated from RMB to AUD at average exchange rates applicable for the reporting period, as set out in Section 4.2.3.

#### 4.3.3 PRO FORMA & CONSOLIDATED HISTORICAL STATEMENT OF FINANCIAL POSITION

Pro Forma & Consolidated Historical Statement of Financial Position	FY2015 PRC BIO Pro Forma	FY2016 PRC BIO Pro Forma	FY2017 Company Consolidated
	\$'000	\$'000	\$'000
<b>Current Assets</b>			
Cash and cash equivalents	384	214	55
Trade and other receivables	770	954	958
Inventory	932	450	239
Other financial assets	161	59	107
Other current assets	333	-	-
<b>Total Current Assets</b>	<b>2,580</b>	<b>1,677</b>	<b>1,359</b>
<b>Non-Current Assets</b>			
Trade and other receivables	759	78	-
Property, plant and equipment	2,841	2,466	2,255
Intangible assets	779	713	683
Investment in associate	-	-	-
Other financial assets	526	414	410
<b>Total Non-Current Assets</b>	<b>4,905</b>	<b>3,671</b>	<b>3,348</b>
<b>Total Assets</b>	<b>7,485</b>	<b>5,348</b>	<b>4,707</b>
<b>Current Liabilities</b>			
Trade and other payables	1,854	4,229	2,416
Short-term borrowings	-	5,966	5,901
<b>Total Current Liabilities</b>	<b>1,854</b>	<b>10,195</b>	<b>8,317</b>
<b>Non-Current Liabilities</b>			
Other payables	1,267	-	39
Long-term Borrowing	6,324	-	-
<b>Total Non-Current Liabilities</b>	<b>7,591</b>	<b>-</b>	<b>39</b>
<b>Total Liabilities</b>	<b>9,445</b>	<b>10,195</b>	<b>8,356</b>
<b>Net Assets</b>	<b>(1,960)</b>	<b>(4,847)</b>	<b>(3,649)</b>
<b>Equity</b>			
Issued capital <sup>1</sup>	18,597	18,597	22,386
Foreign currency translation reserve <sup>3</sup>	(628)	(466)	(319)
Retained Earnings <sup>2</sup>	(19,929)	(22,978)	(25,716)
<b>Total Equity</b>	<b>(1,960)</b>	<b>(4,847)</b>	<b>(3,649)</b>

The above pro forma statements of financial position should be read in conjunction with the notes hereto.

Notes:

1. PRC BIO was registered on 17th of February 2006. On 15th of May 2006 the first paid up capital totalling \$658,734 was contributed (translated at the spot rate RMB1: AUD\$0.16229). On 20th of May 2006, 30th June 2006, 7th of July 2006, 10th of January 2007, 18th of July 2007, 27th of December 2007, 15th of August 2008 and 18th of August 2008, \$1,345,330, \$2,430,445, \$2,420,991, \$4,450,072, \$1,709,752, \$1,560,403, \$2,022,347 and \$1,999,300 has been contributed to the capital respectively (translated at the spot rate RMB1: AUD\$0.16348, RMB1: AUD\$0.16831, RMB1: AUD\$0.16766, RMB1: AUD\$0.16424, RMB1: AUD\$0.15064, RMB1: AUD\$0.15604, RMB1: AUD\$0.16853 and RMB1: AUD\$0.16661 respectively).

2. Opening retained earnings as at 1st of January 2015 have been translated at the average rate between 17th of February 2006 to 31st of December 2012 at RMB1: AUD\$0.16216 plus trading result of FY 2013 translated at average rate between 1 January 2013 to 31 December 2013 at RMB1: AUD\$0.16798 and plus trading result of FY 2014 translated at average rate between 1 January 2014 to 31 December 2014 at RMB1: AUD\$0.17975. The relevant impact of net profit on retained earnings have been translated at the average exchange rate for the relevant year.
3. All other items on Pro Forma Historical Statement of Financial Position have been translated at spot rate at the applicable balance date, as set out Section 4.2.3
4. The acquisition of PRC BIO by the Company was accounted for as at 1 January 2017. Refer to Note 3 of Section 4.5.
5. The impact on translation reserve as a result of translating the asset, liabilities, equity, revenue and expenses at different rate is summarised as follows:

	FY2015	FY2016	FY2017
	\$'000	\$'000	\$'000
Impact of translation of opening retained earnings/(Accumulated losses) at historical average rate	(5,975)	(4,513)	(4,162)
Impact of translation of net profit/(losses) of the year at average rate	(3)	52	(53)
Impact of share capital at historical spot rate	5,350	3,995	3,749
Impact of elimination of other receivable from PRC BIO recognised the Company at historical spot rate as a result of debt to equity arrangement against other payable recognised by PRC BIO and translated at year end spot rate.	-	-	147
<b>Total foreign currency translation reserve</b>	<b>(628)</b>	<b>(466)</b>	<b>(319)</b>

## 4.4 MANAGEMENT DISCUSSION AND ANALYSIS

### 4.4.1 GENERAL FACTORS AFFECTING THE OPERATING RESULTS

Below is a discussion of the main factors which affected PRC BIO's and the Company's operations and relative financial performance in FY2015, FY2016 and FY2017. The discussion of these general factors is intended to provide a brief summary only and does not detail all factors that affected PRC BIO's and the Company's historical operating and financial performance, or everything that may affect PRC BIO's and the Company's operations and financial performance in the future. The section should be read in conjunction with Basis of Preparation of the Financial Information set out in Section 4.2.

The management discussion and analysis set out in this Section 4.4.1 of the Prospectus does not form of the scope of the Independent Accountants' review.

#### (a) Revenue

A revenue breakdown is shown as follows:

Revenue	FY2015 PRC BIO Pro Forma	FY2016 PRC BIO Pro Forma	FY2017 Company Consolidated
	\$'000	\$'000	\$'000
<b>Revenue</b>			
Sale of goods	635	590	596
Technical consultancy service	288	624	165
<b>Total revenue</b>	<b>923</b>	<b>1,214</b>	<b>761</b>
Cost of sales	(346)	(419)	(479)
<b>Gross profit</b>	<b>577</b>	<b>795</b>	<b>282</b>

Revenue	FY2015 PRC BIO Pro Forma	FY2016 PRC BIO Pro Forma	FY2017 Company Consolidated
<b>Other Income</b>			
Project income	2,359	-	-
Gain/(loss) on disposal of investment	1,063	-	82
Government subsidies received	154	125	10
Interest received	10	3	1
Donation	299	7	-
Other	4	27	1
<b>Total other income</b>	<b>3,889</b>	<b>162</b>	<b>94</b>

The decrease in technical consultancy service revenue recognised during FY 2017 was attributed to the focus shifting from technical consultancy service to improvement and product line expansion of skin care product series – Cosensia.

A significant drop of the government subsidies can be seen from FY2015 to FY2017. The government subsidies mainly support initial-stage R&D programs. With more programs progressed to further stages, less subsidies were granted to the company from the government.

Project income recognised in FY 2015 was in relation to the earn out income received from Benitec Bio Pharma Limited for the transfer of all rights, title and interest in the HBV patents jointly developed with Benitec Bio Pharma Limited through historical cooperation. Gain on disposal of investment recognised in FY 2015 was in relation to the sale of 39% shares in associate company Jiangsu Genecon Biotechnologies Co., Ltd on 10 May 2015.

#### (b) Operating expense

The operating expense line items are shown below:

Operating expenses	FY2015 PRC BIO Pro Forma	FY2016 PRC BIO Pro Forma	FY2017 Company Consolidated
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Salary expenses	129	107	131
Depreciation	8	7	7
Advertising	7	11	40
Travelling	4	11	14
Other	15	14	24
<b>Total Operating Expense</b>	<b>163</b>	<b>150</b>	<b>216</b>

The main operating expenses for FY2015, FY2016 and FY2017 were salaries and wages which accounted for 79.14%, 71.33% and 60.65% of the total operating expenses respectively. The operating expense for 2017 has increased by 44% comparing with 2016 is a combined effect of increased salary expenses and advertising cost.

### (c) Administrative expense

The administrative expense line items are shown below:

<b>Administrative expenses</b>	<b>FY2015 PRC BIO Pro Forma</b>	<b>FY2016 PRC BIO Pro Forma</b>	<b>FY2017 Company Consolidated</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Salary expenses	439	519	478
Service fee	75	87	63
Taxes	106	101	96
Depreciation	30	32	34
Amortisation	25	25	22
Bad debt expense for trade receivables written off	-	40	2
Stock obsolescence impairment expenses	-	309	1
Other	114	111	84
<b>Total Administrative Expense</b>	<b>789</b>	<b>1,224</b>	<b>780</b>

The main administration expenses for FY2015, FY2016 and FY2017 are salaries and wages which accounted for 55.64%, 42.40% and 61.28% of total administrative expenses respectively. The administrative expense for FY2016 has increased by 55.13% comparing with FY2015 is a combined effect of increased salaries and wages expenses bad debt expense for trade receivables written off and stock obsolescence impairment expenses.

### (d) Finance expense

The finance expense line item is shown below:

<b>Finance expense</b>	<b>FY2015 PRC BIO Pro Forma</b>	<b>FY2016 PRC BIO Pro Forma</b>	<b>FY2017 Company Consolidated</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Interest expense on borrowings	424	380	364
Bank charge	19	1	1
Foreign exchange loss / (gain)	(18)	1	1
<b>Total Finance Expense</b>	<b>425</b>	<b>382</b>	<b>366</b>

The main finance expenses for FY2015, FY2016 and the FY2017 are bank borrowing interest costs.

**(e) Research and development expense**

Research and development expense	FY2015 PRC BIO Pro Forma	FY2016 PRC BIO Pro Forma	FY2017 Company Consolidated
	\$'000	\$'000	\$'000
Research and development – Salary expense	990	907	875
Research and development – Other expenses	659	499	548
<b>Total research and development expense</b>	<b>1,649</b>	<b>1,406</b>	<b>1,423</b>

The main research and development expenses for FY2015, FY2016 and FY2017 are salary expenses.

**(f) Other expense**

Other expense	FY2015 PRC BIO Pro Forma	FY2016 PRC BIO Pro Forma	FY2017 Company Consolidated
	\$'000	\$'000	\$'000
Fees and registration	73	32	25
IPO service fee	133	636	353
<b>Total Other Expense</b>	<b>206</b>	<b>668</b>	<b>378</b>

Fee and registration fee mainly comprised of the patent application fee.

## 4.5 PRO FORMA CONSOLIDATED HISTORICAL FINANCIAL INFORMATION

### 4.5.1 PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITIONAS AT 31 DECEMBER 2017

	Note	Audited 31 December 2017 Company <sup>1</sup>	Pro Forma Adjustments Minimal Subscription <sup>2</sup>	Pro Forma Historical Balance Sheet Minimum Subscription	Pro Forma Adjustments Full Subscription <sup>3</sup>	Pro Forma Historical Balance Sheet Full Subscription
<b>\$'000</b>						
<b>Current Assets</b>						
Cash and cash equivalents		55	11,858	11,913	14,640	14,695
Trade and other receivables	4	958		958		958
Inventory	5	239		239		239
Other financial assets	6	107		107		107
<b>Total Current Assets</b>		<b>1,359</b>	<b>11,858</b>	<b>13,217</b>	<b>14,640</b>	<b>15,999</b>
<b>Non-Current Assets</b>						
Property, plant and equipment	7	2,255		2,255		2,255

	Note	Audited 31 December 2017 Company <sup>1</sup>	Pro Forma Adjustments Minimal Subscription <sup>2</sup>	Pro Forma Historical Balance Sheet Minimum Subscription	Pro Forma Adjustments Full Subscription <sup>3</sup>	Pro Forma Historical Balance Sheet Full Subscription
Intangible assets	8	683		683		683
Other financial assets	6	410		410		410
<b>Total Non-Current Assets</b>		<b>3,348</b>		<b>3,348</b>		<b>3,348</b>
<b>Total Assets</b>		<b>4,707</b>	<b>11,858</b>	<b>16,565</b>	<b>14,640</b>	<b>19,347</b>
<b>Current Liabilities</b>						
Trade and other payables	9	2,416	(1,551)	865	(1,551)	865
Borrowing	10	5,901		5,901		5,901
<b>Total Current Liabilities</b>		<b>8,317</b>	<b>(1,551)</b>	<b>6,766</b>	<b>(1,551)</b>	<b>6,766</b>
<b>Non-Current Liabilities</b>						
Trade and other payables	9	39		39		39
<b>Total Non-Current Liabilities</b>		<b>39</b>		<b>39</b>		<b>39</b>
<b>Total Liabilities</b>		<b>8,356</b>	<b>(1,551)</b>	<b>6,805</b>	<b>(1,551)</b>	<b>6,805</b>
<b>Net Assets</b>		<b>(3,649)</b>	<b>13,409</b>	<b>9,760</b>	<b>16,191</b>	<b>12,542</b>
Share Capital	11	22,386	11,941	34,327	14,713	37,099
Retained earnings		(25,716)	1,468	(24,248)	1,478	(24,238)
Reserve	12	(319)		(319)		(319)
<b>Total Equity</b>		<b>(3,649)</b>	<b>13,409</b>	<b>9,760</b>	<b>16,191</b>	<b>12,542</b>

The above pro forma historical statements of financial position and pro forma consolidated statement of financial position should be read in conjunction with the notes hereto and accompany notes set out in Section 4.5.3.

Notes:

1. The Australian parent company, Biomics Biopharma Limited, was registered on 2<sup>nd</sup> of August 2016
2. Reflects the impact of the following pro forma adjustments related to the IPO assuming minimal subscription:
  - a. Minimum subscription of 65,000,000 issued shares at an issue price of \$0.20, with cash proceeds of the Offer totalling \$13,000,000.
  - b. Total expense of the Offer \$2,155,573, \$1,058,612 has been directly offset against raised capital and \$1,096,961 has been expensed in accordance with Australian Accounting Standards.
  - c. Subsequent to year end 31 December 2017, pursuant to Declaration of Debt Waiver signed/Stamped by Dr York Yuan Yuan Zhu, Jiangsu Yixing Group Co.,Ltd and Jiangsu Dingong Venture Capital Co., Ltd on 12 March 2018, these lenders have waived the principal and relevant interest for the additional lending provided during March 2017 to December 2017 in total of AUD 1,551,667. The debt forgiveness has been adjusted as at 31 December 2017 on a Pro-Forma basis.
3. Reflects the impact of the following pro forma adjustments related to the IPO assuming full subscription:
  - a. Full subscription of 80,000,000 issued shares at an issue price of \$0.20 per share, with cash proceed of the Offer totalling \$16,000,000.
  - b. Total expense of the Offer \$2,373,623, \$1,286,751 has been directly offset against raised capital and \$1,086,872 has been expensed in accordance with Australian Accounting Standards.
  - c. Subsequent to year end 31 December 2017, pursuant to Declaration of Debt Waiver signed/Stamped by Dr York Yuan Yuan Zhu, Jiangsu Yixing Group Co.,Ltd and Jiangsu Dingong Venture Capital Co., Ltd on 12 March 2018, these lenders have waived the principal and relevant interest for the additional lending provided during March 2017 to December 2017 in total of AUD 1,551,667. The debt forgiveness has been adjusted as at 31 December 2017 on a Pro-Forma basis.

#### 4.5.2 PRO FORMA STATEMENT OF CHANGE IN EQUITY FOR THE PERIOD FROM INCORPORATION TO 31 DECEMBER 2017

This table below sets out the reviewed Pro Forma Historical Statement of Changes in Equity and Pro Forma Consolidated Statement of Changes in Equity for the Period from Incorporation to 31 December 2017.

Pro Forma Statement of Change in Equity	Issued Capital	Foreign Currency Translation Reserve	Retained Earnings
	\$'000	\$'000	\$'000
<b>Balance at incorporation</b>	-	-	-
Share issued on incorporation – 1 Ordinary Share	-	-	-
Amounts recognised as a consequence of a restructure transaction - Refer Note 3	18,597	(466)	(22,978)
Amount recognised as a consequence of shareholder loans conversion to equity	3,789		
(Loss) for the period 1 January 2017 to 31 December 2017			(2,738)
Foreign currency translation gain/(loss)		147	
<b>Pro forma transaction</b>			
Amounts recognised as a result of subsequent debt forgiven by lenders			1,551
Issue of 65,000,000 Offer Shares in the Company pursuant to this prospectus - Minimum Subscription	13,000		
Expenses of the offer - Refer Note 2	(1,059)		(83)
<b>Pro forma balance - Minimum Subscription</b>	<b>34,327</b>	<b>(319)</b>	<b>(24,248)</b>
Issue of an additional 15,000,000 Offer Shares in the Company pursuant to this prospectus - Full Subscription	<b>3,000</b>		
Additional expenses of the offer - Refer Note 2	<b>(228)</b>		<b>10</b>
<b>Pro forma balance - Full Subscription</b>	<b>37,099</b>	<b>(319)</b>	<b>(24,238)</b>

The above pro forma historical statements of changes in equity should be read in conjunction with the notes hereto and accompany notes set out in Section 4.5.3.

#### **4.5.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2017**

### **Note1: Statement of Significant Accounting Policies**

#### **(a) New Accounting Standards and Interpretations**

Certain new accounting standards and IFRIC interpretations have been published that are not mandatory for current reporting periods. The Company and its controlled entities (the Group) assessment of the impact of these new standards and interpretations is that there would be no material impact on the historical or reported pro forma financial information.

#### **(b) Principle of Consolidation**

A controlled entity is any entity that the Company controls. The consolidated entity controls an entity when it is exposed to, or has rights to variable returns from its investment with the entity and has the ability to affect those returns through its power to direct the activities of that entity.

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the period then ended. Where controlled entities have entered (left) the Group during the period, their operating results have been included (excluded) from the date control was obtained (ceased).

Common control transactions are transactions in which the shareholders of the Group are the same party or parties before and after the transaction.

The share transfer agreements detailed in note 3 represent a capital restructure transaction. The Company has elected to account for these transactions using the predecessor value method. The method requires financial statements to be prepared using predecessor book value. Predecessor book values represent the carrying amount of net assets before the restructure transaction.

All intercompany balances and transactions between entities in the consolidated entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

#### **(c) Income Tax**

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

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability where there is no effect on accounting or taxable profit or loss.

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.

## **(d) Incorporation**

The Company was registered on 2 August 2016.

## **(e) Foreign Currency Translation**

### *(i) 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 presentational currency and the functional currency of its main operating subsidiary, Biomics Biotechnologies Co., Ltd is Chinese Renminbi, and the Pro Forma Consolidated Historical Financial Information is presented in Australian Dollars, the presentational and functional currency of the Company.

### *(ii) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction(s). Foreign exchange gains and losses resulting from the settlement of such transaction(s) and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Profit or Loss and Other Comprehensive Income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Transaction differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available for sale financial assets are included in the fair value reserve in equity.

### *(iii) Group entities*

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;
- Income and expenses are translated at average rates for the period; and
- Retained earnings are translated at historical average rates.
- Share capital is translated at historical spot rates

Exchange differences arising on the translation of foreign operations are recognised directly to the Group's foreign currency translation reserve in the Consolidated Statement of Financial Position.

## **(f) Revenue Recognition**

Revenue is measured at the fair value of the consideration received or receivable after taking into account any sales rebates. Any consideration deferred is treated as comprising a finance component and is discounted at a rate of interest that is generally accepted in

the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Revenue from sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement by the Company in those goods.

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs it is compensating.

All revenue is stated net of the amount of value added tax (VAT).

## **(g) Business Combination**

The Group assess whether a business combination is a common control transaction or a change of control transaction.

Control is assumed to exist when the parent entity (a) owns directly, or indirectly, through other subsidiaries, more than half the voting power of the entity, unless in exceptional circumstances it can be demonstrated that such control does not exist or (b) has the power to govern the financial and operating policies of the subsidiary entity under a statute or agreement.

Common control transactions are transactions in which all the combining entities are controlled by the same party or parties before and after the transaction and the control is not transitory. In respect to such transactions the Group has elected to account for these transactions using the predecessor values method. The method requires financial statements to be prepared using the predecessor book value.

Change of control transactions are accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) is assumed is recognised (subject to certain limited exceptions). The acquisition may result in the recognition of goodwill or a gain from a bargain purchase.

All transaction costs incurred in relation to a business combination are expensed in the statement of comprehensive income.

## **(h) Impairment of Assets**

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

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

### **(i) Cash and cash equivalent**

Cash and cash equivalents comprise cash at bank and on hand. Cash equivalents are short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

### **(j) Trade and Other Receivables**

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets, less any provision for impairment.

### **(k) Property, Plant and Equipment**

Property, plant and equipment are measured at cost less depreciation and any impairment losses.

The cost of fixed assets constructed within the Company includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

#### **Depreciation**

The depreciable amount of all fixed assets including building and capitalised leased assets, but excluding freehold land, is depreciated on a straight-line basis over their useful lives to the Company commencing from the time the asset is held ready for use. Leased assets are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the assets.

The depreciation rates used for each class of depreciable assets are:

<b>Class of Fixed Asset</b>	<b>Depreciation Rate</b>
Office equipment	20%~33%
Buildings	5%
Plant and equipment	10%~33%
Motor vehicles	20%~25%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting period date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the statement of comprehensive income.

## **(l) Inventory**

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of fixed overheads. Overheads are applied on the basis of direct material usage. Costs are assigned on the basis of weighted average costs.

## **(m) Intangible assets**

Land use right has a finite useful life and is carried at cost less accumulated amortisation and any impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of land use rights over its estimated useful lives, which is 50 years.

Trademarks are recognised at cost of acquisition. They have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Trademarks are amortised over their useful lives of 10 years.

Computer software are recognised at cost of acquisition. They have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Computer software are amortised over their useful lives of 5 years.

## **(n) Employee Benefits & Entitlements**

Salary and wages are paid on a monthly basis and recognised as an expense when incurred and no leave entitlements accrue at the end of the reporting period. Other employee benefits accruals is recognised in accordance with applicable statutory or employee contractual arrangements.

## **(o) Contributed Equity**

Ordinary Shares are classified as equity. Incremental costs directly attributable to the issue of new shares and options are shown in equity as a deduction, net of tax, from the proceeds.

## **(p) Chinese VAT/Australian GST**

Revenue, expenses and assets are recognised net of the amount of VAT/GST, except where the amount of VAT/GST incurred is not recoverable from the local tax office. In these circumstances the VAT/GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of VAT/GST. Cash flows are presented in the statement of cash flows on a gross basis, except for the VAT/GST component of investing and financing activities, which are disclosed as operating cash flows.

## **(q) Investments in Associates**

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the entity but is not control or joint control of those policies. Investments in associates are accounted for in the financial statements by applying the equity method of accounting,

whereby the investment is initially recognised at cost (including transaction costs) and adjusted thereafter for the post-acquisition change in the Company's share of net assets of the associate. In addition, the Company's share of the profit or loss of the associate is included in the Company's profit or loss.

The carrying amount of the investment includes, when applicable, goodwill relating to the associate. Any discount on acquisition, whereby the Company's share of the net fair value of the associate exceeds the cost of investment, is recognised in profit or loss in the period in which the investment is acquired.

Profits and losses resulting from transactions between the Company and the associate are eliminated to the extent of the Company's interest in the associate.

When the Company's share of losses in an associate equals or exceeds its interest in the associate, the Company discontinues recognising its share of further losses unless it has incurred legal or constructive obligations or made payments on behalf of the associate. When the associate subsequently makes profits, the Company will resume recognising its share of those profits once its share of the profits equals the share of the losses not recognised.

#### **(r) 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 90 days of recognition of the liability.

#### **(s) Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in the statement of comprehensive income in the period in which they are incurred.

#### **(t) Critical accounting estimates and judgments**

The Director evaluate estimates and judgments incorporated into the financial statements 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. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

#### **Research and Development Expenses**

The Company assess its research and development as follows:

- Expenditure incurred on research programs are recognised as an expense when incurred.

- Expenditure incurred on development programs that are not sufficiently advanced to reliably determine the economic benefits and technical feasibility to justify capitalisation are recognised as an expense when incurred.
- Expenditure directly attributable to the development of product are capitalised as intangible assets only when technical feasibility of the product is demonstrated, the Group has an intention and ability to complete and use the product and the costs can be measured reliably. Such costs include purchases of materials and services and payroll-related costs of employees directly involved in the product.

### **Key Estimates — Impairment of Non-Financial Assets**

The Company assesses impairment at each reporting date by evaluating conditions and events specific to the Company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

### **Significant Judgments — Provision for Impairment of Receivables**

The Group assesses the provision for impairment of receivable at each reporting date by evaluating the ageing and likely recoverability of the outstanding balances.

### **Significant Judgments — Provision for Impairment of Inventory**

The Group assesses the provision for impairment of inventory at each reporting date by evaluating the ageing and also usability of the stock on hand.

## **(u) Financial Instruments**

### *Initial recognition and measurement*

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the entity commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified “at fair value through profit or loss”, in which case transaction costs are expensed to profit or loss immediately.

### *Classification and subsequent measurement*

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) over the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

The Company does not designate any interests in subsidiaries, associates or joint ventures as being subject to the requirements of Accounting Standards specifically applicable to financial instruments.

*(i) Financial assets at fair value through profit or loss*

Financial assets are classified at “fair value through profit or loss” when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying amount being included in profit or loss.

*(ii) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and 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.

*(iii) Available-for-sale investments*

Available-for-sale investments are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with any remeasurements other than impairment losses and foreign exchange gains and losses recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are classified as non-current assets when they are not expected to be sold within 12 months after the end of the reporting period. All other available-for-sale financial assets are classified as current assets.

The Company's available for sale financial assets included equity investment in in Jiangsu Laifu Shidai Biotechnologies Co., Ltd, Energene Biotechnologies Co., Ltd and Jiangsu Genecon Biotechnologies Co., Ltd. The equity investments are measured at cost less any impairment charges, as its fair value cannot currently be estimated reliably. Impairment charges are recognised in profit or loss.

*(iv) Financial liabilities*

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

*Impairment*

A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a “loss event”) having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered to constitute a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified into profit or loss at this point.

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Company recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

#### *Derecognition*

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

## **Note 2: Basis of Preparation for Pro Forma Consolidated Statement of Financial Position**

The Pro Forma Consolidated Statement of Financial Position has been prepared from the Consolidated Historical Statement of Financial Position of the Company adjusted for the following transactions as if they had taken place on 31 December 2017:

### **(a) Assuming Minimum Subscription**

The issue of 65,000,000 Offer Shares at an issue price of \$0.20 per share to raise \$13,000,000, less associated capital raising costs estimated to be \$2,155,573. \$1,058,612 has been directly offset against raised capital and \$1,096,961 has been expensed in accordance with Australian Accounting Standards.

### **(b) Assuming Full Subscription**

The issue of an additional 15,000,000 Offer Shares at an issue price of \$0.20 per share to raise an additional \$3,000,000, less additional capital raising costs estimated to be \$218,050. Total capital raising costs associated with Full Subscription are estimated to be \$2,373,623, of which \$1,286,751 has been directly offset against raised capital and \$1,086,872 has been expensed in accordance with Australian Accounting Standards

### **(c) Debt waived by lenders subsequent to 31 December 2017**

Subsequent to year end 31 December 2017, pursuant to Declaration of Debt Waiver signed/Stamped by Dr York Yuan Yuan Zhu, Jiangsu Yixing Group Co.,Ltd and Jiangsu Dingong Venture Capital Co., Ltd on 12 March 2018, these lenders have waived the principal and relevant interest for the additional lending provided during March 2017 to December 2017 in total of AUD 1,551,667. The debt forgiveness has been adjusted as at 31 December 2017 on a Pro-Forma basis.

### Note 3: Capital Restructure

Pursuant to a Share Sale Deed dated 20 March 2017 the Company has issued 239,999,999 Ordinary Shares to the existing shareholders of Biomics Biopharma Limited (HK BIO) as purchase consideration for 100% of the share capital of that entity. This transaction is not within the scope of *AASB 3 Business Combinations* and has been treated as a capital restructure. Detail of the transaction is set out in Note 3.

Biomics Biopharma Limited (HK BIO) is a holding company registered in Hong Kong on 21 July 2016. Pursuant to a Share Transfer Agreement dated 8 September 2016, Biomics Biopharma Limited (HK BIO) acquired 100% of the registered capital contribution in Biomics Biotechnologies Co., Ltd (PRC BIO). When combined with the transaction above, HK BIO become intermediate holding company for the Group.

Through this transaction effective control of PRC BIO passed to the shareholders of the Company. The transaction is not within the scope of *AASB 3 Business Combinations* and has been treated as a capital restructure, where following the corporate restructure of the Group, the Company took control of PRC BIO with no change in underlying control.

As the Company was incorporated specifically for the purpose of this transaction and the subsequent Offer, the fair value of the equity instruments issued has been estimated by reference to the value of historical net assets of PRC BIO as of 31 December 2016, (the closest reporting date to the capital restructure).

The following has been extracted from the Financial Information of PRC BIO as at 31 December 2016, converted from Chinese Renminbi to Australian Dollars using an exchange rate outlined in Note 1.

The assets and liabilities of PRC BIO as at 31 December 2016, were:

	31 December 2016
	\$'000
Cash and cash equivalents	214
Trade and other receivables	954
Inventory	450
Other financial assets	59
Trade and other receivables (non-current)	78
Property, plant and equipment	2,466
Intangible assets	713
Other financial assets	414
Trade and other payables	(4,229)
Short term borrowing	(5,966)
<b>Total net asset/(deficiency) acquired</b>	<b>(4,847)</b>
<b>Accounted for as:</b>	
Issued capital <sup>1</sup>	18,597
Foreign currency translation reserve	(466)
Retained Earnings/ (Accumulated losses)	(22,978)
	<b>(4,847)</b>

Notes:

Pursuant to IFRS, the amount of capital paid for PRC BIO is RMB 113,613,624. The conversion of RMB to AUD is at spot exchange rates applicable on the date of the respective capital injections.

**Note 4: Trade and Other Receivables**

	<b>Audited</b>	<b>Pro Forma Minimum Subscription</b>	<b>Pro Forma Full Subscription</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>			
Trade receivables	132	132	132
Other receivables	718	718	718
VAT receivable	108	108	108
<b>Total current trade and other receivables</b>	<b>958</b>	<b>958</b>	<b>958</b>

**Note 5: Inventory**

	<b>Audited</b>	<b>Pro Forma Minimum Subscription</b>	<b>Pro Forma Full Subscription</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Raw material	114	114	114
Finished goods re-processed into raw material	302	302	302
Provision for obsolete finished goods re-processed into raw material	(302)	(302)	(302)
Packing materials	20	20	20
Work in progress	13	13	13
Low value consumables	8	8	8
Finished goods	84	84	84
<b>Total Inventory</b>	<b>239</b>	<b>239</b>	<b>239</b>

## Note 6: Other financial assets

	Audited	Pro Forma	Pro Forma
		Minimum	Full
	\$'000	Subscription	Subscription
		\$'000	\$'000
<b>Current</b>			
Financial assets held for trading	107	107	107
<b>Total Current Other Financial Assets</b>	<b>107</b>	<b>107</b>	<b>107</b>
<b>Non-Current</b>			
Available-for-sale financial assets	410 <sup>(a)</sup>	410	410
<b>Total Non-Current Other Financial Assets</b>	<b>410</b>	<b>410</b>	<b>410</b>

(a) Investments in related parties

Available-for-sale financial assets include the following investments held in related parties:

(i)	8.9% interest in Jiangsu Laifu Shidai Biotechnologies Co., Ltd	113
(ii)	5.45% interest in Energene Biotechnologies Co., Ltd	157
(iii)	10% interest in Jiangsu Genecon Biotechnologies Co., Ltd	140

## Note 7: Property, Plant and Equipment

	Audited	Pro Forma Minimum Subscription	Pro Forma Full Subscription
	\$'000	\$'000	\$'000
<b>Office Equipment</b>			
At cost	451	451	451
Accumulated depreciation	(393)	(393)	(393)
Total Office Equipment	<b>58</b>	<b>58</b>	<b>58</b>
<b>Buildings</b>			
At cost	3,154	3,154	3,154
Accumulated depreciation	(1,349)	(1,349)	(1,349)
Total Buildings	<b>1,805</b>	<b>1,805</b>	<b>1,805</b>
<b>Plant and Equipment</b>			
At cost	3,115	3,115	3,115
Accumulated depreciation	(2,771)	(2,771)	(2,771)
Total Plant and Equipment	<b>344</b>	<b>344</b>	<b>344</b>
<b>Motor Vehicles</b>			
At cost	291	291	291
Accumulated depreciation	(243)	(243)	(243)
Total Motor Vehicles	<b>48</b>	<b>48</b>	<b>48</b>
<b>Total property, plant and equipment</b>	<b>2,255</b>	<b>2,255</b>	<b>2,255</b>

## Note 8: Intangibles

	Audited	Pro Forma Minimum Subscription	Pro Forma Full Subscription
	\$'000	\$'000	\$'000
<b>Land use right</b>			
At cost	874	874	874
Accumulated amortisation	(200)	(200)	(200)
Total Land use right	<b>674</b>	<b>674</b>	<b>674</b>
<b>Software</b>			
At cost	33	33	33
Accumulated amortisation	(24)	(24)	(24)
Total Software	<b>9</b>	<b>9</b>	<b>9</b>
<b>Trademark</b>			
At cost	2	2	2
Accumulated amortisation	(2)	(2)	(2)
Total Trademark	-	-	-
<b>Total intangible assets</b>	<b>683</b>	<b>683</b>	<b>683</b>

## Note 9: Trade and other payables

	Audited	Pro Forma Minimum Subscription	Pro Forma Full Subscription
	\$'000	\$'000	\$'000
<b>Current</b>			
Trade payables	7	7	7
Salary payable	108	108	108
Revenue received in advance	437	437	437
Other tax payables	37	37	37
Other payables*	462	276	276
Related party payable *	1,365	-	-
<b>Total current trade and other payables</b>	<b>2,416</b>	<b>865</b>	<b>865</b>
<b>Non-Current</b>			
Other payables	39	39	39
<b>Total Non-Current Trade and Other Payables</b>	<b>39</b>	<b>39</b>	<b>39</b>

\*Pro-forma Adjustment:

Subsequent to year end 31 December 2017, pursuant to Declaration of Debt Waiver signed/Stamped by Dr York Yuan Yuan Zhu, Jiangsu Yixing Group Co.,Ltd and Jiangsu Dingong Venture Capital Co., Ltd on 12 March 2018, these lenders have waived the principal and relevant interest for the additional lending provided during March 2017 to December 2017 in total of AUD 1,551,667. The debt forgiveness has been adjusted as at 31 December 2017 on a Pro-Forma basis.

The pro-forma adjustment resulted in a decrease in other payable to Jiangsu Dinghong Venture Capital Co., Ltd totalling AUD186,853 and decrease in related party payable totalling AUD1,364,813 (comprised of payable to Dr York Yuan Yuan Zhu totalling AUD871,127 and payable to Jiangsu Yixing Group Co.,Ltd totalling AUD 493,686).

## Note 10: Borrowings

	<b>Audited</b>	<b>Pro Forma Minimum Subscription</b>	<b>Pro Forma Full Subscription</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>			
Secured loan*	5,901	5,901	5,901
<b>Total Borrowings</b>	<b>5,901</b>	<b>5,901</b>	<b>5,901</b>

\*On 23 November 2017, the Company's main operating subsidiary Biomics Biotechnologies Co., Ltd (PRC BIO) entered into an entrustment loan agreement with Bank of Nanjing - Nantong Development Zone branch and Nantong Fu Min Gang Liang Zhong Chang (a company owned by the PRC government), pursuant to which Nantong Fu Min Gang Liang Zhong Chang will provide an entrustment loan in the sum of AUD 5,900,633 (equivalent to RMB 30,000,000) to PRC BIO through Bank of Nanjing as the entrusted bank. The term of the Entrustment Loan is 12 months expiring on 23 November 2018 and it carries a fixed interest rate of 6% is required to be repaid at maturity. The PRC government has also approved the extension of the term of this loan by a further 12 months from when it expires in November 2018, however despite this the loan has been disclosed as current because its expiry date.

The borrowing is secured by buildings and land use right of PRC BIO as disclosed in Note 7 and Note 8.

## Note 11: Issued Capital

	Number of shares issued	\$'000
<b>Shares on issue at incorporation - 1 Ordinary Share</b>	<b>1</b>	<b>0.001</b>
- Issue of 239,999,999 Ordinary Shares for the acquisition of PRC BIO	239,999,999	18,597
- Issue of 18,944,917 Ordinary Shares for shareholder loan conversion to equity	18,944,917	3,789
<b>Pro forma transactions</b>		
- Issue of 65,000,000 Offer Shares in the Company pursuant to this Prospectus	65,000,000	13,000
Less capital raising costs	-	(1,059)
<b>Pro forma issued capital - Minimum subscription</b>	<b>323,944,917</b>	<b>34,327</b>
- Issue of additional 15,000,000 Offer Shares in the Company pursuant to this Prospectus	15,000,000	3,000
Less capital raising costs		(228)
<b>Pro forma issued capital - Full subscription</b>	<b>338,944,917</b>	<b>37,099</b>

Note: As set out in note 1 – Business combinations, the Company has adopted the common control method for the acquisition of PRC BIO and whereby the issued capital is recognised in accordance with the contributed capital as recorded in the financial statements of PRC BIO.

Total share capital of \$3,788,983 was recognised as a result of issue of 18,944,917 ordinary shares at \$0.2 each for conversion of shareholder loans to equity in February 2017.

## Note 12: Reserves

	Audited	Pro Forma Minimum Subscription	Pro Forma Full Subscription
Current	\$'000	\$'000	\$'000
Foreign currency translation reserve	(319)	(319)	(319)
Total reserve	<b>(319)</b>	<b>(319)</b>	<b>(319)</b>

## 4.6 CONTROLLED ENTITIES

Following all the transactions contemplated by this Prospectus, the Company will control the following subsidiaries:

Name of Entity	Registration Date	Country of Incorporation	Pro-forma Equity Holding
<b>Ultimate Holdings Company</b>			
Biomics Biopharma Limited	2 August 2016	Australia	
<b>Subsidiary of Biomics Biopharma Limited</b>			
Biomics Biopharma Limited (HK)	21 July 2016	Hong Kong	100%
<b>Subsidiary of Biomics Biopharma Limited (HK)</b>			
Biomics Biotechnologies Co., Ltd	17 February 2006	People's Republic of China	100%

## 4.7 COMMITMENTS

### (a) Capital commitments

As at 31 December 2017, the Group is not aware of any commitments that should be disclosed.

### (b) Operating commitments

As at 31 December 2017, the Group does not have any operating commitments.

## 4.8 CONTINGENT ASSETS AND LIABILITIES

As at 31 December 2017, the Group is not aware of any contingent assets or liabilities that should be disclosed in accordance with IAS 37.

## 4.9 SUBSEQUENT EVENTS

The Group is not aware of any subsequent events, other than those pro forma transactions set out in Note 2.

## Annexure 2 – Investigating Accountant's Report

22 March 2018

The Directors  
Biomics Biopharma Limited  
Level 36 Gateway Tower  
1 Macquarie Place  
Sydney NSW 2000

Moore Stephens (Vic) Pty Ltd

Level 18, 530 Collins Street  
Melbourne Victoria 3000

T +61 (0)3 9608 0100  
F +61 (0)3 9608 0192  
E [victoria@moorestephens.com.au](mailto:victoria@moorestephens.com.au)

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Dear Sirs

## INVESTIGATING ACCOUNTANT'S REPORT AND FINANCIAL SERVICES GUIDE

### INDEPENDENT LIMITED ASSURANCE REPORT ON BIOMICS BIOPHARMA LIMITED

#### 1. Introduction

Biomics Biopharma Limited (ACN 613 499 184) (**Company**) has authorised the issue of a Fourth Supplementary Prospectus (**Prospectus**), dated on or about 22 March 2018, for the issue of between 65 million and 80 million ordinary shares in the Company at an issue price of AUD \$0.20 per share to raise between AUD \$13.0 million and \$16.0 million (**Offer**) and the subsequent listing of the Company's shares on the Australian Securities Exchange (**ASX**).

The Company has engaged Moore Stephens (Vic) Pty Ltd (**Moore Stephens**) to report on the Pro Forma Historical and Pro Forma Consolidated Historical Financial Information for inclusion in the Prospectus (attached as **Annexure 1** to the Prospectus) in respect of the Offer.

Details concerning the reasons for the issue of the Prospectus are set out in Section 1.1.

Expressions and terms defined in the Prospectus have the same meaning in this Report, unless the context otherwise requires.

The nature of this Report is such that it can only be issued by an entity that holds an Australian Financial Services Licence under the Corporations Act 2001 (Cth). Moore Stephens holds the appropriate Australian Financial Services Licence. Moore Stephens's Financial Services Guide is attached as **Appendix A** to this Report.

#### 2. Scope

You have requested Moore Stephens to review the following financial information included in the Prospectus:

- a) Pro Forma Historical Financial Information of Biomics Biotechnologies Co., Ltd, a company incorporated and domiciled in the Peoples Republic of China (**PRC Biomics**), as set out in Section 4.3 together with Consolidated Historical Financial Information of the Company; and
- b) Pro-Forma Consolidated Historical Financial Information of the Company (including its subsidiary PRC Biomics<sup>1</sup>) and assuming completion of the Offer, as at 31 December 2017, as set out in Section 4.5

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<sup>1</sup> As stated in *Note 3 Statement of Significant Accounting Policies* in Section 4.5.3 of Annexure 1, the acquisition of PRC Biomics by the Company is accounted for as a restructure where there is no change in underlying control and the accounts of the Company represent a continuation of the accounts of PRC Biomics.

Collectively referred to as the Financial Information. The stated basis of preparation of the Financial Information is:

#### **Pro Forma Historical Financial Information**

The Pro Forma Historical Financial Information, detailed in Section 4.3 of Annexure 1 comprises the Pro Forma Historical Statements of Comprehensive Income, Pro Forma Historical Statements of Financial Position, and Pro Forma Historical Statements of Cash Flows for the years ended 31 December 2015 and 31 December 2016 of PRC Biomics, restated and presented in Australian dollars at applicable exchange rates for the relevant periods.

The Pro Forma Historical Financial Information has been extracted from the audited financial statements of PRC Biomics prepared in accordance with International Financial Reporting Standards (IFRS) and denominated in RMB, its functional currency. Those financial statements were audited by Pitcher Partners SA in accordance with Australian Auditing Standards and on which qualified audit opinions were issued in respect of the balance of the opening inventory balance for the year ended 31 December 2015. The matter is described in Pitcher Partner SA reports as:

*We were appointed auditors of Biomics Biotechnologies Co., Ltd. Biomics Biotechnologies Co., Ltd in April 2016 and as a consequence, we were not able to observe the counting of inventories and we were unable to satisfy ourselves concerning inventory quantities held at 31 December 2014 (opening inventories balance) by alternative means. Since the opening inventories balance of RMB 4,550,897 enters into the determination of the financial performance and cash flows, we were unable to determine whether adjustments might have been necessary in respect of the income for the year reported in the statement of comprehensive income and the net cash flows from operating activities reported in the statement of cash flows.*

Pitcher Partners SA report also contained an emphasis of matter paragraph, without modifying their opinions, with respect to going concern, (refer to the Emphasis of Matter paragraph below).

The management discussion and analysis set out in Section 4.4 of Annexure 1 does not form part of Pro Forma Historical Financial Information and does not form part of the scope of our review.

#### **Consolidated Historical Financial Information**

The Consolidated Historical Financial Information detailed in Section 4.3 of Annexure 1 comprises the Consolidated Historical Statements of Comprehensive Income, the Consolidated Historical Statement of Financial Position and the Consolidated Historical Statements of Cash Flows for the financial year 31 December 2017 extracted from the audited financial statements of the Company.

Those financial statements were audited by Pitcher Partners SA in accordance with Australian Auditing Standards and on which unqualified audit opinions were issued. Pitcher Partners SA reports also contained an emphasis of matter paragraph, without modifying their opinions, with respect to going concern, (refer to the Emphasis of Matter paragraph below).

#### **Pro Forma Consolidated Historical Financial Information**

The Pro Forma Consolidated Historical Financial Information detailed in Section 4.5 of Annexure 1 comprises the Consolidated Historical Statement of Financial Position as at 31 December 2017, and the Pro Forma Statement of Changes in Equity of the Company from incorporation to 31 December 2017 after accounting for the effects of the events and transactions described in Section 4.5.1 of Annexure 1, including the completion of the Offer, as if those events and transactions had occurred at that date.

The Financial Information is presented in Annexure 1 in an abbreviated form, in so far as it does not include all of the presentation and disclosures required by International Financial Reporting Standards and other

mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001 (Cth).

### **3. Directors' Responsibility**

The Directors of the Company are responsible for the preparation of the Financial Information, including the basis of preparation and the selection and determination of pro forma adjustments included in the Pro Forma Consolidated Historical Financial Information. This includes responsibility for such internal controls as the Directors determine are necessary to enable the preparation of Financial Information that is free from material misstatement, whether due to fraud or error.

We have assumed, and relied on representations from the Directors, that all material information concerning the Company, the Financial Information and the pro forma transactions as set out in Annexure 1 have been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

### **4. Our Responsibility**

Our responsibility is to express limited assurance conclusions on the Financial Information, and the reasonableness of the Financial Information, based on our review. We have conducted our engagement in accordance with Australian Auditing and Assurance Standards applicable to assurance engagements<sup>2</sup>

Our limited assurance procedures consisted of examining work papers prepared by and making enquiries of the auditors and other persons responsible for financial and accounting matters, reviewing the Prospectus Due Diligence Committee minutes of meetings, disclosures made in the Prospectus and other review procedures. A limited assurance engagement is substantially less in scope than an audit in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express an audit opinion.

### **5. Qualification on 31 December 2015 opening stock**

As described above, Pitcher Partners SA issued a qualified audit opinion for the year ending 31 December 2015 in respect of opening stock balances. Accordingly we also qualify our conclusion to this extent.

### **6. Conclusions**

Based on our limited assurance engagement, which is not an audit, except for the matter noted at part 5 above, nothing has come to our attention which causes us to believe that the Financial Information, as described in Sections 4.3 and 4.5 of Annexure 1, and comprising:

- a) Pro Forma Historical Financial Information of PRC Biomics, which comprised of the Pro Forma Historical Statements of Financial Performance, Pro Forma Historical Statements of Financial Position, and Pro Forma Historical Statements of Cash Flows for the years ended 31 December 2015 and 31 December 2016; together with the Consolidated Historical Statements of Financial Performance and Consolidated Historical Statements of Cash Flows of the Company for the year ended 31 December

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<sup>2</sup> Standard on Assurance Engagement ASAE 3450 Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information

31 December 2017, as set out in Section 4.3; and

- b) Pro Forma Consolidated Historical Financial Information of the Company, which comprises of the, the Consolidated Historical Statement of Financial Position, the Pro Forma Consolidated Historical Statement of Financial Position and the Pro Forma Statement of Changes in Equity assuming completion of the Offer, as at 31 December 2017, as set out in Section 4.5,

is not prepared fairly, in all material respects, in accordance with the basis of preparation as stated in Section 4.1 and 4.2 of Annexure 1.

**Emphasis of Matter – Material uncertainty related to going concern**

Without further modifying our conclusion we draw attention to Section 4.3 of the Financial Information. As at 31 December 2017, the Company had cash assets, prior to the effects of the capital raise of \$AUD 55 thousand, a deficiency in net asset position of \$AUD 3.65 million, incurred a net loss after tax of \$AUD 2.60 million (inclusive of foreign currency translation gains) and an operating cash outflow of \$AUD 2.42 million for the year to 31 December 2017. Bank debt of \$AUD 5.90 million is due for repayment during November 2018, which is within 12 months from the date of this Prospectus. As stated in Pitcher Partners reports on the Company these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

On a Consolidated Pro forma basis after the effects of the minimum capital raise, the Company has cash assets of \$AUD 11.91 million and a net asset position of \$AUD 13.41 million.

**7. Restriction on Use**

Without modifying our conclusions, we note that the purpose of the Financial Information is for inclusion in Annexure 1 to assist investors in assessing the Offer. As a result, the Financial Information may not be suitable for use for other purposes. We disclaim any assumption of responsibility for any reliance on this Report, or the Financial Information to which it relates, for any purposes other than for which it was prepared.

**8. Consent**

Consent to the inclusion of this Limited Assurance Report in Annexure 1 in the form and context in which it appears has been given. At the date of this Report, this consent has not been withdrawn.

**9. Liability**

The Company has agreed to indemnify and hold harmless Moore Stephens and its employees from any claims arising out of misstatement or omission in any material or information supplied by the Company to Moore Stephens for the purposes of preparation of this Report and Annexure 1.

**10. Independence or Declaration of Interest**

Neither Moore Stephens nor its directors or employees have any pecuniary interests that could reasonably be regarded as being capable of affecting its ability to give an unbiased conclusion on this matter.

During the last 2 years Moore Stephens has not provided any professional services to the Company or other entities associated with its directors or shareholders, other than Investigating Accountants Reports in respect

*Biomics Biopharma Limited*  
*Independent Limited Assurance Report*  
*22 March 2018*

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of earlier versions of the Prospectus. Neither Moore Stephens nor its directors or employees has any interest in the outcome of the Offer other than in the preparation of this Report for which normal professional fees will be received in accordance with its normal fee billing arrangements.

Yours faithfully

**Moore Stephens (Vic) Pty Ltd**

Holder of Australian Financial Services Licence No: 247262

A handwritten signature in black ink, appearing to read 'G. Graco'.

**GARY GRACO**

**Director & Authorised Representative**

## APPENDIX A – Moore Stephens (Vic) Pty Ltd Financial Services Guide

**This Financial Services Guide is dated 22 March 2018  
and forms part of the Independent Limited Assurance Report.**

Moore Stephens (Vic) Pty Ltd (ACN 052 362 348) (**Moore Stephens**) holds Australian Financial Services Licence no 247262 authorising it to provide general financial product advice in relation to various financial products such as securities, interests in managed investment schemes, and superannuation to wholesale and retail clients. Moore Stephens has been engaged by Biomics Biopharma Limited (**Company**) to provide a report in the form of an Independent Limited Assurance Report (**this Report**) for inclusion with the Prospectus issued by the Company on or about 22 March 2018 to potential investors considering investing in the Company.

The *Corporations Act 2001* (Cth) requires Moore Stephens to provide this Financial Services Guide (**FSG**) in connection with its provision of this Report. Moore Stephens does not accept instructions from retail clients. Moore Stephens provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Moore Stephens does not provide any personal retail financial product advice to retail investors nor does it provide market-related advice to retail investors.

Moore Stephens is only responsible for this Report and this FSG. Moore Stephens is not responsible for any material publicly released by the Company in conjunction with this Report or the Offer. Moore Stephens will not respond in any way that might involve any provision of financial product advice to any retail investor.

This Report contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs. You should consider your own objectives, financial situation and needs when assessing the suitability of this Report to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

When providing reports in the form of this Report, Moore Stephens's client is the Company to which it provides the Report. Moore Stephens receives its remuneration from the Company based upon the time incurred in respect to the Report at normal charge rates, plus reimbursement of out-of-pocket expenses from the Company. Directors or employees of Moore Stephens or other associated entities may receive distributions, salary or wages from Moore Stephens. Moore Stephens and its authorised representatives, employees and associates may from time to time have relationships with the issuers of financial products.

Moore Stephens has professional indemnity insurance cover for reports of this nature under its professional indemnity insurance policy. This policy meets the compensation arrangement requirements of section 912B of the *Corporations Act 2001* (Cth).

Moore Stephens has internal complaints-handling mechanisms. If you have concerns regarding this Report, please contact us in writing to Mr Kevin Mullen, Moore Stephens (Vic) Pty Ltd, Level 18, 530 Collins Street, Melbourne, Vic, 3000. We will endeavour to satisfactorily resolve your complaint in a timely manner. In addition, a copy of our internal complaints handling procedure is available upon request.

# FOURTH SUPPLEMENTARY APPLICATION FORM

## Biomics Biopharma Limited

ACN 613 499 184


Fill out this Fourth Supplementary Application Form if you wish to apply for Shares in Biomics Biopharma Limited under the Offer

- x Please read the Prospectus dated 13 April 2017, the First Supplementary Prospectus dated 30 June 2017, the Second Supplementary Prospectus dated 28 September 2017, the Third Supplementary Prospectus dated 22 December 2017 and the Fourth Supplementary Prospectus dated 22 March 2018.
- x Follow the instructions to complete this Fourth Supplementary Application Form ("see reverse").
- x Print clearly in capital letters using black or blue pen.

**Offer closes at 5.00pm WST on 23 April 2018**

**A** Number of Shares you are applying for

--	--	--	--	--	--	--	--	--	--

**B** Total amount

--	--	--	--	--	--	--	--	--	--

Minimum of 10,000 Shares to be applied for.

**C** Write the name("s") you wish to register the Shares in ("see reverse for instructions")

Applicant 1

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Name of Applicant 2 or < Account Designation >

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Name of Applicant 3 or < Account Designation >

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**D** Write your postal address here

Number / Street

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Suburb/Town

--	--	--	--	--	--	--	--	--	--

State

--	--	--

Postcode

--	--	--	--

**E** CHES participant – Holder Identification Number ("HIN")

X

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*Important please note if the name & address details above in sections C & D do not match exactly with your registration details held at CHES, any Shares issued as a result of your application will be held on the Issuer Sponsored subregister.*

**F** Enter your Tax File Number("s"), ABN, or exemption category

Applicant #1

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Applicant #2

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Applicant #3

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**G** Cheque payment details – PIN Cheque("s") Here

Please enter details of the cheque("s") that accompany this Fourth Supplementary Application Form. Make your cheque or bank draft payable to 'Biomics Biopharma Limited – Subscription Account'.


**H** Contact telephone number ("daytime/work/mobile")

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By submitting this Fourth Supplementary Application Form, I/We declare that this application is completed and lodged according to the Prospectus, the First Supplementary Prospectus, the Second Supplementary Prospectus, the Third Supplementary Prospectus and the Fourth Supplementary Prospectus and the instructions on the reverse of the Fourth Supplementary Application Form and declare that all details and statements made by me/us are complete and accurate. I/We agree to be bound by the Constitution of Biomics Biopharma Limited ("Company"). I/We was/were given access to the Prospectus, the First Supplementary Prospectus, the Second Supplementary Prospectus, the Third Supplementary Prospectus and the Fourth Supplementary Prospectus together with the Fourth Supplementary Application Form. I/We represent, warrant and undertake to the Company that our subscription for the above Shares will not cause the Company or me/us to violate the laws of Australia or any other jurisdiction which may be applicable to this subscription for Shares in the Company.

# Guide to the Fourth Supplementary Application Form

**YOU SHOULD READ THE PROSPECTUS, THE FIRST SUPPLEMENTARY PROSPECTUS, THE SECOND SUPPLEMENTARY PROSPECTUS, THE THIRD SUPPLEMENTARY PROSPECTUS AND THE FOURTH SUPPLEMENTARY PROSPECTUS CAREFULLY BEFORE COMPLETING THIS FOURTH SUPPLEMENTARY APPLICATION FORM.**

Please complete all relevant sections of the Fourth Supplementary Application Form using BLOCK LETTERS. These instructions are cross-referenced to each section of the Second Supplementary Application Form.

## Instructions

- A. If applying for Shares insert the number of Shares for which you wish to subscribe at Item A (“not less than 10,000”). Multiply by \$0.20 to calculate the total for Shares and enter the dollar amount at B.
- B. Enter your Australian tax file number (“TFN”) or ABN or exemption category, if you are an Australian resident. Where applicable, please enter the TFN / ABN of each joint applicant. Collection of TFN’s is authorised by taxation laws. Quotation of your TFN is not compulsory and will not affect your Second Supplementary Application Form.
- C. Write your full name. Initials are not acceptable for first names.
- D. Enter your postal address for all correspondence. All communications to you from the Company will be mailed to the person(“s”) and address as shown. For joint applicants, only one address can be entered.
- E. If you are sponsored in CHESS by a stockbroker or other CHESS participant, you may enter your CHESS HIN if you would like the allocation to be directed to your HIN.
- F. Complete cheque details as requested. Make your cheque payable to ‘Biomics Biopharma Limited – Subscription Account’, cross it and mark it ‘Not negotiable’. Cheques must be made in Australian currency, and cheques must be drawn on an Australian Bank.
- G. Enter your contact details so we may contact you regarding your Second Supplementary Application Form or Application Monies.

**NB: Your registration details provided must match your CHESS account exactly.**

## Correct form of Registrable Title

Note that ONLY legal entities can hold Shares. The application must be in the name of a natural person(“s”), companies or other legal entities acceptable to the Company. At least one full given name and surname is required for each natural person.

Examples of the correct form of registrable title are set out below:

Type of Investor	Correct form of Registrable Title	Incorrect form of Registrable Title
Individual	Mr John David Smith	J D Smith
Company	ABC Pty Ltd	ABC P/L or ABC Co
Joint Holdings	Mr John David Smith & Mrs Mary Jane Smith	John David & Mary Jane Smith
Trusts	Mr John David Smith	John Smith Family Trust
Deceased Estates	<J D Smith Family A/C>	John Smith (“deceased”)
Partnerships	Mr Michael Peter Smith	John Smith & Son
Clubs/Unincorporated Bodies	<Est Lte John Smith A/C>	Smith Investment Club
Superannuation Funds	Mr John David Smith & Mr Ian Lee Smith	John Smith Superannuation Fund

## Lodgement

Post or deliver your completed Second Supplementary Application Form with cheque(“s”) attached to the following address:

Biomics Biopharma Limited  
c/- Advanced Share Registry Ltd  
PO Box 1156  
NEDLANDS WA 6909

It is not necessary to sign or otherwise execute the Second Supplementary Application Form. For questions on how to complete the Second Supplementary Application Form, please contact Advanced Share Registry Ltd on [+61 8 9389 8033](tel:+61893898033).

## Privacy Statement

Chapter 2C of the *Corporations Act 2001* (“Cth”) requires information about you as a shareholder (“including your name, address and details of the shares you hold”) to be included in the public register of the entity in which you hold shares. Information is collected to administer your shareholding and if some or all of the information is not collected then it might not be possible to administer your shareholding. Your personal information may be disclosed to the entity in which you hold shares. You can obtain access to your personal information by contacting Advanced Share Registry Ltd on [+61 8 9389 8033](tel:+61893898033).

# Biomics Biopharma Limited

ACN 613 499 184

## Third Supplementary Prospectus

### Important information

This is a supplementary prospectus (**Third Supplementary Prospectus**) intended to be read with the replacement prospectus dated 13 April 2017 (**Prospectus**), the supplementary prospectus dated 30 June 2017 (**First Supplementary Prospectus**) and the second supplementary prospectus dated 28 September 2017 (**Second Supplementary Prospectus**) issued by Biomics Biopharma Limited ACN 613 499 184 (**Company**).

This Third Supplementary Prospectus is dated 22 December 2017 and was lodged with ASIC on that date. Neither ASIC nor ASX take any responsibility as to the contents of this Third Supplementary Prospectus.

This Third Supplementary Prospectus should be read together with the Prospectus, the First Supplementary Prospectus and the Second Supplementary Prospectus. Other than the changes set out in this Third Supplementary Prospectus, all other details in relation to the Prospectus, the First Supplementary Prospectus and the Second Supplementary Prospectus remain unchanged. To the extent of any inconsistency between this Third Supplementary Prospectus, the Prospectus, the First Supplementary Prospectus and the Second Supplementary Prospectus, the provisions of this Third Supplementary Prospectus will prevail. Unless otherwise indicated, terms defined and used in the Prospectus, the First Supplementary Prospectus and the Second Supplementary Prospectus have the same meaning in this Third Supplementary Prospectus.

The Company has issued a printed and electronic version of this Third Supplementary Prospectus, the Prospectus, the First Supplementary Prospectus and the Second Supplementary Prospectus. Any person may obtain an electronic version of this Third Supplementary Prospectus, the Prospectus, the First Supplementary Prospectus and the Second Supplementary Prospectus from the Company's website at [www.biomics.com](http://www.biomics.com) or a hard copy of these documents free of charge by contacting the Company by telephone on +61 2 8075 4595.

This Third Supplementary Prospectus, the Prospectus, the First Supplementary Prospectus and the Second Supplementary Prospectus are important documents that should be read in their entirety. If you are in any doubt as to the contents of this Third Supplementary Prospectus, the Prospectus, the First Supplementary Prospectus or the Second Supplementary Prospectus you should consult your stockbroker, lawyer, accountant or other professional adviser without delay.

### 1. THIRD SUPPLEMENTARY PROSPECTUS

#### 1.1 Financial information as at 30 June 2017

The Company intends to issue a supplementary prospectus in January 2018 which will include updated disclosure regarding the Company's financial position to take into account the pending finalisation of the Company's audited accounts as at 30 June 2017.

#### 1.2 Reasons for this Third Supplementary Prospectus

This Third Supplementary Prospectus has been prepared to:

- (a) extend the period for admission to quotation of Shares offered under the Prospectus from three months from the date of the Second Supplementary Prospectus to three months from the date of this Third Supplementary Prospectus (**Quotation Condition**); and
- (b) extend the period for the Minimum Subscription to be achieved from four months from the date of the Second Supplementary Prospectus to four months from the date of this Third Supplementary Prospectus (**Minimum Subscription Condition**),

pursuant to the ASIC Corporations (Minimum Subscription and Quotation Conditions) Instrument 2016/70 (**Instrument**).

### 1.3 Quotation Condition

The Company makes the following statements regarding the Quotation Condition as required by the Instrument.

- (a) An application for admission to quotation of the Shares offered under the Prospectus was made within 7 days after the date of the Prospectus.
- (b) The Shares offered under the Prospectus have not been admitted to quotation as at the date of this Third Supplementary Prospectus.
- (c) ASX has not indicated whether the Shares offered under the Prospectus will be admitted to quotation or will not be admitted to quotation.
- (d) The Quotation Condition is being amended to extend the period for admission to quotation of Shares offered under the Prospectus from 28 December 2017 to three months from the date of this Third Supplementary Prospectus.
- (e) The Quotation Condition must be satisfied by 23 March 2018, being the next business day after the date three months from the date of this Third Supplementary Prospectus.
- (f) As at the date of this Third Supplementary Prospectus, the Company has received nil applications for Shares pursuant to the Offer.

### 1.4 Minimum Subscription Condition

The Company makes the following statements regarding the Minimum Subscription Condition as required by the Instrument.

- (a) As at the date of this Third Supplementary Prospectus, the Company has not raised any funds pursuant to the Offer.
- (b) The Minimum Subscription Condition is being amended to extend the period for the Minimum Subscription to be achieved from 28 January 2018 to four months from the date of this Third Supplementary Prospectus.
- (c) The Minimum Subscription Condition must be satisfied by 23 April 2018, being the next business day after the date four months from the date of this Third Supplementary Prospectus.

## 2. APPLICATIONS

### 2.1 Investors who HAVE previously submitted an Application Form

A copy of this Third Supplementary Prospectus will be sent to all applicants who have subscribed for Shares under the Prospectus, the First Supplementary Prospectus and the Second Supplementary Prospectus prior to the date of this Third Supplementary Prospectus. In accordance with section 724 of the Corporations Act, the Company will allow investors who have lodged Application Forms prior to the date of this Third Supplementary Prospectus a period of 1 month from the date of this Third Supplementary Prospectus (i.e. ending 22 January 2018) to obtain a refund of their Application Monies if they do not wish to proceed with their application (**Withdrawal Period**). The Offer will remain open until, at least, the end of the Withdrawal Period.

Any investor who wishes to obtain a refund under the Offer should write to the Company's Share Registry at the following address:

Biomics Biopharma Limited  
c/- Advanced Share Registry Ltd  
PO Box 1156  
NEDLANDS WA 6909

If you do not wish to withdraw your application, you do not need to take any action.

### 2.2 Investors who HAVE NOT previously submitted an Application Form

The Offer is made in the Prospectus, the First Supplementary Prospectus, the Second Supplementary Prospectus and this Third Supplementary Prospectus. If you wish to apply for Shares and have not yet completed an Application Form, First Supplementary Application Form,

Second Supplementary Application Form and/or Third Supplementary Application Form please complete and return a Third Supplementary Application Form which is attached to this Third Supplementary Prospectus.

The Third Supplementary Application Form must be received by 5.00pm (WST) on 1 March 2018 and must be completed in accordance with the relevant instructions in Section 1 of the Prospectus and the Third Supplementary Application Form. Applications must NOT be made on an Application Form attached to or accompanying the Prospectus, the First Supplementary Prospectus or the Second Supplementary Prospectus.

### 3. AMENDMENTS TO THE PROSPECTUS

#### 3.1 Indicative timetable

The indicative timetable set out in section 3.1 of the Second Supplementary Prospectus is deleted and replaced with the following:

Important dates	
Lodgement of the Prospectus with ASIC	13 April 2017
Opening Date	14 April 2017
Closing Date	1 March 2018
Issue of new Shares	8 March 2018
Holding statements sent to Shareholders	8 March 2018
Expected date for Shares to commence trading on ASX	15 March 2018

### 4. DIRECTORS' AUTHORISATION

This Third Supplementary Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with section 720 of the Corporations Act, each Director has consented to the lodgement of this Third Supplementary Prospectus with ASIC and has not withdrawn that consent prior to lodgement.

Signed for and on behalf of the Company on 22 December 2017.



**Dr York Zhu**  
Executive Chairman, Managing Director



# Guide to the Third Supplementary Application Form

**YOU SHOULD READ THE PROSPECTUS, THE FIRST SUPPLEMENTARY PROSPECTUS, THE SECOND SUPPLEMENTARY PROSPECTUS AND THE THIRD SUPPLEMENTARY PROSPECTUS CAREFULLY BEFORE COMPLETING THIS THIRD SUPPLEMENTARY APPLICATION FORM.**

Please complete all relevant sections of the appropriate Third Supplementary Application Form using BLOCK LETTERS. These instructions are cross-referenced to each section of the Third Supplementary Application Form.

## Instructions

- A. If applying for Shares insert the number of Shares for which you wish to subscribe at Item A (not less than 10,000). Multiply by \$0.20 to calculate the total for Shares and enter the dollar amount at B.
- B. Enter your Australian tax file number (TFN) or ABN or exemption category, if you are an Australian resident. Where applicable, please enter the TFN / ABN of each joint applicant. Collection of TFN's is authorised by taxation laws. Quotation of your TFN is not compulsory and will not affect your Second Supplementary Application Form.
- C. Write your full name. Initials are not acceptable for first names.
- D. Enter your postal address for all correspondence. All communications to you from the Company will be mailed to the person(s) and address as shown. For joint applicants, only one address can be entered.
- E. If you are sponsored in CHESS by a stockbroker or other CHESS participant, you may enter your CHESS HIN if you would like the allocation to be directed to your HIN.
- F. Complete cheque details as requested. Make your cheque payable to 'Biomics Biopharma Limited – Subscription Account', cross it and mark it 'Not negotiable'. Cheques must be made in Australian currency, and cheques must be drawn on an Australian Bank.
- G. Enter your contact details so we may contact you regarding your Second Supplementary Application Form or Application Monies.

**NB: Your registration details provided must match your CHESS account exactly.**

## Correct form of Registrable Title

Note that ONLY legal entities can hold Shares. The application must be in the name of a natural person(s), companies or other legal entities acceptable to the Company. At least one full given name and surname is required for each natural person. Examples of the correct form of registrable title are set out below:

Type of Investor	Correct form of Registrable Title	Incorrect form of Registrable Title
Individual	Mr John David Smith	J D Smith
Company	ABC Pty Ltd	ABC P/L or ABC Co
Joint Holdings	Mr John David Smith & Mrs Mary Jane Smith	John David & Mary Jane Smith
Trusts	Mr John David Smith	John Smith Family Trust
Deceased Estates	<J D Smith Family A/C>	John Smith (deceased)
Partnerships	Mr Michael Peter Smith	John Smith & Son
Clubs/Unincorporated Bodies	<Est Lte John Smith A/C>	Smith Investment Club
Superannuation Funds	Mr John David Smith & Mr Ian Lee Smith	John Smith Superannuation Fund

## Lodgement

Post or deliver your completed Third Supplementary Application Form with cheque(s) attached to the following address:

Biomics Biopharma Limited  
c/- Advanced Share Registry Ltd  
PO Box 1156  
NEDLANDS WA 6909

It is not necessary to sign or otherwise execute the Third Supplementary Application Form. For questions on how to complete the Third Supplementary Application Form, please contact Advanced Share Registry Ltd on +61 8 9389 8033.

## Privacy Statement

Chapter 2C of the *Corporations Act 2001* (Cth) requires information about you as a shareholder (including your name, address and details of the shares you hold) to be included in the public register of the entity in which you hold shares. Information is collected to administer your shareholding and if some or all of the information is not collected then it might not be possible to administer your shareholding. Your personal information may be disclosed to the entity in which you hold shares. You can obtain access to your personal information by contacting Advanced Share Registry Ltd on +61 8 9389 8033.

***This is a third supplementary prospectus intended to be read with the Prospectus dated 13 April 2017, the First Supplementary Prospectus dated 30 June 2017 and the Second Supplementary Prospectus dated 28 September 2017 issued by Biomics Biopharma Limited***

# Biomics Biopharma Limited

ACN 613 499 184

## Second Supplementary Prospectus

### Important information

This is a supplementary prospectus (**Second Supplementary Prospectus**) intended to be read with the replacement prospectus dated 13 April 2017 (**Prospectus**) and the supplementary prospectus dated 30 June 2017 (**First Supplementary Prospectus**) issued by Biomics Biopharma Limited ACN 613 499 184 (**Company**).

This Second Supplementary Prospectus is dated 28 September 2017 and was lodged with ASIC on that date. Neither ASIC nor ASX take any responsibility as to the contents of this Second Supplementary Prospectus.

This Second Supplementary Prospectus should be read together with the Prospectus and the First Supplementary Prospectus. Other than the changes set out in this Second Supplementary Prospectus, all other details in relation to the Prospectus and the Supplementary Prospectus remain unchanged. To the extent of any inconsistency between this Second Supplementary Prospectus, the Prospectus and the First Supplementary Prospectus, the provisions of this Second Supplementary Prospectus will prevail. Unless otherwise indicated, terms defined and used in the Prospectus and First Supplementary Prospectus have the same meaning in this Second Supplementary Prospectus.

The Company has issued a printed and electronic version of this Second Supplementary Prospectus, the Prospectus and the First Supplementary Prospectus. Any person may obtain an electronic version of this Second Supplementary Prospectus, the Prospectus and the First Supplementary Prospectus from the Company's website at [www.biomics.com](http://www.biomics.com) or a hard copy of these documents free of charge by contacting the Company by telephone on +61 2 8075 4595.

This Second Supplementary Prospectus, the Prospectus and the First Supplementary Prospectus are important documents that should be read in their entirety. If you are in any doubt as to the contents of this Second Supplementary Prospectus, the Prospectus or the First Supplementary Prospectus, you should consult your stockbroker, lawyer, accountant or other professional adviser without delay.

### 1. SECOND SUPPLEMENTARY PROSPECTUS

#### 1.1 Reasons for this Second Supplementary Prospectus

This Second Supplementary Prospectus has been prepared to:

- (a) extend the period for admission to quotation of Shares offered under the Prospectus from three months from the date of the First Supplementary Prospectus to three months from the date of this Second Supplementary Prospectus (**Quotation Condition**); and
- (b) extend the period for the Minimum Subscription to be achieved from four months from the date of the First Supplementary Prospectus to four months from the date of this Second Supplementary Prospectus (**Minimum Subscription Condition**),

pursuant to the ASIC Corporations (Minimum Subscription and Quotation Conditions) Instrument 2016/70 (**Instrument**).

#### 1.2 Quotation Condition

The Company makes the following statements regarding the Quotation Condition as required by the Instrument.

- (a) An application for admission to quotation of the Shares offered under the Prospectus was made within 7 days after the date of the Prospectus.

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***This is a second supplementary prospectus intended to be read with the Prospectus dated 13 April 2017 and the First Supplementary Prospectus dated 30 June 2017 issued by Biomics Biopharma Limited***

- (b) The Shares offered under the Prospectus have not been admitted to quotation as at the date of this Second Supplementary Prospectus.
- (c) ASX has not indicated whether the Shares offered under the Prospectus will be admitted to quotation or will not be admitted to quotation.
- (d) The Quotation Condition is being amended to extend the period for admission to quotation of Shares offered under the Prospectus from 30 September 2017 to three months from the date of this Second Supplementary Prospectus.
- (e) The Quotation Condition must be satisfied by 29 December 2017, being the next business day after the date three months from the date of this Second Supplementary Prospectus.
- (f) As at the date of this Second Supplementary Prospectus, the Company has received nil applications for Shares pursuant to the Offer.

### **1.3 Minimum Subscription Condition**

The Company makes the following statements regarding the Minimum Subscription Condition as required by the Instrument.

- (a) As at the date of this Second Supplementary Prospectus, the Company has not raised any funds pursuant to the Offer.
- (b) The Minimum Subscription Condition is being amended to extend the period for the Minimum Subscription to be achieved from 30 October 2017 to four months from the date of this Second Supplementary Prospectus.
- (c) The Minimum Subscription Condition must be satisfied by 29 January 2017, being the next business day after the date four months from the date of this Second Supplementary Prospectus.

## **2. APPLICATIONS**

### **2.1 Investors who HAVE previously submitted an Application Form**

A copy of this Second Supplementary Prospectus will be sent to all applicants who have subscribed for Shares under the Prospectus and the First Supplementary Prospectus prior to the date of this Second Supplementary Prospectus. In accordance with section 724 of the Corporations Act, the Company will allow investors who have lodged Application Forms prior to the date of this Second Supplementary Prospectus a period of 1 month from the date of this Second Supplementary Prospectus (i.e. ending 28 October 2017) to obtain a refund of their Application Monies if they do not wish to proceed with their application (**Withdrawal Period**). The Offer will remain open until, at least, the end of the Withdrawal Period.

Any investor who wishes to obtain a refund under the Offer should write to the Company's Share Registry at the following address:

Biomics Biopharma Limited  
c/- Advanced Share Registry Ltd  
PO Box 1156  
NEDLANDS WA 6909

If you do not wish to withdraw your application, you do not need to take any action.

### **2.2 Investors who HAVE NOT previously submitted an Application Form**

The Offer is made in the Prospectus, the First Supplementary Prospectus and this Second Supplementary Prospectus. If you wish to apply for Shares and have not yet completed an Application Form, First Supplementary Application Form and/or Second Supplementary Application Form please complete and return a Second Supplementary Application Form which is attached to this Second Supplementary Prospectus.

The Second Supplementary Application Form must be received by 5.00pm (WST) on 30 November 2017 and must be completed in accordance with the relevant instructions in Section 1 of the Prospectus and the Second Supplementary Application Form. Applications must NOT be made on an Application Form attached to or accompanying the Prospectus or the First Supplementary Prospectus.

### 3. AMENDMENTS TO THE PROSPECTUS

#### 3.1 Indicative timetable

The indicative timetable set out in section 4.1 of the First Supplementary Prospectus is deleted and replaced with the following:

Important dates	
Lodgement of the Prospectus with ASIC	13 April 2017
Opening Date	14 April 2017
Closing Date	30 November 2017
Issue of new Shares	7 December 2017
Holding statements sent to Shareholders	7 December 2017
Expected date for Shares to commence trading on ASX	14 December 2017

#### 4. DIRECTORS' AUTHORISATION

This Second Supplementary Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with section 720 of the Corporations Act, each Director has consented to the lodgement of this Second Supplementary Prospectus with ASIC and has not withdrawn that consent prior to lodgement.

Signed for and on behalf of the Company on 28 September 2017.



**Dr York Zhu**  
Executive Chairman, Managing Director



# Guide to the Second Supplementary Application Form

## **YOU SHOULD READ THE PROSPECTUS, THE FIRST SUPPLEMENTARY PROSPECTUS AND THE SECOND SUPPLEMENTARY PROSPECTUS CAREFULLY BEFORE COMPLETING THIS SECOND SUPPLEMENTARY APPLICATION FORM.**

Please complete all relevant sections of the appropriate Second Supplementary Application Form using BLOCK LETTERS. These instructions are cross-referenced to each section of the Second Supplementary Application Form.

### Instructions

- A. If applying for Shares insert the number of Shares for which you wish to subscribe at Item A (not less than 10,000). Multiply by \$0.20 to calculate the total for Shares and enter the dollar amount at B.
- B. Enter your Australian tax file number (TFN) or ABN or exemption category, if you are an Australian resident. Where applicable, please enter the TFN / ABN of each joint applicant. Collection of TFN's is authorised by taxation laws. Quotation of your TFN is not compulsory and will not affect your Second Supplementary Application Form.
- C. Write your full name. Initials are not acceptable for first names.
- D. Enter your postal address for all correspondence. All communications to you from the Company will be mailed to the person(s) and address as shown. For joint applicants, only one address can be entered.
- E. If you are sponsored in CHESS by a stockbroker or other CHESS participant, you may enter your CHESS HIN if you would like the allocation to be directed to your HIN.
- F. Complete cheque details as requested. Make your cheque payable to 'Biomics Biopharma Limited – Subscription Account', cross it and mark it 'Not negotiable'. Cheques must be made in Australian currency, and cheques must be drawn on an Australian Bank.
- G. Enter your contact details so we may contact you regarding your Second Supplementary Application Form or Application Monies.

**NB: Your registration details provided must match your CHESS account exactly.**

### Correct form of Registrable Title

Note that ONLY legal entities can hold Shares. The application must be in the name of a natural person(s), companies or other legal entities acceptable to the Company. At least one full given name and surname is required for each natural person.

Examples of the correct form of registrable title are set out below:

Type of Investor	Correct form of Registrable Title	Incorrect form of Registrable Title
Individual	Mr John David Smith	J D Smith
Company	ABC Pty Ltd	ABC P/L or ABC Co
Joint Holdings	Mr John David Smith & Mrs Mary Jane Smith	John David & Mary Jane Smith
Trusts	Mr John David Smith	John Smith Family Trust
Deceased Estates	<J D Smith Family A/C>	John Smith (deceased)
Partnerships	Mr Michael Peter Smith	John Smith & Son
Clubs/Unincorporated Bodies	<Est Lte John Smith A/C>	Smith Investment Club
Superannuation Funds	Mr John David Smith & Mr Ian Lee Smith	John Smith Superannuation Fund

### Lodgement

Post or deliver your completed Second Supplementary Application Form with cheque(s) attached to the following address:

Biomics Biopharma Limited  
c/- Advanced Share Registry Ltd  
PO Box 1156  
NEDLANDS WA 6909

It is not necessary to sign or otherwise execute the Second Supplementary Application Form. For questions on how to complete the Second Supplementary Application Form, please contact Advanced Share Registry Ltd on +61 8 9389 8033.

### Privacy Statement

Chapter 2C of the *Corporations Act 2001* (Cth) requires information about you as a shareholder (including your name, address and details of the shares you hold) to be included in the public register of the entity in which you hold shares. Information is collected to administer your shareholding and if some or all of the information is not collected then it might not be possible to administer your shareholding. Your personal information may be disclosed to the entity in which you hold shares. You can obtain access to your personal information by contacting Advanced Share Registry Ltd on +61 8 9389 8033.

***This is a second supplementary prospectus intended to be read with the Prospectus dated 13 April 2017 and the First Supplementary Prospectus dated 30 June 2017 issued by Biomics Biopharma Limited***

# Biomics Biopharma Limited

ACN 613 499 184

## Supplementary Prospectus

### Important information

This is a supplementary prospectus (**Supplementary Prospectus**) intended to be read with the replacement prospectus dated 13 April 2017 (**Prospectus**) issued by Biomics Biopharma ACN 613 499 184 (**Company**).

This Supplementary Prospectus is dated 30 June 2017 and was lodged with ASIC on that date. Neither ASIC nor ASX take any responsibility as to the contents of this Supplementary Prospectus.

This Supplementary Prospectus should be read together with the Prospectus. Other than the changes set out in this Supplementary Prospectus, all other details in relation to the Prospectus remain unchanged. To the extent of any inconsistency between this Supplementary Prospectus and the Prospectus, the provisions of this Supplementary Prospectus will prevail. Unless otherwise indicated, terms defined and used in the Prospectus have the same meaning in this Supplementary Prospectus.

The Company has issued a printed and electronic version of this Supplementary Prospectus and the Prospectus. Any person may obtain an electronic version of this Supplementary Prospectus and the Prospectus from the Biomics Biopharma website at [www.biomics.com](http://www.biomics.com) or a hard copy of these documents free of charge by contacting the Company by telephone on +61 2 8075 4595.

This Supplementary Prospectus and the Prospectus are important documents that should be read in their entirety. If you are in any doubt as to the contents of this Supplementary Prospectus or the Prospectus, you should consult your stockbroker, lawyer, accountant or other professional adviser without delay.

### 1. SUPPLEMENTARY PROSPECTUS

#### 1.1 Reasons for this Supplementary Prospectus

This Supplementary Prospectus has been prepared to:

- (a) extend the period for admission to quotation of Shares offered under the Prospectus from three months from the date of the Prospectus to three months from the date of this Supplementary Prospectus (**Quotation Condition**); and
- (b) extend the period for the Minimum Subscription to be achieved from four months from the date of the Prospectus to four months from the date of this Supplementary Prospectus (**Minimum Subscription Condition**),

pursuant to the ASIC Corporations (Minimum Subscription and Quotation Conditions) Instrument 2016/70 (**Instrument**).

#### 1.2 Quotation Condition

The Company makes the following statements regarding the Quotation Condition as required by the Instrument.

- (a) An application for admission to quotation of the Shares offered under the Prospectus was made within 7 days after the date of the Prospectus.
- (b) The Shares offered under the Prospectus have not been admitted to quotation as at the date of this Supplementary Prospectus.
- (c) ASX has not indicated whether the Shares offered under the Prospectus will be admitted to quotation or will not be admitted to quotation.

- (d) The Quotation Condition is being amended to extend the period for admission to quotation of Shares offered under the Prospectus from 30 June 2017 to three months from the date of this Supplementary Prospectus.
- (e) The Quotation Condition must be satisfied by 1 October 2017, being the next business day after the date three months from the date of this Supplementary Prospectus.
- (f) As at the date of this Supplementary Prospectus, the Company has received applications for 30,000 Shares pursuant to the Offer.

### 1.3 Minimum Subscription Condition

The Company makes the following statements regarding the Minimum Subscription Condition as required by the Instrument.

- (a) As at the date of this Supplementary Prospectus, the Company has raised \$6,000 pursuant to the Offer.
- (b) The Minimum Subscription Condition is being amended to extend the period for the Minimum Subscription to be achieved from 30 June 2017 to four months from the date of this Supplementary Prospectus.
- (c) The Minimum Subscription Condition must be satisfied by 31 October 2017, being the next business day after the date four months from the date of this Supplementary Prospectus.

## 2. AMENDMENTS TO THE PROSPECTUS

### 2.1 Company and Business Overview

Insert the following at:

- (a) the end of the second paragraph in section 3.4.2 of the Prospectus; and
- (b) the end of the first paragraph in section 8.2 of the Prospectus;

*Whilst Benitec have acquired the full patent rights to the program, transfers of the jointly owned patents and applications have not yet been lodged with the appropriate authorities. See the Intellectual Property Report in section 11 for further details.*

### 2.2 Material Contracts

Section 8.7 of the Prospectus is deleted and replaced with the following:

#### 8.7 Indemnity

*Dr Zhu (the Company's Managing Director and Chief Executive Officer), Jiangsu Dinghong Venture Capital Co., Ltd (an entity associated with Mr Gao, one of the Company's non-executive directors) and Jiangsu Yixing Group Co., Ltd (an entity associated with Mr Huang, one of the Company's non-executive directors) (Indemnifiers), have agreed to jointly and severally bear all such responsibilities on behalf of Biomics and indemnify and hold the Group harmless from and against any and all damages or losses arising from the entrustment loan referred to in section 8.6 (Entrustment Loan), whether or not such loss or damage arises directly or indirectly, and including legal and other professional expenses incurred in connection with any related claim, demand or action, and upon demand from the Group must immediately pay the Group any such related claim, demand or action.*

*The indemnity can be enforced by the Group without the lenders having to exhaust any remedy against the Group or enforce any security the lenders hold with respect to the Entrustment Loan. The indemnity will not be considered wholly or partly discharged by the repayment of any amount owing under the Entrustment Loan by the Indemnifiers and will remain in full force and effect until the indemnity is discharged.*

*The liability of the Indemnifiers is not affected by any act, omission, matter or thing including:*

- (a) *the insolvency of the Group;*
- (b) *the lenders exercising or refraining from exercising any rights, powers or remedies conferred on it by law, or agreement, or otherwise;*

- (c) *the variation, extinguishment, unenforceability, failure, loss, release, discharge, abandonment or transfer of the Entrustment Loan or any security or guarantee provided in relation to the Entrustment Loan; and*
- (d) *the Group's obligations under the Entrustment Loan becoming wholly or partially illegal, void or unenforceable.*

*The Indemnifiers have satisfied the Company that they have the ability and financial capacity to satisfy any demand made by the Group under the indemnity.*

### **3. APPLICATIONS**

#### **3.1 Investors who HAVE previously submitted an Application Form**

A copy of this Supplementary Prospectus will be sent to all applicants who have subscribed for Shares under the Prospectus prior to the date of this Supplementary Prospectus. In accordance with section 724 of the Corporations Act, the Company will allow investors who have lodged Application Forms prior to the date of this Supplementary Prospectus a period of 1 month from the date of this Supplementary Prospectus (i.e. ending 30 July 2017) to obtain a refund of their Application Monies if they do not wish to proceed with their application (**Withdrawal Period**). The Offer will remain open until, at least, the end of the Withdrawal Period.

Any investor who wishes to obtain a refund under the Offer should write to the Company's Share Registry at the following address:

Biomics Biopharma Limited  
c/- Advanced Share Registry Ltd  
PO Box 1156  
NEDLANDS WA 6909

If you do not wish to withdraw your application, you do not need to take any action.

#### **3.2 Investors who HAVE NOT previously submitted an Application Form**

The Offer are made in the Prospectus and this Supplementary Prospectus. If you wish to apply for Shares and have not yet completed an Application Form and/or Supplementary Application Form please complete and return a Supplementary Application Form which is attached to this Supplementary Prospectus.

The Supplementary Application Form must be received by 5.00pm (WST) on 31 July 2017 and must be completed in accordance with the relevant instructions in Section 1 of the Prospectus and the Supplementary Application Form. Applications must NOT be made on an Application Form attached to or accompanying the Prospectus.

### **4. AMENDMENTS TO THE PROSPECTUS**

#### **4.1 Indicative timetable**

The indicative timetable set out in the "Key Offer Details" and "Investment Overview" sections of the Prospectus is deleted and replaced with the following:

<b>Important dates</b>	
Lodgement of the Prospectus with ASIC	13 April 2017
Opening Date	14 April 2017
Closing Date	31 July 2017
Issue of new Shares	7 August 2017
Holding statements sent to Shareholders	7 August 2017
Expected date for Shares to commence trading on ASX	14 August 2017

**5. DIRECTORS' AUTHORISATION**

This Supplementary Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with section 720 of the Corporations Act, each Director has consented to the lodgement of this Supplementary Prospectus with ASIC and has not withdrawn that consent prior to lodgement.

Signed for and on behalf of the Company on 30 June 2017.

A handwritten signature in black ink, appearing to read 'York Zhu', written in a cursive style.

**Dr York Zhu**  
Executive Chairman, Managing Director

**SUPPLEMENTARY APPLICATION FORM**

**Biomics Biopharma Limited**

ACN 613 499 184


Fill out this Supplementary Application Form if you wish to apply for Shares in Biomics Biopharma Limited under the Offer

- x Please read the Prospectus dated 13 April 2017 and the Supplementary Prospectus dated 30 June 2017.
- x Follow the instructions to complete this Supplementary Application Form (see reverse).
- x Print clearly in capital letters using black or blue pen.

**Offer closes at 5.00pm WST on 31 July 2017**

**A** **Number of Shares you are applying for**

--	--	--	--	--	--	--	--	--	--

**B** **Total amount**

--	--	--	--	--	--	--	--	--	--

Minimum of 10,000 Shares to be applied for.

**C** **Write the name(s) you wish to register the Shares in (see reverse for instructions)**

Applicant 1

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Name of Applicant 2 or < Account Designation >

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Name of Applicant 3 or < Account Designation >

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

**D** **Write your postal address here**

Number / Street

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Suburb/Town

--	--	--	--	--	--	--	--	--	--

State

--	--	--

Postcode

--	--	--	--

**E** **CHESS participant – Holder Identification Number (HIN)**

X									
---	--	--	--	--	--	--	--	--	--

*Important please note if the name & address details above in sections C & D do not match exactly with your registration details held at CHESS, any Shares issued as a result of your application will be held on the Issuer Sponsored subregister.*

**F** **Enter your Tax File Number(s), ABN, or exemption category**

Applicant #1

--	--	--	--	--	--	--	--	--	--

Applicant #2

--	--	--	--	--	--	--	--	--	--

Applicant #3

--	--	--	--	--	--	--	--	--	--

**G** **Cheque payment details – PIN Cheque(s) Here**

Please enter details of the cheque(s) that accompany this Supplementary Application Form. Make your cheque or bank draft payable to 'Biomics Biopharma Limited – Subscription Account'.


**H** **Contact telephone number (daytime/work/mobile)**

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By submitting this Supplementary Application Form, I/We declare that this application is completed and lodged according to the Prospectus, the First Supplementary Prospectus and the Supplementary Prospectus and the instructions on the reverse of the Supplementary Application Form and declare that all details and statements made by me/us are complete and accurate. I/We agree to be bound by the Constitution of Biomics Biopharma Limited (Company). I/We was/were given access to the Prospectus and the Supplementary Prospectus together with the Supplementary Application Form. I/We represent, warrant and undertake to the Company that our subscription for the above Shares will not cause the Company or me/us to violate the laws of Australia or any other jurisdiction which may be applicable to this subscription for Shares in the Company.

***This is a Supplementary Prospectus intended to be read with the Prospectus dated 13 April 2017 issued by Biomics Biopharma Limited***

# Guide to the Supplementary Application Form

## YOU SHOULD READ THE PROSPECTUS AND SUPPLEMENTARY PROSPECTUS CAREFULLY BEFORE COMPLETING THIS SUPPLEMENTARY APPLICATION FORM.

Please complete all relevant sections of the appropriate Supplementary Application Form using BLOCK LETTERS. These instructions are cross-referenced to each section of the Supplementary Application Form.

### Instructions

- A. If applying for Shares insert the number of Shares for which you wish to subscribe at Item A (not less than 10,000). Multiply by \$0.20 to calculate the total for Shares and enter the dollar amount at B.
- B. Enter your Australian tax file number (TFN) or ABN or exemption category, if you are an Australian resident. Where applicable, please enter the TFN / ABN of each joint applicant. Collection of TFN's is authorised by taxation laws. Quotation of your TFN is not compulsory and will not affect your Supplementary Application Form.
- C. Write your full name. Initials are not acceptable for first names.
- D. Enter your postal address for all correspondence. All communications to you from the Company will be mailed to the person(s) and address as shown. For joint applicants, only one address can be entered.
- E. If you are sponsored in CHESS by a stockbroker or other CHESS participant, you may enter your CHESS HIN if you would like the allocation to be directed to your HIN.
- F. Enter your Australian tax file number (TFN) or ABN or exemption category, if you are an Australian resident. Where applicable, please enter the TFN / ABN of each joint applicant. Collection of TFN's is authorised by taxation laws. Quotation of your TFN is not compulsory and will not affect your Supplementary Application Form.
- G. Complete cheque details as requested. Make your cheque payable to 'Biomics Biopharma Limited – Subscription Account', cross it and mark it 'Not negotiable'. Cheques must be made in Australian currency, and cheques must be drawn on an Australian Bank.
- H. Enter your contact details so we may contact you regarding your Supplementary Application Form or Application Monies.

**NB: Your registration details provided must match your CHESS account exactly.**

### Correct form of Registrable Title

Note that ONLY legal entities can hold Shares. The application must be in the name of a natural person(s), companies or other legal entities acceptable to the Company. At least one full given name and surname is required for each natural person.

Examples of the correct form of registrable title are set out below:

Type of Investor	Correct form of Registrable Title	Incorrect form of Registrable Title
Individual	Mr John David Smith	J D Smith
Company	ABC Pty Ltd	ABC P/L or ABC Co
Joint Holdings	Mr John David Smith & Mrs Mary Jane Smith	John David & Mary Jane Smith
Trusts	Mr John David Smith	John Smith Family Trust
Deceased Estates	<J D Smith Family A/C>	John Smith (deceased)
Partnerships	Mr Michael Peter Smith	John Smith & Son
Clubs/Unincorporated Bodies	<Est Lte John Smith A/C>	Smith Investment Club
Superannuation Funds	Mr John David Smith & Mr Ian Lee Smith	John Smith Superannuation Fund

### Lodgement

Post or deliver your completed Supplementary Application Form with cheque(s) attached to the following address:

Biomics Biopharma Limited  
c/- Advanced Share Registry Ltd  
PO Box 1156  
NEDLANDS WA 6909

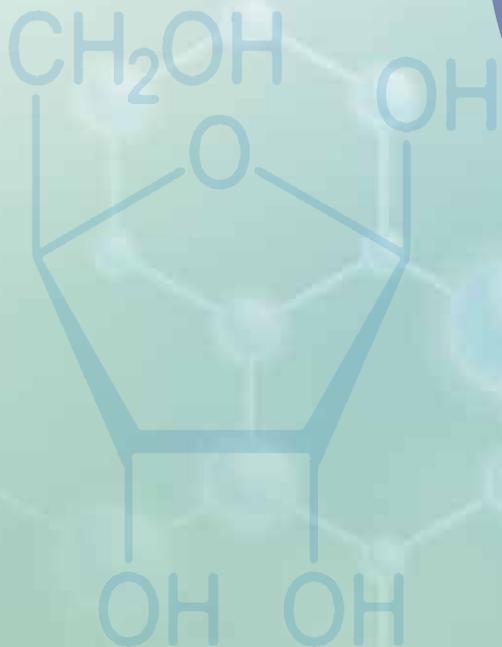
It is not necessary to sign or otherwise execute the Supplementary Application Form. For questions on how to complete the Supplementary Application Form, please contact Advanced Share Registry Ltd on +61 8 9389 8033.

### Privacy Statement

Chapter 2C of the *Corporations Act 2001* (Cth) requires information about you as a shareholder (including your name, address and details of the shares you hold) to be included in the public register of the entity in which you hold shares. Information is collected to administer your shareholding and if some or all of the information is not collected then it might not be possible to administer your shareholding. Your personal information may be disclosed to the entity in which you hold shares. You can obtain access to your personal information by contacting Advanced Share Registry Ltd on +61 8 9389 8033.

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***This is a Supplementary Prospectus intended to be read with the Prospectus dated 13 April 2017 issued by Biomics Biopharma Limited***



**Biomics**  
BIOPHARMA

ACN 613 499 184

# Replacement Prospectus

## Offer

For an offer of up to 80,000,000 Shares at an issue price of \$0.20 each to raise \$16,000,000 before costs, with a minimum subscription requirement to raise at least \$13,000,000 before costs.

Lead Manager



## Important notice

This document is important and it should be read in its entirety. If you are in any doubt as to the contents of this Replacement Prospectus, you should consult your stockbroker, lawyer, accountant or other professional adviser without delay. The Shares offered by this Replacement Prospectus should be considered highly speculative.

**B**iomics

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**BIOMICS BIOPHARMA LIMITED**

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# IMPORTANT INFORMATION

## NOTICE

This Replacement Prospectus is dated 13 April 2017 and a copy of this Prospectus was lodged with ASIC on that date. This Replacement Prospectus replaces an earlier prospectus dated 30 March 2017. For the purposes of this document, this Replacement Prospectus will be referred to as either this Replacement Prospectus or this Prospectus. Neither ASIC nor ASX take responsibility for the contents of this Prospectus.

This Replacement Prospectus has been issued to, amongst other matters, provide a detailed description of the fees payable to the Lead Manager.

Within 7 days of the date of this Prospectus, the Company will make an application to ASX for the Shares offered pursuant to this Prospectus to be admitted for quotation on ASX.

No Shares will be issued pursuant to this Prospectus later than 13 months after the date of this Prospectus.

Persons wishing to apply for Shares pursuant to the Offer must do so using the Application Form attached to or accompanying this Prospectus. Before applying for Shares investors should carefully read this Prospectus so that they can make an informed assessment of the rights and liabilities attaching to the Shares, the assets and liabilities of the Company, its financial position and performance, profits and losses, and prospects.

Any investments in the Company should be considered highly speculative. Applicants should read this Prospectus in its entirety and persons considering applying for Shares pursuant to this Prospectus should obtain professional advice.

No person is authorised to give any information or to make any representation in relation to the Offer which is not contained in this Prospectus. Any such information or representations may not be relied upon as having been authorised by the Directors.

## FOREIGN INVESTOR RESTRICTIONS

The offer of Shares under this Prospectus does not constitute an offer in any jurisdiction outside Australia. The Offer is not made to persons or places to which, or in which, it would not be lawful to make such an offer of securities. Any persons in such places who come into possession of this

Prospectus should seek advice on and comply with any legal restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any of these restrictions. Failure to comply with these restrictions may violate securities laws. Applicants who are resident in countries other than Australia should consult their professional advisers as to whether any regulatory or other consents are required or whether any other formalities need to be considered and followed. For information on selling restrictions that apply to the Shares in certain jurisdictions outside of Australia, see section 9.10.

## ELECTRONIC PROSPECTUS

A copy of this Prospectus can be downloaded from the Company's website at [www.biomics.com](http://www.biomics.com). Any person accessing the electronic version of this Prospectus for the purpose of making an investment in the Company must be an Australian resident and must only access this Prospectus from within Australia.

The Corporations Act prohibits any person passing onto another person an Application Form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus. Any person may obtain a hard copy of this Prospectus free of charge by contacting the Company on +61 2 8075 4595. For further information, see sections 1.18 and 9.7.

## EXPOSURE PERIOD

This Prospectus will be circulated during the Exposure Period. The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of funds. Investors should be aware that this examination may result in the identification of deficiencies in this Prospectus and, in those circumstances, any application that has been received may need to be dealt with in accordance with section 724 of the Corporations Act.

Applications for Shares under this Prospectus will not be processed by the Company until after the expiry of the Exposure Period. No preference will be conferred on persons who lodge applications prior to the expiry of the Exposure Period.

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## NO COOLING OFF RIGHTS

Applicants have no cooling off rights in relation to Shares for which they apply. This means that an applicant is not permitted or entitled to withdraw its application once submitted, other than in certain specified circumstances as detailed in the Corporations Act.

## RISKS

Before deciding to invest in the Company, investors should read the entire Prospectus and in particular, in considering the prospects of the Company, investors should consider the risk factors that could affect the financial performance and assets of the Company. Investors should carefully consider these factors in light of personal circumstances (including financial and taxation issues). The Shares offered by this Prospectus should be considered highly speculative. Refer to section 6 for details relating to risk factors.

## DISCLAIMER

This Prospectus includes information regarding the past performance of the Company. Investors should be aware that past performance is not indicative of future performance.

Certain statements in this Prospectus constitute forward looking statements. These forward looking statements are identified by words such as “may”, “could”, “believes”, “expects”, “intends”, and other similar words that involve risks and uncertainties. Investors should note that these statements are inherently subject to uncertainties in that they may be affected by a variety of known and unknown risks, variables and other factors which could cause actual values or results, performance or achievements to differ materially from anticipated results, implied values, performance or achievements expressed, projected or implied in the statements.

This Prospectus, including the industry overview in section 2, uses market data and third party estimates and projections. There is no assurance that any of the third party estimates or projections contained in this information will be achieved. The Company has not independently verified this information.

Estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed in the risk factors set out in section 6.

## FINANCIAL AMOUNTS

All references in this Prospectus to “\$”, “A\$”, “AUD”, “dollars” or “cents” are references to Australian currency unless otherwise stated.

All references to “RMB”, “Renminbi” or “Chinese Renminbi” are references to Chinese currency.

All references to “USD” or “US\$” are references to the United States currency.

All references to “HKD” are references to the Hong Kong currency.

Any discrepancies between the totals and sums of components in tables contained in this Prospectus are due to rounding.

## EXCHANGE RATE

Unless otherwise stated, all amounts in RMB and HKD that have been converted to AUD in this Prospectus have been converted using the Reserve Bank of Australia’s foreign currency exchange rate on 28 February 2017 of A\$1 = RMB 5.2811 and A\$1 = HKD 5.967 respectively.

The Company notes that exchange rates are subject to change. Investors are advised to take this into consideration when considering historical figures in RMB or HKD that have been converted into AUD using the exchange rate as at 28 February 2017 (unless otherwise stated).

## DEFINITIONS AND TIME

A number of terms and abbreviations used in this Prospectus have defined meanings which appear in section 13.

All references to time relate to the time in Perth, Western Australia unless otherwise stated or implied.



## **GOVERNING LAW**

This Prospectus and the contracts that arise from the acceptance of the applications under this Prospectus are governed by the law applicable in Western Australia and each applicant submits to the exclusive jurisdiction of the courts of Western Australia.

## **IMAGE AND DIAGRAMS**

Image and photographs used in this Prospectus which do not have any descriptions are for illustration and/or example purposes only and should

not be interpreted to mean that any product, brand, person or entity shown is in any way affiliated with, or endorses this Prospectus or its contents or the Company, or that the assets shown in them are owned by the Company; and may not represent actual products, premises, customer or staff of the Company.

Diagrams used in this Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available as at the date of this Prospectus.

## DIRECTORS

### Dr York Zhu

Executive Chairman, Managing Director and Chief Executive Officer

### Dr Peter French

Non-Executive Director

### Carl Stubbings

Non-Executive Director

### Xing Huang

Non-Executive Director

### Chongping Gao

Non-Executive Director

## COMPANY SECRETARY

Nicholas Ong

## REGISTERED OFFICE

Level 36, Gateway Tower  
1 Macquarie Place  
Sydney NSW 2000  
Australia  
Telephone: +61 2 8075 4595

## PRC OFFICE

76 Changxing Road  
Nantong Economic & Technology Development  
Zone, Jiangsu Province  
The People's Republic of China

## WEBSITE

[www.biomics.com](http://www.biomics.com)

## ASX CODE

BBM

## SHARE REGISTRY

Advanced Share Registry Ltd  
110 Stirling Highway  
Nedlands WA 6009

## CORPORATE ADVISER

AGC Capital Securities Pty Ltd  
Level 36, Gateway Tower  
1 Macquarie Place  
Sydney NSW 2000

## LEAD MANAGER

Platinum Gate Global Markets Proprietary Limited  
Level 5, 95 Pitt Street  
Sydney NSW 2000

## AUDITOR

Pitcher Partners SA Pty Ltd  
Level 1, 100 Hutt Street  
Adelaide SA 5000

## INVESTIGATING ACCOUNTANT

Moore Stephens (VIC) Pty Ltd  
Level 18, 530 Collins Street  
Melbourne VIC 3000

## AUSTRALIAN TAXATION ADVISER

Pitcher Partners SA Pty Ltd  
Level 1, 100 Hutt Street  
Adelaide SA 5000

## AUSTRALIAN LEGAL ADVISER

Price Sierakowski Corporate  
Level 24, 44 St Georges Terrace  
Perth WA 6000

## PRC LEGAL ADVISER

HaoLiWen Partners  
Room 1109, Anlian Plaza  
No. 38 North Road East Third Ring  
Beijing, People's Republic of China

## HONG KONG LEGAL ADVISER

Patrick Mak & Tse  
16th Floor  
Nan Fung Tower  
173 Des Vieux Road  
Central Hong Kong

## INTELLECTUAL PROPERTY EXPERT

Wrays Pty Ltd  
56 Ord Street  
West Perth WA 6005

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# LETTER FROM THE CHAIRMAN

13 April 2017

Dear Investor,

On behalf of the Board of Directors, I am delighted to present this Prospectus to you and offer you the opportunity to become a Shareholder of Biomics Biopharma Limited (**Company**).

The Company's wholly owned subsidiary, Biomics Biotechnologies Co., Ltd (**PRC BIO**), was incorporated in 2006. PRC BIO is a biopharmaceutical company with early stage revenues from cosmetic sales and a pre-clinical therapeutic pipeline. The Company is conducting research and development and commercialisation of double stranded ribonucleic acid (**dsRNA**)-based innovative products for unmet medical needs. The Company is led by an experienced management team of Chinese nationals with excellent networks in Life Science organisations in North America.



dsRNA is the core technology upon which the Biomics Group's products are based. In one application, known as small interfering RNA (**siRNA**), which induces gene silencing via RNA interference (**RNAi**) we have the capacity to treat a wide range of diseases and conditions with exquisite specificity by 'silencing' disease-causing genes. In other applications of dsRNA, we have generated "viral like" dsRNA that has the ability to stimulate the innate immune system providing enhanced protection for the human body.

The Company's programs have been carefully selected to maximise the opportunity for successful development and commercialisation of therapeutic products. Importantly, we have been involved in bringing two dsRNA-based cosmetic products to the market in China. The first one, *Britena*, developed in conjunction with Genecon, was launched in 2012 for skin whitening. *Britena* is a novel siRNA-based cosmetic product and is already generating early stage revenues in China. Our *CoSensia* product has recently been released in China, and is a dsRNA-based 'first in class' treatment for acne.

To date, there have been no siRNA-based products that have reached the market except *Britena*, although there are many products in clinical development. It appears, therefore, that *Britena* may be the first commercialised RNAi-based product anywhere in the world. This demonstrates Biomics' unique experience in developing and commercialising products based on dsRNA technology.

RNAi has the potential to be used to develop breakthrough drugs for serious, life-threatening diseases.

The Biomics Group maintains a patented RNAi drug development platform with a comprehensive **siRNA** library of targets combined with high-throughput screening, large-scale manufacturing, a unique siRNA delivery platform and an in vivo evaluation model. These strong capabilities combined with the Company's existing programs provide Biomics with a deep capacity for development of additional RNAi-based therapeutic candidates beyond those currently being developed and commercialised. These include a preclinical program in hepatitis B with encouraging in vitro results. Hepatitis B is a significant therapeutic opportunity for Biomics, as the largest concentration of infected patients is located in China. Biomics' core expertise in the development of RNAi-based products combined with our China-based facility has the potential to provide accelerated access to the Chinese market.

This Prospectus contains an offer to the public of up to 80,000,000 Shares at an issue price of \$0.20 each to raise up to \$16,000,000 before costs, with a minimum subscription requirement to raise at least \$13,000,000 before costs. The proceeds from the Offer will primarily be used to advance the development and clinical

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trials (if the Full Subscription is raised) of its flagship drug candidate for HBV (see section 3.5 for further information) and to advance the marketing of our anti-acne product, *CoSensia*, in China and worldwide (see section 3.6 for further information). In addition, the funds derived from the sales of *CoSensia* will be used to support the Company's therapeutic program development.

The ASX offers a sophisticated capital market and an internationally recognised corporate governance environment, which the Directors believe will provide a suitable platform for the Company's growth into Western markets. In addition, Biomics regards Australia as offering a world-class clinical trial environment with rigorous regulatory oversight, which will enable the Company to launch its products in Western countries. There are currently no siRNA-based therapeutic companies listed on the ASX, despite siRNA being the dominant RNAi technology worldwide. Australian investors will now have the opportunity to invest in a company that is poised to exploit this technology for unmet medical needs in China initially and ultimately globally.

An investment in the Company is subject to risks, including company specific risks and general risks. In particular, investors should note that the Company's product development program is at a relatively early development stage and substantial formulation development and clinical development is necessary to progress these products. Such clinical development is expensive and time consuming and may fail for various reasons. In addition, the Company's operations are subject to pharmaceutical regulatory regime which is uncertain. The Company's operation relies on patent protection and the process of obtaining patent protection for products and technology is highly uncertain. Accordingly, any investment made in the Company should be considered highly speculative. Detailed information about these risks is set out in section 6, which I encourage you to read carefully.

On behalf of my fellow Directors, I look forward to welcoming you as a Shareholder of Biomics Biopharma Limited.

Yours faithfully



Dr York Zhu  
Executive Chairman

## KEY OFFER DETAILS

Key financial information	Minimum subscription	Full subscription
Issue price per Share	\$0.20	\$0.20
Shares being offered under the Offer	65,000,000	80,000,000
Amount to be raised under the Offer (before costs)	\$13,000,000	\$16,000,000
Total number of Shares on issue before completion of the Offer	258,944,917	258,944,917
Total number of Shares on issue upon completion of the Offer	323,944,917	338,944,917
Indicative market capitalisation upon completion of the Offer <sup>1</sup>	\$64,788,983	\$67,788,983

### Notes:

1. Market capitalisation is determined by multiplying the total number of Shares on issue by the price at which the Shares trade on the ASX from time to time. In the case above, the market capitalisation is calculated at the issue price of each Share under the Offer, being \$0.20. Please note that there is no guarantee that the Shares will be trading at \$0.20 upon the Company listing.

2. Please refer to section 1.6 for further details relating to the proposed capital structure of the Company.

Important dates	
Lodgement of this Prospectus with ASIC	13 April 2017
Opening Date for the Offer	14 April 2017
Closing Date for the Offer	12 May 2017
Issue of new Shares under the Offer	26 May 2017
Holding statements sent to Shareholders	26 May 2017
Expected date for Shares to commence trading on ASX	2 June 2017

### Note:

The dates shown in the table above are indicative only and may vary subject to the Corporations Act, the Listing Rules and other applicable laws. In particular, the Company reserves the right to vary the Opening Date and the Closing Date without prior notice, which may have a consequential effect on the other dates. Applicants are therefore encouraged to lodge their Application Form as soon as possible after the Opening Date if they wish to invest in the Company.

**B**iomics

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**BIOMICS BIOPHARMA LIMITED**

# INVESTMENT OVERVIEW

This section is not intended to provide full information for investors intending to apply for Shares offered under this Prospectus. This Prospectus should be read and considered in its entirety. The Shares offered pursuant to this Prospectus carry no guarantee in respect of return of capital, return on investment, payment of dividends or the future value of the Shares.

Topic	Summary	More information
<b>The Company</b>		
Who is the issuer of this Prospectus?	Biomics Biopharma Limited ACN 613 499 184 ( <b>Company</b> ).	section 3
Who is the Company and what does it do?	<p>The Company is the parent company of the <b>Group</b>, which also comprises Biomics Biopharma Limited (a company registered in Hong Kong) (<b>HK BIO</b>) and Biomics Biotechnologies Co., Ltd (a company registered in the PRC) (<b>PRC BIO</b>).</p> <p>Established in 2006, PRC BIO is the operating entity of the Group and is a biopharmaceutical company with early stage revenues from cosmetic sales and a pre-clinical therapeutic pipeline based on RNAi technology.</p>	section 3
How does the Company generate income?	<p>Currently the Company generates its revenue through the sale of an RNAi-based anti-acne treatment (<i>CoSensia</i>) and sale of active ingredient for an RNAi-based skin whitening product, <i>Britena</i>. Though relatively small, the revenues from these products, in particular <i>CoSensia</i>, have the potential to grow significantly through increased investment in marketing in China and in launching the product in western markets including Australia and the US.</p> <p>Furthermore, the Company will seek to generate a competitive return for its stakeholders by progressing its HBV program to clinical proof of concept in China and Australia, with the aim of securing a partnership with a large pharmaceutical company following successful trial results.</p>	sections 3.3, 3.4.1 and 3.6
What is the Company's flagship therapeutic?	The Company's flagship therapeutic product in development for serious, life threatening disease is MultisiRNA for the treatment of hepatitis B. It has entered the pre-clinical <i>in vivo</i> stage and safety evaluation.	section 3.5
What are the Company's key strengths?	<p>Some of the Company's key strengths include its:</p> <ul style="list-style-type: none"> <li>• experienced leadership in biopharmaceutical development and commercialisation;</li> <li>• deep expertise in developing and commercialising dsRNA-based products;</li> <li>• achievement of being the first company worldwide to bring dsRNA-based products to the market;</li> <li>• early stage revenues;</li> <li>• anti-acne product <i>CoSensia</i>;</li> <li>• extensive patent estate, including in China; and</li> <li>• China operations base, potentially allowing accelerated access to the market for cosmetic products, and ready access to the major market for a hepatitis B virus (HBV) therapeutic.</li> </ul>	section 3



Topic	Summary	More information
What are the Company's key business strategies?	<p>The overarching strategy of the Company is to discover, develop and commercialise treatments that leverage the Company's capabilities in RNAi technology. The Company's key business strategies are to:</p> <ul style="list-style-type: none"> <li>• grow sales of <i>CoSensia</i> in China;</li> <li>• obtain regulatory approval and enter the Australian market with <i>CoSensia</i>, followed by other Western markets;</li> <li>• advance MultisiRNA, the Company's HBV therapeutic program, to the clinic; and</li> <li>• develop new RNAi-based therapies for major diseases with significant unmet medical needs.</li> </ul>	section 3.4
What is the financial position of the Group?	<p>The Group has completed financial statements for the financial years ended 31 December 2014 and 31 December 2015 that have been audited and the half year ended 30 June 2016 that have been reviewed.</p> <p>As at 30 June 2016, the Group has:</p> <ul style="list-style-type: none"> <li>• a cash balance of \$57,000;</li> <li>• total assets of \$6.236 million;</li> <li>• net assets of -\$3.261 million; and</li> <li>• total equity of -\$3.261 million.</li> </ul> <p>The audited financial information has been converted to AUD from the PRC BIO's presentation currency of Renminbi, based on the foreign currency translation policy outlined in section 4.2.3.</p> <p>Applicants should note that past performance is not a reliable indicator of future performance.</p> <p>Further financial information regarding the Group is set out in section 4 and is considered in the Investigating Accountant's Report included in section 5 of this Prospectus.</p>	sections 4 & 5
<b>The Offer</b>		
What is the Offer?	The Company is offering up to 80,000,000 Shares to the general public at an issue price of \$0.20 each to raise up to \$16,000,000 before costs ( <b>Offer</b> ). There is no allowance for oversubscriptions.	section 1
What is the Minimum Subscription?	The minimum subscription requirement for the Offer is \$13,000,000, representing the subscription of 65,000,000 Shares at an issue price of \$0.20 each ( <b>Minimum Subscription</b> ).	section 1.3
Why is the Offer being conducted?	<p>The principal purposes of the Offer are to:</p> <ul style="list-style-type: none"> <li>• comply with ASX's requirements for listing the Company on the ASX;</li> <li>• enhance the public and financial profile of the Company to facilitate further growth of the Company's business, including the growth into Western markets;</li> <li>• provide funds for the purposes set out in section 1.5; and</li> <li>• provide the Company with access to equity capital markets for future funding needs.</li> </ul>	section 1.4

Topic	Summary	More information
How will funds raised under the Offer be used?	<p>Depending on how much is raised, it is proposed that funds raised under the Offer will be applied towards:</p> <ul style="list-style-type: none"> <li>• enhancing the marketing and promotion of the anti-acne product <i>CoSensia</i> in China;</li> <li>• undertaking clinical studies for <i>CoSensia</i> to enable regulatory approval and market entry in Australia and subsequently other geographical markets;</li> <li>• complete pre-clinical studies for Investigational New Drug (IND) application for the HBV program;</li> <li>• commencing a Phase I clinical trial in HBV;</li> <li>• expenses of the Offer; and</li> <li>• general working capital.</li> </ul>	section 1.5
What is the effect of the Offer on the capital structure of the Company?	<p>The effect of the Offer on the capital structure of the Company will depend on the amount raised under the Offer. For example, the Company's share capital will enlarge by the following percentages based on the following levels of subscription under the Offer:</p> <ul style="list-style-type: none"> <li>• Minimum Subscription – 20.07%; and</li> <li>• Full Subscription – 23.60%.</li> </ul>	sections 1.6
<b>Key risk factors</b>		
<p>Investors should be aware that subscribing for Shares in the Company involves a number of risks. The risk factors set out in section 6 and other general risks applicable to all investments in listed shares, may affect the value of the Shares in the future. Accordingly, an investment in the Company should be considered highly speculative. This section summarises only some of the risks which apply to an investment in the Company and investors should refer to section 6 for a more detailed summary of the risks.</p>		
Sufficiency of funding and future funding requirements	<p>Funds raised under this Prospectus may not be sufficient to enable the Company to fully commercialise its delivery system technologies, to progress its program(s) through to marketing approval and to implement its overall business strategy. The Company may need to seek to raise additional capital in the future through further offers, or rely on securing a commercial transaction to further program internally. No assurance can be given that future funding will be available, or that it will be available on terms acceptable to the Company.</p>	section 6.1.1
Innovative Technological Development – Early Stage	<p>The Company's product development program is at a relatively early development stage and substantial formulation development and clinical development is necessary to progress these products. No guarantee can be provided that the proposed formulation development or clinical work will be successful or result in an approved product that can be marketed and sold.</p>	section 6.1.2



Topic	Summary	More information
Research and Development	<p>The Company can make no representation that any of its research into or development of its delivery system technologies will be successful, that the development milestones will be achieved, or that the delivery system technologies will be developed into products that are commercially exploitable.</p>	section 6.1.3
Clinical Trials Risks	<p>The Company's product development plans include the conduct of human clinical trials initially with the HBV program and then the balance of the pipeline product candidates.</p> <p>Such clinical trials are expensive, time consuming, and can be difficult to design and implement, in part because they are subject to rigorous regulatory requirements.</p> <p>Clinical development of the Group's products may fail for a number of other reasons. Failure can occur at any stage of the trials, requiring the Group to abandon or repeat clinical trials.</p> <p>In addition, the regulatory authorities may suspend, delay or terminate the Group's trials at any time, or suspend or terminate the registrations and quota allotments for various reasons.</p>	section 6.1.4
Regulatory Risks	<p>The Company's operations are subject to laws, regulatory restrictions and certain government directives, recommendations and guidelines relating to, amongst other things, occupational health and safety, laboratory practice, use and handling of hazardous materials, prevention of illness and injury and environmental protection. Any changes may increase the cost of compliance in the future.</p> <p>The pharmaceutical regulatory regime is uncertain, can take significant periods of time and require the expenditure of significant resources.</p> <p>Data obtained from pre-clinical and clinical activities are susceptible to varying interpretations, which could delay, limit or prevent regulatory approval or clearance. Before the Company can market and sell its products, it must demonstrate that the products are safe and effective and must obtain necessary approvals from market regulators (for example, the Australian Therapeutic Goods Administration (TGA) and the United States Food and Drug Administration (FDA)).</p>	Section 6.1.5



Topic	Summary	More information
Product Liability and Uninsured Risks	<p>As a manufacturer and supplier of products designed to be exposed to humans, the Biomics Group is exposed to potential product liability claims, regulatory action and litigation which are inherent in the research and development, manufacturing marketing and use of its products or products developed with future co-development alliance partners. In addition, the manufacture of the Biomics Group's skin products <i>CoSensia</i>, involves the risk of injury to consumers due to tampering by unauthorised third parties or product contamination.</p> <p>Product defect, a product liability claim or regulatory action against the Biomics Group could result in increased costs, could adversely affect the Biomics Group's reputation with its clients and consumers generally and could have a material adverse effect on the Biomics Group's results of operations and financial conditions.</p>	section 6.1.7
Intellectual property risks	<p>The Biomics Group will heavily rely for its success on its ability to obtain and maintain patent protection for its products and technology. The process of obtaining patent protection for products and technology is highly uncertain and the process involves complex and continually evolving factual and legal questions. The successful prosecution of the Biomics Group's existing patent applications and future patent applications will be critical to the protection of the products.</p> <p>The Biomics Group may also be forced to litigate to enforce or defend its intellectual property rights against infringement and unauthorised use by competitors, and to protect its trade secrets. In so doing, the Biomics Group may place its intellectual property at risk of being invalidated, unenforceable, limited or narrowed in scope. Further, an adverse result in any litigation or defence proceedings may place pending applications at risk of non-issuance.</p>	section 6.1.9
Manufacturing and product quality risks	<p>The Company may use third party manufacturers to produce its products. There is no guarantee that its manufacturing partners will be able to meet the Company's cost, quality and volume requirements.</p> <p>As well, failure by the Company or its suppliers to continuously comply with applicable regulatory requirements, regarding the Company's products, or failure to take satisfactory corrective action in response to adverse inspection, could result in enforcement actions.</p>	section 6.1.11



Topic	Summary	More information
Dependence on management team	<p>Due to the specialised nature of the Company's business, its ability to commercialise its products and maintain its research program(s) will depend in part on its ability to attract and retain suitably qualified management, scientists and research personnel.</p> <p>There can be no assurance that the Company will be able to attract or retain sufficiently qualified scientific and management personnel, or maintain its relationship with key scientific organisations.</p> <p>The loss of key scientific and management personnel may impede the achievement of its research, product development and commercialisation objectives.</p>	section 6.1.14
Concentration of ownership of Shares	<p>Upon completion of the Offer, the Managing Director, Dr Zhu, will hold 138,345,609 Shares (directly and indirectly) representing 42.71% (assuming Minimum Subscription) or 40.82% (assuming Full Subscription) of the Shares and voting rights in the Company.</p> <p>Therefore, where he is not excluded from voting, Dr Zhu will have significant influence over matters requiring the approval of Shareholders, including the election of Directors, and in doing so may not vote in the interests of other minority Shareholders.</p>	section 6.1.20
PRC legal system and legal risks	<p>The Group's operations in the PRC are governed by PRC laws and regulations. The introduction of new laws, changes to existing laws and the interpretation or application thereof or the delays in obtaining approvals from the relevant authorities may have an adverse impact on the Group's operations.</p>	section 6.2.3

Topic	Summary	More information															
Payment of dividends from PRC Subsidiary	<p>The Chinese government imposes controls on the convertibility of the RMB into foreign currencies and, in certain cases, the remittance of currency out of the PRC. As the Company receives all of its revenues in RMB, the Company relies principally on dividends from its PRC Subsidiary to fund any cash and financing requirements the Company may have.</p> <p>The inability of the PRC Subsidiary to distribute dividends or other payments to the Company could materially and adversely affect the Company's ability to grow, make investments or acquisitions that could be beneficial to its businesses, pay dividends, or otherwise fund and conduct its business.</p>	section 6.2.4															
Other key risks	<p>The above risks are a summary of some of the key risks but they are not an exhaustive list of all of the key risks that may affect the Company's business or that may be associated with an investment in the Shares.</p> <p>Full details of the above risks, together with a number of other key risks, are included in section 6, and investors are recommended to review all of those key risks carefully before making an investment decision.</p>	section 6															
<b>Other key Offer details</b>																	
What are the important dates of the Offer?	<table border="1"> <thead> <tr> <th colspan="2">Important dates</th> </tr> </thead> <tbody> <tr> <td>Prospectus lodged</td> <td>13 April 2017</td> </tr> <tr> <td>Opening Date</td> <td>14 April 2017</td> </tr> <tr> <td>Closing Date</td> <td>12 May 2017</td> </tr> <tr> <td>New Shares issued</td> <td>26 May 2017</td> </tr> <tr> <td>Holding statements sent</td> <td>26 May 2017</td> </tr> <tr> <td>Trading commences</td> <td>2 June 2017</td> </tr> </tbody> </table>		Important dates		Prospectus lodged	13 April 2017	Opening Date	14 April 2017	Closing Date	12 May 2017	New Shares issued	26 May 2017	Holding statements sent	26 May 2017	Trading commences	2 June 2017	KEY OFFER DETAILS
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The above dates are indicative only and may change without notice.																	
What rights and liabilities attach to the Shares being offered?	The rights and liabilities attaching to the Shares are described in section 9.1.	section 9.1															



Topic	Summary	More information
Will any capital raising fees be payable in respect of the Offer?	The Company has engaged Platinum Gate Global Markets Proprietary Limited as the lead manager to the Offer. Details of the fees payable to the lead manager is disclosed in section 8.9	section 1.8
Is the Offer underwritten?	No, the Offer is not underwritten.	section 1.9
Will the Shares issued under the Offer be quoted?	The Company will apply to ASX no later than 7 days after the date of this Prospectus for official quotation of the Shares on the ASX under the code, "BBM".	section 1.12
How do I apply for Shares under the Offer?	<p>All Application Forms must be completed in accordance with the instructions accompanying the Application Form and must be accompanied by a cheque in Australian dollars for the full amount of the application being \$0.20 per Share.</p> <p>Cheques must be made payable to "Biomics Biopharma Limited – Subscription Account" and should be crossed "Not Negotiable". Applications under the Offer must be for a minimum of 10,000 Shares (\$2,000).</p>	section 1.2
When will I know if my application was successful?	Holding statements confirming allocations under the Offer will be sent to successful applicants as required by ASX. Holding statements are expected to be issued to Shareholders on or about 26 May 2017.	section 1.15
Can I speak to a representative about the Offer?	Questions relating to the Offer and completion of Application Forms can be directed to the Company on + 86 513 8517 5237, or the Lead Manager on +61 2 8459 2086.	section 1.21
<b>Key persons</b>		
Who are the Company's Directors?	<p>The Directors of the Company are:</p> <ul style="list-style-type: none"> <li>• Dr York Zhu – Executive Director;</li> <li>• Dr Peter French – Non-Executive Director;</li> <li>• Carl Stubbings – Non-Executive Director;</li> <li>• Xing Huang – Non-Executive Director; and</li> <li>• Chongping Gao – Non-Executive Director.</li> </ul>	section 7.2

Topic	Summary	More information
Who comprises the senior management team of the Company?	<p>The Company's senior management team is comprised of:</p> <ul style="list-style-type: none"> <li>• Dr York Zhu – Executive Chairman and Chief Executive Officer</li> <li>• Dr Jinkang Wang – Chief Scientific Officer</li> <li>• Dr Jianxin Chen – Chief Technology Officer</li> <li>• Mr Li Shan – Business and Market Development</li> <li>• Ms Kate Zhu – Chief Risk Management Officer/Public Relations</li> <li>• Dr Jianping Qui – Director of Innovation Centre</li> </ul>	section 7.5
What are the significant interests of the Directors?	<p>Upon the Company listing on the ASX, the Directors will be remunerated as follows:</p> <ul style="list-style-type: none"> <li>• as Executive Chairman and Chief Executive Officer, Dr Zhu will receive a salary of \$100,000 per annum plus statutory superannuation.</li> <li>• as Non-Executive Directors, Dr French and Mr Stubbings will each receive directors' fees of \$60,000 per annum inclusive of statutory superannuation.</li> <li>• as Non-Executive Directors, Mr Huang and Mr Chongping Gao will each receive directors' fees of \$45,000 per annum inclusive of statutory superannuation.</li> </ul> <p>More information on the security holdings, interests and remuneration of the Directors is set out in section 7.6.</p>	section 7.6
<b>Miscellaneous matters</b>		
What material contracts is the Company a party to?	<p>The material contracts of the Company include:</p> <ul style="list-style-type: none"> <li>• the employment agreement with its managing director and Chief Executive Officer, Dr York Zhu;</li> <li>• the Benitec Agreement;</li> <li>• the major sale contract;</li> <li>• long-term agreement of cosmetics commission processing agreement;</li> <li>• long-term supply agreement;</li> <li>• Entrustment Loan;</li> <li>• indemnities;</li> <li>• confirmation of equity transfer agreement;</li> <li>• lead manager engagement letter;</li> <li>• deeds of access, indemnity and insurance for each Director; and</li> <li>• escrow agreements to be entered into prior to listing.</li> </ul>	section 8



Topic	Summary	More information
Will any Shares be subject to escrow?	<p>If mandatory escrow applies, approximately 79.94% (assuming Minimum Subscription) or 76.4% (assuming Full Subscription) of the total number of Shares on issue upon completion of the Offer will be subject to escrow for a period of 12 or 24 months.</p> <p>If mandatory escrow does not apply, approximately 72.73% (assuming Minimum Subscription) or 69.51% (assuming Full Subscription) of the total number of Shares on issue upon completion of the Offer will be subject to escrow for a period of 24 months.</p>	section 1.7  section 9.3
Will the Company pay dividends?	<p>The Board can provide no guarantee as to the extent of future dividends, as these will depend on, among other things, the actual levels of profitability and the financial and taxation position of the Company at the time.</p> <p>The Company is not likely to be subject to any Australian tax that will allow it to generate franking credits. Please see the Taxation Report at section 10 for further details.</p>	sections 1.20 and 10
What are the tax implications of investing in Shares under the Offer?	<p>The tax consequences of any investment in Shares will depend upon each applicant's particular circumstances. Investors should obtain their own tax advice before deciding to invest.</p> <p>Investors are also referred to the Taxation Report included in section 10.</p>	sections 9.9 and 10

# 1. DETAILS OF THE OFFER



## 1.1 OVERVIEW

Under this Prospectus, the Company is offering up to 80,000,000 Shares at an issue price of \$0.20 each to raise up to \$16,000,000 before costs (**Offer**). The Offer has a minimum subscription requirement of \$13,000,000. There is no allowance for oversubscriptions.

The Offer is open to the general public however non-Australian resident investors should consider the statements and restrictions set out in sections 1.10 and 9.10 before applying for Shares.

The Shares to be issued under the Offer are of the same class and will rank equally in all respects with existing Shares on issue. A summary of the rights and liabilities attaching to Shares can be found in section 9.1.

Applications for Shares must be made on the Application Form accompanying this Prospectus and received by the Company on or before the Closing Date. Persons wishing to apply for Shares should refer to section 1.2 and the Application Form for further details and instructions.

## 1.2 APPLICATIONS AND PAYMENT

Applications for Shares under the Offer can only be made using the Application Form accompanying this Prospectus. The Application Form must be completed in accordance with the instructions set out on the back of the form.

Applications under the Offer must be for a minimum of 10,000 Shares (\$2,000). No brokerage, stamp duty or other costs are payable by applicants. Cheques must be made payable to "Biomics Biopharma Limited – Subscription Account" and should be crossed "Not Negotiable". All Application Monies will be paid into a trust account.



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Completed Application Forms and accompanying cheques must be received by the Company before 5.00pm WST on the Closing Date by being posted to the following address:

**Biomics Biopharma Limited**  
**c/- Advanced Share Registry Ltd**  
**PO Box 1156**  
**NEDLANDS WA 6909**

Applicants are urged to lodge their Application Forms as soon as possible as the Offer may close early without notice.

An original, completed and lodged Application Form together with a cheque for the Application Monies constitutes a binding and irrevocable offer to subscribe for the number of Shares specified in the Application Form. The Application Form does not need to be signed to be valid. If the Application Form is not completed correctly or if the accompanying payment is for the wrong amount, it may still be treated by the Company as valid. The Board's decision as to whether to treat an application as valid and how to construe, amend or complete the Application Form is final however an applicant will not be treated as having applied for more Shares than is indicated by the amount of the cheque accompanying the Application Form.

It is the responsibility of applicants outside Australia to obtain all necessary approvals in order to be issued Shares under the Offer. The return of an Application Form will be taken by the Company to constitute a representation and warranty by the applicant that all necessary approvals have been obtained, or that the applicant is otherwise eligible to apply for and receive Shares under the Offer for the purposes of all applicable securities laws.

### **1.3 MINIMUM SUBSCRIPTION**

The minimum subscription requirement for the Offer is \$13,000,000, representing the subscription of 65,000,000 Shares at an issue price of \$0.20 each (**Minimum Subscription**). No Shares will be issued until the Offer has reached the Minimum Subscription. If the Minimum Subscription has not been achieved within 4 months of the date of this Prospectus, all Application Monies will be refunded without interest in accordance with the Corporations Act.

### **1.4 PURPOSES OF THE OFFER**

The principal purposes of the Offer are to:

- (a) comply with ASX's requirements for listing the Company on the ASX;
- (b) enhance the public and financial profile of the Company to facilitate further growth of the Company's business, including the growth into Western markets;
- (c) provide funds for the purposes set out in section 1.5; and
- (d) provide the Company with access to equity capital markets for future funding needs.

## 1.5 PROPOSED USE OF FUNDS

The Company intends to use the funds raised under the Offer as follows:

Use of funds	Minimum Subscription		Full Subscription	
	Amount	%	Amount	%
Anti-acne product <sup>1</sup>	\$2,600,000	20.00%	\$2,900,000	18.12%
HBV program <sup>2</sup>	\$6,800,000	52.31%	\$9,300,000	58.13%
Expenses of the Offer – Lead Manager <sup>3</sup>	\$1,109,563	8.53%	\$1,324,813	8.28%
Expenses of the Offer – others <sup>4</sup>	\$931,910	7.17%	\$934,710	5.84%
General working capital <sup>5</sup>	\$1,558,527	11.99%	\$1,540,477	9.63%
<b>Total</b>	<b>\$13,000,000</b>	<b>100%</b>	<b>\$16,000,000</b>	<b>100%</b>

### Notes:

1. The Company intends to continue its marketing and promotional activities to enhance the sales of *CoSensia* in China and to conduct clinical studies aimed at gaining approval to market *CoSensia* worldwide. The allocated funds may be used for obtaining regulatory approvals to supply *CoSensia* in the USA and Australia if such approvals are required. See section 3.6 for further information.

2. After listing, the Company intends to complete the remaining pre-clinical studies for MultisiRNA which is estimated to cost approximately \$6.8 million. If the Full Subscription is raised, it will provide the Company with funds to complete clinical trial Phase I for MultisiRNA in China and Australia. See section 3.5 for further information.

3. The lead manager fee is calculated on the basis of:

- a management fee of \$52,500 (excl. GST); and
- 6 month' management fee of \$120,000 (excl. GST) being \$20,000 per month; and
- 7% success fee on the Minimum Subscription and Full Subscription (being \$910,000 and \$1,120,000 (excl. GST) respectively); plus
- an amount equal to 25% of the non-recoverable GST amount payable by the Company (\$27,063 (Minimum Subscription) and \$32,313 (Full Subscription)).

These amounts exclude any minimum fees of \$500 per investor on the assumption that the success fee calculated on each investor's investment will exceed \$500, and any fees charged by the Lead Manager for the Third Party Raising. The full terms of the Lead Manager Mandate are set out in section 8.9.

4. Expenses other than lead manager fee and include:

- accounting, legal and other advisor fees including fees paid to advisors (that is, the corporate advisor, auditors, investigating accountant, taxation advisor, legal advisors (PRC, Hong Kong and Australia) and intellectual property expert and any disbursements (\$729,592). A complete list of advisors is set out in section 9.4;
- ASIC lodgement fee (\$2,350);
- ASX listing fee (\$120,352 (Minimum Subscription) and \$122,452 (Full Subscription)); and
- printing, design and miscellaneous expense (\$79,616 (Minimum Subscription) and \$80,316 (Full Subscription)).

5. Working capital may include payments to trade creditors, wages, payments to contractors, rent and outgoings, insurance, accounting, audit and legal fees, other items of a general administrative nature and cash reserves which may be used for research and development, as determined by the Board at the relevant time.

If the Full Subscription is achieved, the Company intends to complete clinical trial Phase I for MultisiRNA in China and Australia. The lead manager's success fee (7%) will also increase if the Full Subscription is achieved. These costs will reduce the working capital requirement under a Full Subscription.

6. Subject to the Company's agreement, the Lead Manager is entitled to have its success fee increased to the same percentage charged by the third party in respect of the funds raised by the third party plus the higher of 2.5% or \$100 exclusive of GST, this may result in additional capital raising fees being payable by the Company. The Company does not anticipate an increase in the capital raising costs arising from Third Party Raising as there are no arrangements between the Company and any third party brokers as at the date of the Prospectus, and any such increase in the capital raising costs is subject to the Company's agreement. The Company will, amongst other things, take into account the impact of any increase in the capital raising costs on its proposed use of funds in determining if it will agree to any increase in the capital raising costs arising from Third Party Raising.

7. If the proceeds from the Offer are between the Minimum Subscription and the Full Subscription, the Company intends to allocate the funds between each item on a pro-rata basis.

The above table is a statement of current intentions as at the date of this Prospectus. Investors should note that, as with any budget, the allocation of funds set out in the above table may change depending on a number of factors including, but not limited to, the outcome of the different phase of the research and development including clinical trials, regulatory developments and market and general economic conditions. In light of this, the Board reserves the right to alter the way the funds are applied.

The Board is satisfied that upon completion of the Offer, the Company will have sufficient capital to meet its stated objectives.

## 1.6 CAPITAL STRUCTURE

The table below provides a summary of the capital structure of the Company at the date of this Prospectus and upon completion of the Offer.

Capital structure	Minimum Subscription		Full Subscription	
	Number	%	Number	%
Shares currently on issue	258,944,917	79.93%	258,944,917	76.40%
Shares issued under the Offer	65,000,000	20.07%	80,000,000	23.60%
<b>Total Shares on completion<sup>1</sup></b>	<b>323,944,917</b>	<b>100%</b>	<b>338,944,917</b>	<b>100%</b>

### Notes:

1. A substantial portion of the Shares on issue at the date of this Prospectus will be subject to escrow. Please refer to section 1.7 for further details.

2. The Company has no other securities on issue.

## 1.7 ESCROW ARRANGEMENTS

Under the Listing Rules, ASX may determine that securities issued to promoters, seed capital investors and vendors of classified assets have escrow restrictions placed on them. Such securities may be required to be held in escrow for up to 24 months during which time they must not be transferred, assigned or otherwise disposed of. If ASX imposes mandatory escrow under the Listing Rules, the Company expects that all 258,944,917 Shares on issue at the date of this Prospectus will be subject to escrow as set out in the table below.

Shareholder	Shares	Escrow period <sup>1</sup>	% of total Shares	
			Minimum Subscription	Full Subscription
York Zhu	126,345,609	24	39.00%	37.28%
Yixing Investment Limited (incorporated in Seyshelles)	78,832,048	24	24.34%	23.26%
Sapience Investment Limited (incorporated in Seyshelles)	18,389,820	24	5.68%	5.43%
Bioteam Holding Ltd (incorporated in Seyshelles)	12,000,000	24	3.70%	3.54%
Biowin Holding Ltd (incorporated in Seyshelles)	7,800,480	12	2.41%	2.30%
Heping Yuan	7,048,800	12	2.18%	2.08%
Eagle IG Limited (incorporated in Hong Kong)	5,470,800	24	1.69%	1.61%
Nuna Holding Ltd (incorporated in Samoa)	1,689,600	12	0.52%	0.50%
LiLi	1,367,760	24	0.42%	0.40%
<b>Total</b>	<b>258,944,917</b>		<b>79.94%</b>	<b>76.40%</b>

#### Notes:

1. Escrow periods of 24 months will commence from the date of quotation of the Company's Shares, whereas escrow periods of 12 months commence from the date those Shares are issued, being 20 March 2017.

If ASX determines that mandatory escrow applies to some or all of the existing Shares then, prior to listing, the Company will enter into escrow agreements with the existing Shareholders in relation to those Shares in accordance with the Listing Rules.

If ASX does not impose mandatory escrow on the Company's Shares then, prior to listing, the Company will instead enter into voluntary escrow agreements with its major Shareholders, Dr York Zhu, Yixing Investment Limited, Sapience Investment Limited and Bioteam Holding Ltd, as set out in the table in section 9.3. The escrow agreements will be on the same terms as ASX's standard terms set out in Appendix 9A of the Listing Rules.

## 1.8 CAPITAL RAISING FEES

Platinum Gate Global Markets Proprietary Limited (**Lead Manager**) has agreed to act as Lead Manager to the Offer. As consideration for its services under the Lead Manager Mandate, the Lead Manager will receive:

- (a) management fees of \$52,500 for its services in relation to the Offer for up to two months, and \$20,000 per month for 6 months for services provided after completion of the Offer, exclusive of GST; and



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(b) a success fee of 7% (with a minimum of \$500 per inventor) of the funds raised pursuant to the Lead Manager Mandate, exclusive of GST. If agreed by the Company, Platinum Gate is entitled to have its success fee increased to the same percentage charged by the third party in respect of the funds raised by a third party plus the higher of 2.5% or \$100.

A summary of the Lead Manager Mandate is provided at section 8.9.

## **1.9 UNDERWRITING**

The Offer is not underwritten.

## **1.10 FOREIGN INVESTOR RESTRICTIONS**

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or to extend such an invitation. No action has been taken to register this Prospectus or otherwise to permit a public offering of Shares in any jurisdiction outside Australia. It is the responsibility of non-Australian resident investors to obtain all necessary approvals for the issue to them of Shares offered pursuant to this Prospectus. The return of a completed Application Form will be taken by the Company to constitute a representation and warranty by the applicant that all relevant approvals have been obtained. See section 9.10, for information on selling restrictions that apply to the Shares in certain jurisdictions outside Australia.

## **1.11 RISK FACTORS**

As with any share investment, there are risks associated with investing in the Company. The principal risks that could affect the financial and market performance of the Company are detailed in section 6 of this Prospectus. The Shares on offer under this Prospectus should be considered speculative. Accordingly, before deciding to invest in the Company, applicants should read this Prospectus in its entirety and should consider all factors in light of their individual circumstances and seek appropriate professional advice.

## **1.12 ASX LISTING AND QUOTATION**

The Company will apply to ASX no later than 7 days from the date of this Prospectus for admission of the Company to the official list of ASX, and official quotation of the Shares offered under the Offer. If the Shares are not admitted to quotation within 3 months of the date of this Prospectus, no Shares will be issued and Application Monies will be refunded in full without interest in accordance with the Corporations Act.

ASX takes no responsibility for the contents of this Prospectus. The fact that ASX may grant admission of the Company to the official list and official quotation of the Shares being offered is not to be taken in any way as an indication by ASX as to the merits of the Company or the Shares.

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### 1.13 EXPOSURE PERIOD

In accordance with Chapter 6D of the Corporations Act, this Prospectus is subject to an Exposure Period of 7 days from the date of lodgement with ASIC. The Exposure Period may be extended by ASIC by a further period of up to 7 days.

The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of funds. The examination may result in the identification of deficiencies in this Prospectus. If deficiencies are detected, any application that has been received may need to be dealt with in accordance with section 724 of the Corporations Act. During the Exposure Period, this Prospectus can be viewed online on the Company's website at [www.biomics.com](http://www.biomics.com), and hard copies of this Prospectus will be made available upon request to the Company. Applications received during the Exposure Period will not be processed until after expiration of the Exposure Period. No preference will be conferred on applications received during the Exposure Period and all such applications will be treated as if they were simultaneously received on the Opening Date.

### 1.14 APPLICATION MONIES HELD IN TRUST

All Application Monies will be held in a separate subscription account on behalf of applicants until the Shares are issued pursuant to the Offer. If the Minimum Subscription is not achieved within a period of 4 months of the date of this Prospectus, all Application Monies will be refunded in full without interest, and no Shares will be issued under the Offer. Any interest earned on Application Monies (including those which do not result in the issue of Shares) will be retained by the Company.

### 1.15 ALLOCATION AND ISSUE OF SHARES

The Board reserves the right to reject any application or to issue a lesser number of Shares than that applied for. If the number of Shares allocated is less than that applied for, or no issue is made, the surplus Application Monies will be promptly refunded without interest.

Subject to ASX granting approval for quotation of the Shares, the issue of Shares will occur as soon as practicable after the Offer closes. All Shares issued under the Offer will rank equally in all respects with existing Shares on issue. Holding statements will be sent to successful applicants as required by ASX. It is the responsibility of applicants to determine their allocation prior to trading in the Shares. Applicants who sell Shares before they receive their holding statement will do so at their own risk.

### 1.16 CHESS AND ISSUER SPONSORSHIP

The Company will apply to CHESS. All trading on the ASX in existing Shares will be settled through CHESS. ASX Settlement, a wholly-owned subsidiary of the ASX, operates CHESS in accordance with the Listing Rules and the ASX Settlement Operating Rules. On behalf of the Company, the Share Registry will operate an electronic issuer sponsored sub-register and an electronic CHESS sub-register. The 2 sub-registers together make up the Company's principal register of securities.



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Under CHESS, the Company does not issue certificates to Shareholders. Rather, holding statements (similar to bank statements) will be sent to Shareholders as soon as practicable after Shares are issued. Holding statements will be sent either by CHESS (for Shareholders who elect to hold Shares on the CHESS sub-register) or by the Company's Share Registry (for Shareholders who elect to hold their Shares on the issuer sponsored sub-register). The statements will set out the number of existing Shares (where applicable) and the number of new Shares issued under this Prospectus and provide details of a Shareholder's Holder Identification Number (for Shareholders who elect to hold Shares on the CHESS sub-register) or Shareholder Reference Number (for Shareholders who elect to hold their Shares on the issuer sponsored sub-register). Updated holding statements will also be sent to each Shareholder at the end of each month in which there is a transaction on their holding, as required by the Listing Rules.

### **1.17 PRIVACY DISCLOSURE**

Persons who apply for Shares pursuant to this Prospectus are asked to provide personal information to the Company, either directly or through the Share Registry. The Company and the Share Registry collect, hold and use that personal information to assess applications for Shares, to provide facilities and services to shareholders, and to carry out various administrative functions. Access to the information collected may be provided to the Company's agents and service providers and to ASX, ASIC and other regulatory bodies on the basis that they deal with such information in accordance with the relevant privacy laws. If the information requested is not supplied, applications for Shares will not be processed. In accordance with privacy laws, information collected in relation to specific shareholders can be obtained by that shareholder through contacting the Company on +86 513 8517 5237, or the Share Registry, Advanced Share Registry Ltd, on +61 8 9389 8033.

### **1.18 ELECTRONIC PROSPECTUS**

In addition to issuing this Prospectus in printed form, a read-only version of this Prospectus is also available on the Company's website, [www.biomics.com](http://www.biomics.com). There is no facility for online applications. Any person accessing the electronic version of this Prospectus for the purpose of making an investment in the Company must be an Australian resident and must only access this Prospectus from within Australia. The Corporations Act prohibits any person passing onto another person an Application Form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered electronic version of this Prospectus. See section 9.7 for further information.

### **1.19 FINANCIAL FORECASTS**

After considering *ASIC Regulatory Guide 170*, the Directors do not believe that they have a reasonable basis to reliably forecast future earnings of the Company and, accordingly, financial forecasts are not included in this Prospectus. In reaching this decision, the Directors have had regard to various issues including its ongoing research and development which may result in assets being commercialised, the steps involved towards commercialisation and the uncertainty about any product commercialisation, and exchange rate fluctuation between AUD and RMB.

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## 1.20 DIVIDENDS

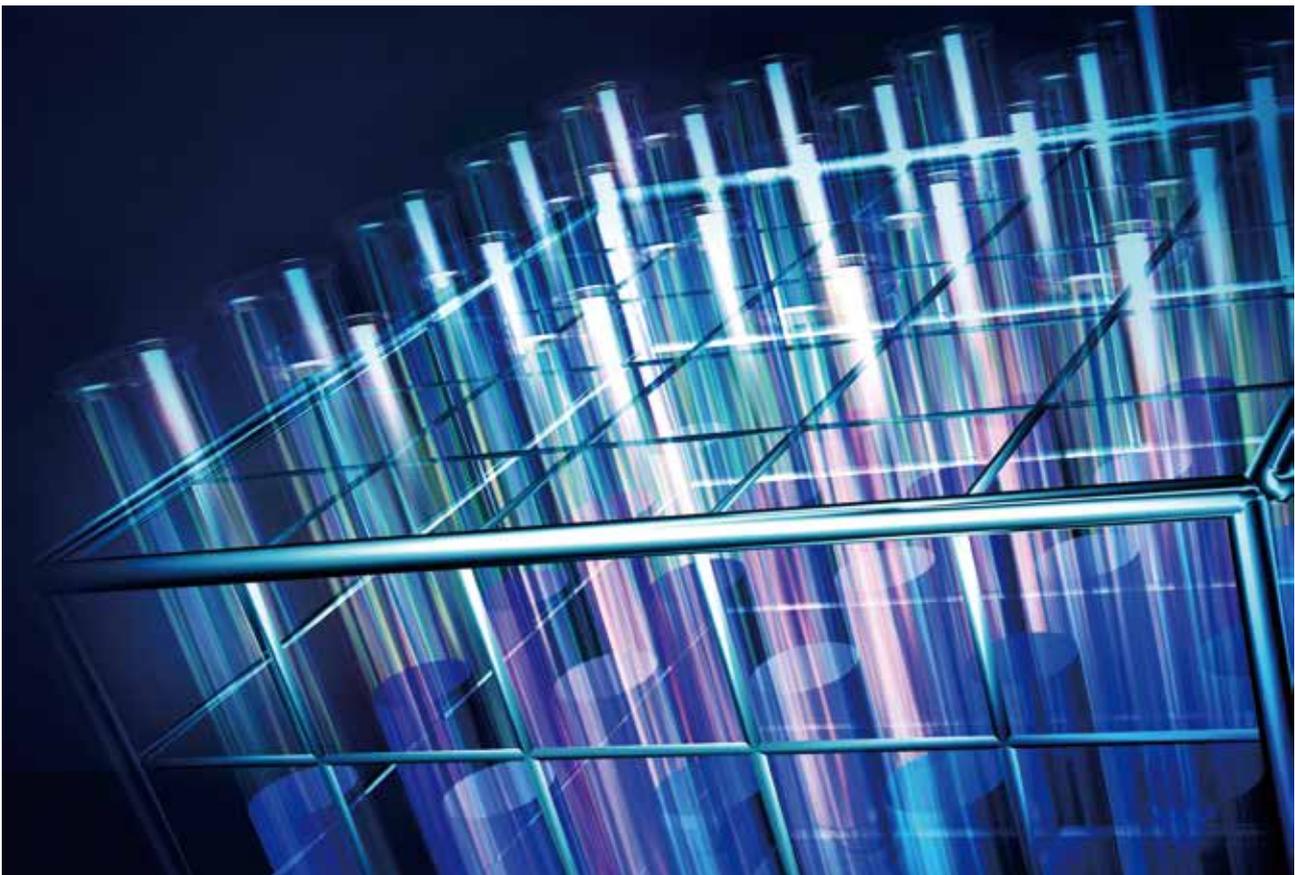
The Board can provide no guarantee as to the extent of future dividends, as these will depend on, among other things, the actual levels of profitability and the financial and taxation position of the Company at the relevant time.

The Company is unlikely to be subject to any Australian tax that will allow it to generate franking credits. Please see the Taxation Report at section 10 for further information.

## 1.21 ENQUIRIES

This Prospectus is important and should be read in its entirety. Persons who are in any doubt as to the course of action to be followed should consult their stockbroker, lawyer, accountant or other professional adviser without delay.

Questions relating to the Offer and completion of Application Forms can be directed to the Company on +86 513 8517 5237, or the Lead Manager on +61 2 8459 2086.





**B**iomics  
BIOPHARMA

## 2. INDUSTRY OVERVIEW

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Information contained in this section 2 reflects estimates of market conditions based on publicly available sources. The Directors believe that the sources of information contained in this section 2 are appropriate sources for such information and have taken reasonable care in reproducing such information. The Directors have no reason to believe that such information is false or misleading or that any material fact has been omitted that would render such information false or misleading.

The Biomics Group is developing double-stranded ribonucleic acid (dsRNA) products for two major industries – the global pharmaceutical industry and the global cosmetic industry, as it is developing therapeutic products for serious and life threatening diseases, as well as skincare products.

### 2.1 CHINA'S ROLE IN THE GLOBAL PHARMACEUTICAL MARKETS

#### 2.1.1 PHARMACEUTICAL MARKET

The global pharmaceuticals market is valued in the hundreds of billions of dollars. According to Evaluate Group, the worldwide prescription and Over-the-Counter (OTC) drug sales grew from US\$691 billion in 2008 to US\$776 billion in 2015, while the biotech products are getting increasingly larger market share compared with the conventional ones, especially within the top 100 products ranked by sales.<sup>1</sup> (Figure 2.1).

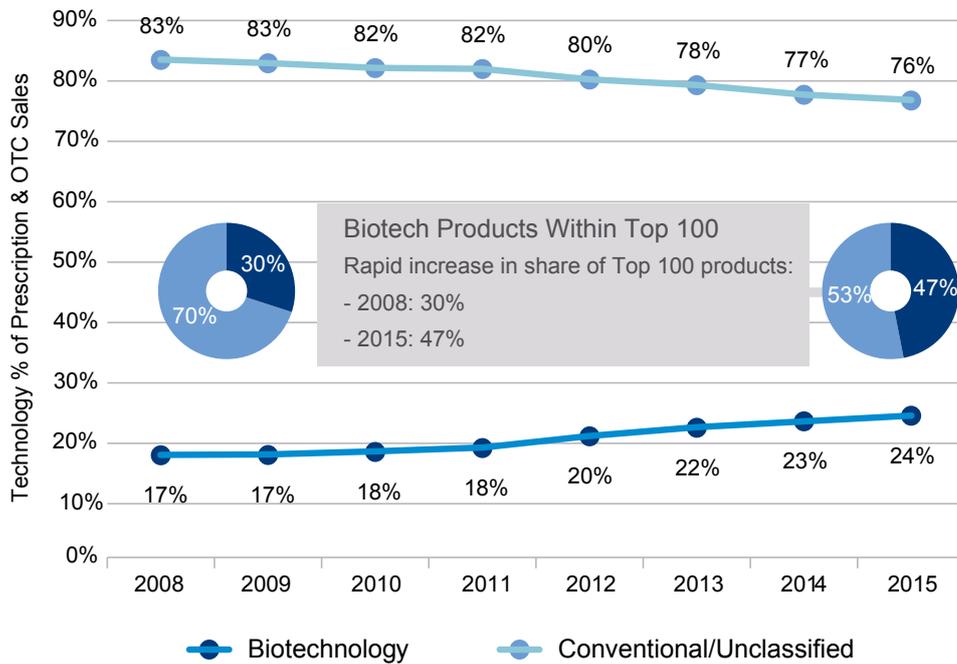
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<sup>1</sup> EvaluatePharma®, World Preview 2016, Outlook to 2022, 9th Edition – September 2016

<<http://info.evaluategroup.com/rs/607-YGS-364/images/wp16.pdf>> Please note that Evaluate Group has not provided their consent for this statement to be included in this Prospectus.



**Figure 2.1. Worldwide Total Prescription Drug & OTC Pharmaceutical Sales (Biotech vs. Conventional Technology) 2008-2015**



Source: Based on the data in EvaluatePharma, "World Preview 2016, Outlook to 2022" 9th Edition – September 2016

According to Deloitte, China is one of the largest pharmaceutical markets in the world.<sup>2</sup> This may be due to the size of its population, as the market is not yet mature. Deloitte have proposed that the combined forces of economic and demographic development, government stimulus, enhanced health awareness among the public, market consolidation and improving R&D capability may help the country to grow into a more sophisticated market within the next decade.

<sup>2</sup> Deloitte Touche Tohmatsu CPA Ltd., 2011 "The next phase: Opportunities in China's pharmaceuticals market"

<[https://www2.deloitte.com/content/dam/Deloitte/ch/Documents/life-sciences-health-care/ch\\_Studie\\_Pharmaceutical\\_China\\_05052014.pdf](https://www2.deloitte.com/content/dam/Deloitte/ch/Documents/life-sciences-health-care/ch_Studie_Pharmaceutical_China_05052014.pdf)>. Please note that Deloitte has not provided their consent for the statements from its "The next phase: Opportunities in China's pharmaceuticals market" contained in this section 2 to be included in this Prospectus.

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## 2.1.2 THE COSMETICS MARKET

The global cosmetics market generally consists of products used to enhance the appearance of the human body. These include products for sun protection, skincare, hair care, deodorants, makeup and colour cosmetics and fragrances. Retail stores including supermarkets, exclusive brand outlets, and specialty stores amongst others are the major distribution channels, with online channels gaining popularity among consumers.<sup>3</sup> The global cosmetic market was valued at US\$460 billion in 2014, of which skincare products had the highest market share.<sup>4</sup>

The cosmetics sector in recent years in the People's Republic of China (**PRC**) has been growing rapidly in conjunction with the dramatic, linked to the rapid development of the Chinese economy. According to the Hong Kong Trade Development Council (HKTDC), "data from Euromonitor reveals that total retail sales of skincare products in China reached RMB160.8 billion in 2015, achieving year-on-year growth of 6.7%".<sup>5</sup> Euromonitor reported that skincare products represent the fastest growing sector in the cosmetics market. Furthermore, Chinese consumers have a growing awareness of products which combine cosmetic and pharmaceutical features, namely "cosmeceuticals", such as spot lightening cream, acne treatment lotion and acne ointment, the two areas into which Biomixics has launched dsRNA-based products in China. Please note that the Hong Kong Trade Development Council (HKTDC) has not provided their consent for the statements from its "China's Cosmetics Market" research paper contained in this section 2 to be included in this Prospectus.

## 2.2 dsRNA TECHNOLOGIES AND GLOBAL MARKETS

### 2.2.1 DOUBLE STRANDED RNA

Biomixics' expertise is in the design, development and manufacturing of novel therapies based on double stranded RNA (dsRNA) molecules. There are two forms of dsRNA that Biomixics is using to develop its therapeutic products:

1. Synthetic, "viral-like" dsRNAs for immune activation.
2. Small interfering (si)RNA for gene silencing through RNA interference (RNAi).

#### "Viral like" dsRNA for immune activation

dsRNA longer than 30 base pairs is a key activator of the innate immune response, particularly against viral infections. The innate immune system recognises pathogen-associated molecules using pattern-recognition

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<sup>3</sup> *Cosmetics Market by Category (Skin & Sun Care Products, Hair Care Products, Deodorants, Makeup & Color Cosmetics, Fragrances) and by Distribution Channel (General Department store, Supermarkets, Drug store, Brand outlets) – Global Opportunity Analysis and Industry Forecast, 2014 -2022-*

*<<https://www.alliedmarketresearch.com/cosmetics-market>>. Please note that the authors have not provided their consent for this statement to be included in this Prospectus.*

<sup>4</sup> *<[http://www.researchandmarkets.com/research/f2lvdg/global\\_cosmetics#](http://www.researchandmarkets.com/research/f2lvdg/global_cosmetics#)>. Please note that the authors have not provided their consent for this statement to be included in this Prospectus.*

<sup>5</sup> *Hong Kong Trade Development Council "China's Cosmetic Market" 25 July 2016*

*<<http://china-trade-research.hktdc.com/business-news/article/China-Consumer-Market/China-s-Cosmetics-Market/ccm/en/1/1X000000/1X002L09.htm>>. Please note that the authors have not provided their consent for this statement to be included in this Prospectus.*



receptors that activate a wide range of signalling cascades to maintain host defence against infection and inflammation. The interaction of the host cell with dsRNA occurs by several mechanisms. Specific receptors such as Toll-like receptor 3 (TLR3) bind to extracellular and internalised dsRNA and activate the synthesis of antiviral type I interferons (IFN- $\alpha$  and IFN- $\beta$ ) and antiviral proteins. dsRNA is internalised by endocytosis and delivered to endosomal TLR3, leading to the induction of type I interferon and cytokine production, as well as dendritic cell maturation. The dsRNA uptake machinery is critical for extracellular viral RNA-induced immune responses.

### siRNA-based RNA interference (RNAi), or gene silencing

Small interfering RNA (siRNA) is a form of genetic medicine but is not regulated as gene therapy. Since its discovery in 1998, researchers worldwide have demonstrated that RNAi is a potent methodology for reducing the expression of genes in vitro and in vivo. The US researchers who discovered it were awarded the Nobel Prize for Medicine in 2006. RNAi has the potential to be able to knock down or silence any gene which is over-expressed in disease. As a result its potential to be used as the basis of innovative therapeutics has been widely anticipated, although to date no RNAi therapeutic products have been approved for sale in the Western world. Genecon's *Britena* (an siRNA-based product for skin whitening) is currently being sold in China.

The mechanism of action of RNAi involves the introduction of small interfering RNA, or siRNA, into a cell. siRNA is a dsRNA molecule (typically 19-23 nucleotides long). The siRNA's sequence is constructed to match a short region of the target gene. The siRNA is processed by the cell's own enzymes to destroy the target gene's messenger RNA, or mRNA, thus preventing the disease-causing gene from being expressed. Other approaches to RNAi include DNA-directed RNAi (ddRNAi) that is used to produce dsRNA inside the cell as short hairpin RNA (shRNA), which is cleaved into siRNA by the action of Dicer, a specific type of RNase III. MicroRNAs are derived by processing of short hairpins that can inhibit mRNAs. Expressed interfering RNA (eiRNA) is used to express dsRNA intracellularly from DNA plasmids.

RNAi can be rationally designed to block the expression of any target gene, including genes for which traditional small molecule inhibitors cannot be found. RNAi mechanisms and technologies are being extensively explored in biological applications in order to develop appropriate therapies. Several RNAi-based therapeutic candidates are currently in clinical trials, including in Phase III trials. Successful clinical trials of RNAi candidates are needed before these molecules can reach the market as therapeutics for treating serious life-threatening disorders. Areas of therapeutic applications include virus infections, cancer, genetic disorders and neurological diseases.



In order to be effective as therapeutics, efficient and specific delivery of siRNA to relevant cells and tissues is needed. This has been, and remains, an on-going challenge for the field. Delivery challenges that must be overcome include degradation of dsRNAs, off-target effects, stability issues and other factors. Thus, developers of RNAi therapeutics are focusing on producing robust, flexible and effective delivery technologies that can be customised for diverse targets with flexible modes of administration (subcutaneously, intravenous, etc.). Most of those used for siRNA are lipid/polymer/nanoparticle-based delivery systems.

The potential of RNAi has led to several companies being formed worldwide to develop novel therapeutics. Many have candidates in late-stage clinical trials including Arrowhead Research Corp., Alnylam Pharmaceuticals Inc., Arbutus Biopharma Corp., Quark Pharmaceuticals Inc., and Silenseed Ltd. Many of these therapeutics companies also develop RNAi delivery vectors and systems.

In the RNAi technologies domain, two markets (i.e., a market for RNAi research tools and reagents and a market for RNAi diagnostics) are evolving. According to Research and Markets, the RNAi diagnostics market had revenue of US\$1 million in 2015, whereas the RNAi research tools market had revenue of US\$261.1 million in 2015.<sup>6</sup>

## 2.2.2 DEVELOPMENT PATH FOR DSRNA-BASED THERAPEUTICS

The development path for dsRNA therapeutics is similar to the conventional drug development pathway. The drug development processes under China Food and Drug Administration and the Australian Therapeutic Goods Administration are similar to that of US Food and Drug Administration. Broadly speaking, the stages include<sup>7</sup>:

- **Discovery and development:** for siRNA this involves identification of disease-associated target mRNA followed by siRNA candidate screening *in vitro*. For dsRNA this involves testing a range of viral-like sequences of >30bp for immune activation efficacy *in vitro*;
- **Pre-clinical research (*in vivo*):** efficacy including delivery options; and
- **Investigational new drug (IND) application:** drug developers, or sponsors, must submit an IND application to regulatory authorities (e.g. China Food and Drug Administration, Australian Therapeutic Goods Administration) before beginning clinical trials. In the IND application, developers must include:
  - preclinical data;
  - animal study data and toxicity data;
  - manufacturing information; and
  - protocols (study plans) for clinical trials.

<sup>6</sup> Research and Markets, "RNAi Technologies and Global Markets", January 2016

<[http://www.researchandmarkets.com/research/gshjdl/rnai\\_technologies](http://www.researchandmarkets.com/research/gshjdl/rnai_technologies)>. Please note that Research and Markets has not provided their consent for this statement to be included in this Prospectus.

<sup>7</sup> U.S. Department of Health and Human Services, FDA U.S. Food & Drug Administration

<<https://www.fda.gov/ForPatients/Approvals/Drugs/default.htm>>. Please note that the U.S. Department of Health and Human Services has not provided their consent for this statement to be included in this Prospectus.



- **Clinical trials:** consist of the following phases -

- **Phase I**

- **Patients:** 20 to 100 healthy volunteers or people with the disease/condition.
- **Length of Study:** several months.
- **Purpose:** safety and dosage.

Approximately 70% of drugs move to the next phase

- **Phase II**

- **Patients:** up to several hundred people with the disease/condition.
- **Length of study:** several months to 2 years.
- **Purpose:** efficacy and side effects.

Approximately 33% of drugs move to the next phase

- **Phase III**

- **Patients:** 300 to 3,000 volunteers who have the disease or condition.
- **Length of study:** 1 to 4 years.
- **Purpose:** efficacy and monitoring of adverse reactions.

Approximately 25-30% of drugs move to the next phase

- **Regulatory review** of the clinical trial data and approval
- **Post-marketing safety monitoring**

At present there are no RNAi-based therapeutics that have reached the regulatory approval stage.

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### 2.2.3 COMPETITIVE ADVANTAGES OF SIRNA THERAPEUTICS

RNAi therapeutics offer the following benefits over traditional therapeutics:

#### Treatment for a broad range of diseases

Given the availability of the base sequence of the entire human genome, it is possible to screen siRNAs (for example by using the Company's proprietary drug target library technology) to identify candidate molecules that can effectively and specifically silence virtually any human or viral gene whose presence or activity causes disease.

#### Ability to target proteins that cannot be targeted effectively by existing drug classes

Many proteins that play important roles in disease cannot be targeted effectively or specifically with small molecules and therapeutic proteins, including monoclonal antibodies. In theory, siRNA-based therapeutics are able to target even closely related proteins via silencing their specific mRNAs which small molecule and protein drugs are currently unable to target.

#### An inherently potent mechanism of action

Each siRNA molecule can trigger destruction of multiple mRNA molecules, each of which could otherwise direct the synthesis of many protein molecules. As a result, one siRNA molecule may effectively be able to block the activity of many protein molecules. This inherent potency of the RNAi mechanism means that physiologically beneficial silencing can be achieved with lower concentrations of effector molecules.

#### Simplified drug development cycle

The identification of siRNA drug candidates has the potential to be much simpler and take less time than other drug classes because, in theory, it involves a relatively standard process that can be applied in a similar fashion to many successive product candidates. Thus, any RNAi drug with the same chemistry/formulation should have similar pharmacokinetics.

#### Simplified manufacturing process

Every siRNA essentially has the same chemical composition (four DNA bases), so a standardised manufacturing process can be established for any siRNA product.

#### Competitive RNAi landscape

Research and Markets (March 2017), profiled 162 companies involved in developing RNAi technologies. Almost half of these supply reagents and tools for basic research. The rest are companies that use RNAi for drug discovery.<sup>8</sup> Of these, 33 are developing RNAi-based therapeutics and 36 are involved in microRNAs.

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<sup>8</sup> Research and Markets "RNAi - Technologies, Markets and Companies" March 2017;

<<http://www.researchandmarkets.com/research/529krk/rnai>>. Please note that Research and Markets has not provided their consent for this statement to be included in this Prospectus.



## 2.3 INDUSTRY SECTORS RELEVANT TO BIOMICS' dsRNA PROGRAMS

### 2.3.1 HEPATITIS B THERAPEUTICS

#### Hepatitis B virus

The human hepatitis B virus (**HBV**) is a small DNA virus that belongs to the family Hepadnaviridae. In the developing world, the most common route of infection is maternal (mother to infant).<sup>9</sup> The next most common is early horizontal transmission within the family. In the developed world, the disease is mainly transmitted via unprotected sexual contact, blood transfusion and injectable drug use. Eight genotypes (A-H) with distinct geographic distribution have been identified with types A and D most common in Europe and types B and C most common in China and Southeast Asia.<sup>10</sup>

HBV infection occurs primarily in hepatocytes and is non-cytopathic. Infection with HBV occurs in phases that can run the gamut from a silent, acute phase that is resolved by the immune system to a persistent chronic stage of infection that often requires life-long therapy. In chronic hepatitis B infections, it is the long-term viral presence that causes hepatic inflammation leading to acute and chronic liver dysfunction including acute hepatic failure, cirrhosis and hepatocellular carcinoma.

The viral genome encodes four overlapping open reading frames (**ORFs**: S, C, P, and X). The S ORF encodes the viral surface envelope proteins, the HBsAg, and can be structurally and functionally divided into the pre-S1, pre-S2, and S regions. The core or C gene has the precore and core regions. The C ORF encodes either the viral nucleocapsid HBcAg or hepatitis B e antigen (HBeAg) depending on whether translation is initiated from the core or precore regions, respectively. The HBV X ORF encodes a 16.5-kd protein (HBxAg) with multiple functions, including signal transduction, transcriptional activation, DNA repair, and inhibition of protein degradation.

#### Current treatments

The currently approved therapies consist of interferon therapy and a growing list of antivirals composed of nucleotide and nucleoside analogues (coINAs or NUCs), while potentially providing long term viral load suppression, are only associated with low rates of complete cure.

Interferon alpha has been used extensively in the treatment of chronic HBV. It is available in both pegylated (**pegINF**) and non-pegylated forms. pegINF has a longer half-life than its non-pegylated counterpart, allowing it to be dosed once instead of three times weekly. Administration of both forms of interferon is accomplished via injection and associated with significant side effects including influenza-type symptoms (fatigue, myalgias and fever), cytopenia, depression, anxiety, irritability and autoimmune disorders. Interferon treatment is of a finite duration (48 weeks), treatment-resistant viruses do not emerge and patients with hepatitis genotypes A and B show a better treatment response than patients with genotype C and D. It is primarily administered to patients with compensated liver disease since administration to decompensated patients can lead to fulminant hepatitis.

<sup>9</sup> WHO Fact Sheet "Hepatitis B". July 2016.

<<http://www.who.int/mediacentre/factsheets/fs204/en/>>. Please note that the World Health Organization have not provided their consent for this statement to be included in this Prospectus.

<sup>10</sup> Guirgis BSS, Abbas RO, Azzazy HME. Hepatitis B virus genotyping: current methods and clinical implications. *Int J Infect Diseases* 2010; 14: e941–e953. Please note that the authors have not provided their consent for this statement to be included in this Prospectus.

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Nucleoside and nucleotide (**NUC**) analogs interfere with viral replication by inhibiting reverse transcription from the pre-genomic RNA into the negative strand as well as synthesis of the positive strand of HBV DNA. They are orally administered drugs that have a potent antiviral effect. Although treatment with NUCs is generally well tolerated, it can very often be administered for life, is associated with the development of drug resistant viral variants (including cross resistance in some instances) and gives rise to lower anti-HBe and anti-HBs seroconversion than interferon treatment. Currently, five NUCs are available to treat hepatitis B:

- Zefflix/Epivir-HBV (lamivudine, GlaxoSmithKline);
- Hespera (adefovirdipivoxil, Gilead);
- Baraclude (entecavir, Bristol Myers-Squibb);
- Tyzeka/Sebivo (telbivudine, Novartis/Idenix); and
- Viread (tenofovir, Gilead).

### Unmet Medical Needs in HBV Therapy

According to a White Paper from Arrowhead Research, although the number of therapies for chronic hepatitis B has increased significantly over the past decade, several unmet medical needs remain to be addressed<sup>11</sup>:

- **There is no therapy that reliably cures the disease in chronically infected patients.** It appears that HBV cannot be completely eradicated due to the persistence of cccDNA (covalently closed circular DNA) in the nucleus of infected hepatocytes. A therapy that would lead to a persisting eradication of HBV from chronically infected patients is therefore the single most crucial unmet medical need and represents a significant commercial opportunity.
- **An increasing number of patients stop responding to antiviral hepatitis B therapies** due to the emergence of mutations in the virus genome, which confers resistance to the therapies. Candidate therapies that concentrate on other mechanisms of action will be required in order to overcome the development of viral resistance.
- **Current hepatitis B pharmacotherapy is of a long duration, has an inconvenient dosing schedule and is associated with significant debilitating side effects.** Patients on interferon must endure injections up to three times per week. Patients on antivirals must take pills daily for at least one year. Compliance is a significant issue with 66-92% of patients being 100% adherent. Moreover, side effects range from malaise to depression that sometimes can result in suicide. For these reasons, there is a very good opportunity for a one-time therapy with an acceptable side effect profile that generates a high rate of viral suppression based on HBsAg serum conversion.

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<sup>11</sup>. See 'Hepatitis B Virus Program' at <[http://arrowheadnew.designlogic.us/sites/default/files/press\\_releases/pdf/whitepaper-hbv-3-7-12.pdf](http://arrowheadnew.designlogic.us/sites/default/files/press_releases/pdf/whitepaper-hbv-3-7-12.pdf)>. Please note that Arrowhead Research has not provided their consent for the statements from this publication contained in this section 2 to be included in this Prospectus.

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- **Hepatitis B is prevalent in the Asian population and communities that historically have a distrust of westernised medicines.** As such, even if patients are prescribed small-molecule therapies, patient compliance remains an issue for the duration of their regimen.

The goal of treatment is the improvement of the quality of life and survival of patients by preventing the progression of chronic hepatitis B (**CHB**) to cirrhosis, decompensated cirrhosis, end-stage liver disease, hepatocellular carcinoma and death.

It has been theorised that the clinical resolution of CHB does not require complete eradication but merely control of replication by the host immune system.<sup>12</sup> EASL has recommended that new strategies be aimed at therapies designed to enhance loss of HBeAg and HBsAg and subsequent seroconversion. In 2004, it was reported that 48 weeks of continuous adefovir dipivoxil (ADV) therapy resulted in an 84% decrease in cccDNA in HBV infected patients, and a concomitant 94% decrease in circulating HBVsAg.<sup>13</sup> This provides evidence that sustained repression of viral replication through inhibition of the HBV DNA polymerase gene could significantly reduce the amount of cccDNA present in infected hepatocytes.

### RNAi-based Hepatitis B Therapeutics

Of the many emerging novel antiviral treatment modalities currently being developed for chronic hepatitis B, RNAi is one of the most promising. HBV is susceptible to RNAi because it replicates via an RNA intermediate and a number of studies have described an antiviral effect of RNAi against HBV in vitro and in vivo.<sup>14</sup>

A Phase I safety study of NUC B1000, a plasmid DNA construct designed to produce four siRNA molecules, showed that the treatment was safe and well tolerated.<sup>15</sup> NUC B1000 was designed to specifically reduce the viral antigen load in addition to viral titer. NUC B1000 is composed of an RNAi plasmid complexed with cholesteryl spermine and assembled to form nanoparticles that are 80–150 nm in diameter. NUC B1000 is intended for use as a multidose product. However, it is able to transfect only around 10% of liver cells in a mouse model from an intravenous injection. This is a significant limitation and indicates the necessity for the development of an improved delivery system for HBV siRNA-based therapeutics.

Arrowhead Research is developing an siRNA-based approach that uses siRNAs complexed to dynamic polyconjugates to target liver cells. A Phase I trial established safety of the compound. The Company's siRNA molecule, BM-F113, in theory could overcome most of the limitations of conventional therapeutics for HBV on the market.

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<sup>12</sup> Chang J, Guo F, Zhao X, Guo J-T. Therapeutic strategies for a functional cure of chronic hepatitis B virus infection. *Acta Pharmaceutica Sinica B* 2014; 4: 248–257. Please note that the authors have not provided their consent for this statement to be included in this Prospectus.

<sup>13</sup> Werle-Lapostolle B, Bowden S, Locarnini S, et al. Persistence of cccDNA during the natural history of chronic hepatitis B and decline during adefovir dipivoxil therapy. *Gastroenterol* 2004; 126(7):1750-8. Please note that the authors have not provided their consent for this statement to be included in this Prospectus.

<sup>14</sup> Stein LL, Loomba R. Drug targets in hepatitis B virus infection. *Infect Disord Drug Targets* 2009; 9(2): 105-116. Please note that the authors have not provided their consent for this statement to be included in this Prospectus.

<sup>15</sup> Gish RG, Satishchandran C, Young M, Pachuk C. RNA interference and its potential applications to chronic HBV treatment: results of a Phase I safety and tolerability study. *Antivir Ther.* 2011; 16(4): 547-554. Please note that the authors have not provided their consent for the statement from their publication to be included in Section 2 of this Prospectus.

Alnylam is conducting a second program. Their RNAi treatment candidate for the chronic HBV infection called ALN-HBV, entered a Phase II clinical trial in 2016 to evaluate its safety and efficacy in healthy volunteers and HBV patients. The study was initiated based on positive pre-clinical data presented in 2015 at the American Association for the Study of Liver Disease. Alnylam expects to report preliminary data from the trial in mid-2017.<sup>16</sup>

Alnylam's Enhanced Stabilization Chemistry (ESC)-GalNAc-siRNA conjugate delivery platform was used to improve the efficacy and durability of ALN-HBV. Other RNAi therapies that used the platform show that the technology improves the durability of the RNAi which might allow for monthly, quarterly, and even bi-annual dosing regimens.

In preclinical studies, the drug's injection in mice with HBV showed potent and durable knockout of the infection. The same was observed in rats, where three weekly doses injections eliminated the signs of infection for up to four months.<sup>17</sup>

### Companies developing RNA-based HBV Therapies

The table below presents a list of companies with RNAi or RNA candidates for hepatitis B (HBV) in various stages of development. Information was obtained from respective company websites.

**Table 2.1 Other RNA therapeutics companies developing HBV therapeutics as of February 2017**

Company	Product (mechanism)	Phase	Comments
Alnylam	ALN-HBV (siRNA)	I/II	Injection
Arbutus Biopharma Corporation	ARB-1467 (siRNA)	II	Patients on long term nucleotide inhibitors
Arrowhead Research Corporation	ARC-520; ARC-521 (siRNA)	I/II	Discontinued due to safety concerns of the delivery vehicle
Benitec Biopharma Limited	BB-102; BB-103 (ddRNAi)	Pre-clinical	Efficacy demonstrated only in combination with entacavir
Ionis Pharmaceuticals	IONIS-HBV <sub>Rx</sub> (antisense)	I	Injection

<sup>16</sup>. Alnylam Pharmaceuticals <<http://www.alnylam.com/product-pipeline/>>. Please note that Alnylam Pharmaceuticals have not provided their consent for this statement to be included in this Prospectus.

<sup>17</sup>. BioNews Services LLC, Hepatitis news Today, Investigational RNAi Therapy for Chronic Hepatitis B Starts Phase 1/2 Trial, 19 July 2016 <<http://hepatitisnewstoday.com/2016/07/19/investigational-mai-therapy-for-chronic-hepatitis-b-virus-infection-has-started-phase-1-2-trial/>>. Please note that BioNews Services, LLC have not provided their consent for this statement to be included in this Prospectus.



## 2.3.2 ACNE THERAPIES

### Acne disease

Acne vulgaris (acne) is a chronic inflammatory skin condition characterised by blackheads, whiteheads, pimples and deeper lumps (cysts or nodules) that occur on the face, neck, chest, back, shoulders and upper arms. Acne usually begins in puberty and affects many adolescents and young adults, but it can occur at any stage of life. Acne is associated with the overgrowth of two bacterial species, *Propionibacterium acnes* and *Staphylococcus epidermidis*.

### Worldwide prevalence

Acne is the most common skin condition in the United States, affecting up to 50 million Americans annually.<sup>18</sup> Acne affects ~85% of young adults aged 12–24 years.<sup>19</sup> The Global Burden of Disease study found that acne was consistently one of the top three skin conditions in the general population in the United Kingdom, France and the USA. The study noted that there was a continued growth in prevalence of the disease and “this suggests an unmet dermatologic need worldwide for this disorder and potential opportunities for improved access and delivery of dermatologic care”.<sup>20</sup>

A 2015 study in the Science Journal of Public Health noted that the prevalence of acne in adolescents (12–18 years of age) in China was as high as 54.7%.<sup>21</sup> The study concluded that although there was a high incidence of acne in Chinese adolescents the number treated and efficacy of treatment was not considered satisfactory.<sup>22</sup> Assuming the population of Chinese adolescents (12–18 years of age) is 113 million,<sup>23</sup> with a prevalence of 54.7%, the total number of adolescents in need of acne treatment in China is approximately 56 million.

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<sup>18</sup> Bickers DR, Lim HW, Margolis D, Weinstock MA, Goodman C, Faulkner E et al. The burden of skin diseases: 2004 a joint project of the American Academy of Dermatology Association and the Society for Investigative Dermatology. *J Am Acad Dermatol* 2006; 55:490-500. Please note that the authors have not provided their consent for this statement to be included in this Prospectus.

<sup>19</sup> Bhate K, Williams HC. Epidemiology of acne vulgaris. *Br J Dermatol* 2013;168:474-85. Please note that the authors have not provided their consent for this statement to be included in this Prospectus.

<sup>20</sup> Lynn D, Umari T, Dunnick C and Dellavalle R, The epidemiology of acne vulgaris in late adolescence. *Adolesc Health Med Ther.* 2016; 7: 13–25. <<https://www.ncbi.nlm.nih.gov/pmc/articles/PMC4769025/>> Please note that the authors have not provided their consent for this statement to be included in this Prospectus.

<sup>21</sup> ‘Current Status and Perception of Acne Among Chinese Adolescents: A Community-Based, Cross-sectional Study’ at <<http://article.sciencepublishinggroup.com/pdf/10.11648.j.sjph.20150306.17.pdf>>. Please note that the authors have not provided their consent for this statement to be included in this Prospectus.

<sup>22</sup> Refer to ‘Current Status and Perception of Acne Among Chinese Adolescents: A Community-Based, Cross-sectional Study’ at: <<http://article.sciencepublishinggroup.com/pdf/10.11648.j.sjph.20150306.17.pdf>> Please note that the authors have not provided their consent for this statement to be included in this Prospectus.

<sup>23</sup> The estimate of 113 million Chinese adolescents (12–18 years of age) is based on linear interpolation between the Chinese population in the age structures of 0–14 years of age and 15–24 years of age as published by Central Intelligence Agency, *The World Factbook* <<https://www.cia.gov/library/publications/the-world-factbook/geos/ch.html>>. Please note that Central Intelligence Agency have not provided their consent for this statement to be included in this Prospectus.

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## Current treatments

According to Mordor Intelligence, the global acne therapeutics market has been segmented by treatment into therapeutics and other treatments.<sup>24</sup> The therapeutics segment is further segmented into antibiotics (erythromycin and clindamycin), retinoids (adapalene, tazarotene, tretinoin and isotretinoin), combination medications, anti-inflammatory, hormonal agents and other agents (azelaic acid and resorcinol). Other treatments include laser and light therapy, cosmetic procedures and acne scar treatment. Please note that Mordor Intelligence has not provided their consent for the statements from its “Global Acne Therapeutics Market – Growth, Trends and Forecasts (2016 – 2021)” to be included in this section 2 of this Prospectus.

Some of the key market participants are:

- Allergan - ACZONE<sup>®</sup> (dapson, a sulfone antibiotic) Gel;
- Galderma – BENZAC AC<sup>®</sup> (benzoyl peroxide);
- Stiefel Laboratories, Inc. (owned by GlaxoSmithKline) – Brevoxyl<sup>®</sup> and PanOxyl<sup>®</sup> (benzoyl peroxide);
- Valeant Pharmaceutical International Inc. - Solodyn<sup>®</sup> (a tetracycline-class drug), Retin-A Micro<sup>®</sup> (retinoid), Onexton<sup>™</sup> and Acanya<sup>®</sup> (clindamycin and benzoyl peroxide);
- Johnson & Johnson - PERSA-GEL<sup>®</sup> (benzoyl peroxide);
- Cipher – Inova<sup>®</sup> Acne Control Therapy (benzoyl peroxide and salicylic acid); Epuris (retinoic acid);
- Teva – Spironolactone (a hormonal treatment); and
- Ranbaxy – Absorica (retinoic acid); Claravis (retinoid).

In terms of topical anti-acne treatment ingredients, retinoids are very common, accounting for approximately 50% of the global market for acne products.<sup>25</sup> Isotretinoin is a retinoid used in a variety of products. Common brands are Roaccutane (Hoffman-La Roche), Amnesteem (Mylan), Claravis (Teva), Absorica (Ranbaxy), Isotroin (Cipla), and Epuris (Cipher).

However, a major limitation to topical retinoid use is its poor tolerability. The acne market lacks efficacious topical retinoid treatments with tolerable side effects. The side effects of all topical retinoid treatments include dry skin, burning, scaling and redness of skin and often cause users to stop using the treatment.

According to Mordor Intelligence, “[t]he acne market awaits a blockbuster drug; most of the current pipeline products consist of combination products with very few first-in-class molecules. Emerging products are also not significantly different from the current monotherapies.”

In this environment, an RNA-based therapy would stand out as a first-in-class therapeutic.

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<sup>24</sup> Mordor Intelligence, *Global Acne Therapeutics Market – Growth, Trends and Forecasts (2016 – 2021)*, March 2017 <<https://www.mordorintelligence.com/industry-reports/acne-therapeutics-market>>

<sup>25</sup> Brickell Biotech <<http://www.brickellbio.com/acne.html>>. Please note that Brickell Biotech have not provided their consent for this statement to be included in this Prospectus.



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## 3. COMPANY AND BUSINESS OVERVIEW

Biomics Biopharma Limited (the Company) is the ultimate parent company of the Biomics Group.

The Company's wholly owned subsidiary, Biomics Biotechnologies Co., Ltd (**Biomics**), was incorporated in 2006 in the People's Republic of China (**PRC**). Biomics is a near-clinical-stage biopharmaceutical company in developing and commercialising double stranded ribonucleic acid (**dsRNA**) based innovative products for unmet medical needs.

As early as the early-mid 2000s, the Company's scientific founders were leaders in the field of small interfering RNA (**siRNA**) library construction, drug delivery and liposome formulation and production in USA. In 2012, the world's first RNAi-based marketed product, *Britena* for skin depigmentation, was launched by Genecon Biotechnologies Co., Ltd., a joint venture company in which Biomics then had a 49% interest. In 2015, the Group launched its first RNAi-based skincare product, *CoSensia*, for acne. Since its establishment the Group has invested over \$11 million in research and development. The Company believes that now is the appropriate time to maximise the *CoSensia* opportunity in China and globally, and at the same time advance its Hepatitis B virus (**HBV**) therapeutic program to the clinical proof of concept stage.

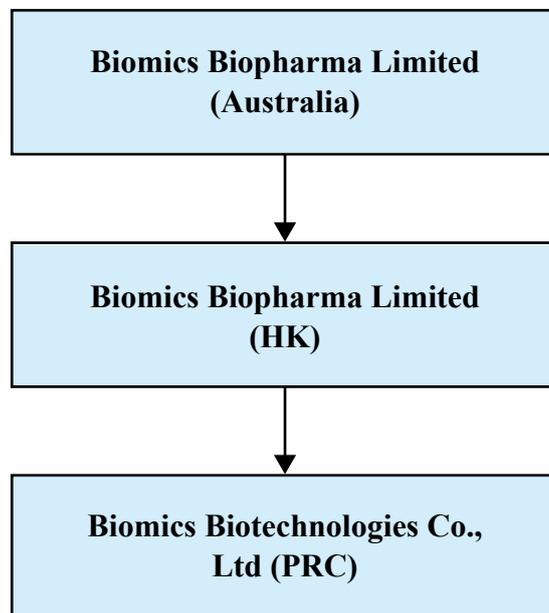
The Company is managed by a team of experienced and highly skilled professionals, including several senior scientists who have returned to China following extensive periods working in life sciences companies based in North America.

The Biomics Group is based in the National Economic and Technological Development Zone of Nantong, Jiangsu, People's Republic of China, about 1.5 hours drive from Shanghai City. The Company's well-equipped 10,000 square meters Good Manufacturing Practice (**GMP**) compliant R&D facility contains a comprehensive RNAi drug development platform which comprises entire siRNA target libraries, high-throughput screening, large-scale synthesis, siRNA delivery system and in vivo evaluation models. The facility is located on a land of approximately 16.5 acres.

The Company's intellectual property portfolio consists of over 30 patents and patent applications forming a strong foundation for the Biomics' business objectives.

### 3.1 CORPORATE STRUCTURE

In preparation for the Biomics Group's listing on the ASX, a corporate restructure was implemented whereby the Company became the ultimate parent company of the Biomics Group. As a result, the corporate structure of the Biomics Group is now as follows:



Biomics Biopharma Limited was registered in Australia on 2 August 2016. Other than in its capacity as the holding company for Biomics Biopharma Limited (HK), Biomics Biopharma Limited is not involved in any business activities and does not have any material assets or liabilities.

Biomics Biopharma Limited (HK) is a holding company registered in Hong Kong on 21 July 2016. Other than in its capacity as the holding company for Biomics Biotechnologies Co., Ltd, Biomics Biopharma Limited (HK) is not involved in any business activities and does not have any material assets or liabilities.

Biomics Biotechnologies Co., Ltd (PRC) is a company registered in the PRC on 17 February 2006. Biomics Biotechnologies Co., Ltd is the operating entity of the Biomics Group, carrying on the business of researching, developing and commercialising RNAi based innovative products for unmet medical needs.

Biomics owns shareholding in the following companies:

- (a) 10% of the share capital of Genecon Biotechnologies Co., Ltd (incorporated in the PRC) (**Genecon**);
- (b) approximately 5.45% of the share capital of Energene Biotechnologies Co., Ltd (incorporated in the PRC) of which the major shareholder of Biomics is a shareholder; and
- (c) approximately 8.88% of the share capital of Jiangsu Lifetime Biological Technology Co., Ltd (also known as Jiangsu Laifu Shidai Biotechnologies Co., Ltd) (incorporated in the PRC).

## 3.2 KEY MILESTONES OF THE COMPANY

A brief description of the key milestones that the Group has achieved over the years is set out below.

Year	Event
2016	Biomics achieves the proof-of-concept milestone in an <i>in vitro</i> preclinical study on using siRNA against HBV.
2015	Biomics launches RNA-based <i>CoSensia</i> for acne into the Chinese market.
	Biomics enters into an agreement with ASX-listed Benitec Biopharma Limited (ASX: BLT) to transfer the patent rights of the anti-HBV shRNA candidates to Benitec and receives first payment tranche.
	Biomics is certified by ISO 13485:2003.
2013	Biomics completes Phase II cooperation of anti-HBV ddRNAi-based therapeutic development with Benitec Biopharma Limited (ASX: BLT).
	Biomics is awarded BioSpectrum's Asia Pacific Emerging Company of the Year 2013.
2012	<i>Britena</i> , an RNAi-based skin depigmentation cream developed by Joint National R&D centre of Biomics and Genecon (a joint venture company in which Biomics then had a 49% interest), and manufactured by Genecon, is approved as a functional drug-like skincare product by the China Food and Drug Administration ( <b>CFDA</b> ).
2011	Manufactures sufficient siRNA for toxicity and PK/PD studies in non-human primates, as well as meeting the requirements of the skincare product manufacturing.
	The Joint National R&D centre of Biomics and Genecon (a joint venture company in which Biomics then had a 49% interest) is selected by Ministry of Science and Technology of PRC and Ministry of Health of PRC to be a state-approved siRNA drug incubation centre.
2010	Pre-clinical safety study on siRNA-based drug for Aged-related Macular Degeneration (AMD) launched.
	Biomics completes Phase I of the agreement for the development of a ddRNAi-based therapeutic development with Benitec Biopharma Limited (ASX: BLT).
	Biomics initiates an R&D program for RNAi-based drugs targeting bladder cancer and nasopharyngeal cancer.
	Biomics' newly renovated chemical synthesis centre for large-scale synthesis of RNAs becomes operational.
2009	Biomics forms a joint venture company, Genecon, with a US scientist to focus on commercialisation of anti-pigmentation skincare products using RNAi technology. Biomics is the angel investor of Genecon, and owned a 49% share of Genecon at start-up.
	Biomics is certified by ISO 9001:2008.
	Biomics executes a collaborative agreement with Benitec Biopharma Limited (ASX: BLT) to develop ddRNAi-based HBV therapeutics for hepatitis B.
	Biomics establishes its International Business Department.

Year	Event
2008	Biomics scientists complete preliminary investigations of an RNA-based drug for Aged-related Macular Degeneration (AMD) via TLR-3 pathway.
	Biomics establishes an integrated Quality Control and Quality Assurance system in order to ensure product quality.
	Biomics identifies a number of siRNA candidates targeting the surviving gene using Biomics' own technology platform known as the "EsT" Library Constructions.
2007	Biomics' 10,000 m <sup>2</sup> R&D labs are ready to be used and Biomics is qualified to manufacture an siRNA library, silencing targets screening and siRNA R&D.
2006	Biomics commences the constructions of Biomics' 10,000 m <sup>2</sup> R&D labs. Biomics receives an investment (USD 3.5 million) from Jiangsu Gaosheng Science and Technology Venture Capital Co., Ltd.
	Biomics' scientists successfully complete the construction of an "EsT" Library for H5N1, SARS and NET-1 viral genes respectively.
	Biomics' website (www.biomics.cn) goes live.
	Biomics' scientists successfully construct long-length genes for H5N1, SARS and HIV.
	Biomics scientists successfully construct a cDNA library for organs and tissues.
	Biomics establishes several functional groups within itself, including a protein expression group, a Polymerase Chain Reaction group and clone group etc.
	Biomics Biotechnologies Co., Ltd is established.

### 3.3 THE COMPANY'S OBJECTIVES

The Company will seek to generate a competitive return for its stakeholders by:

- significantly growing the sales of *CoSensia* in China and conducting appropriate clinical studies to be able to market *CoSensia* worldwide;
- progressing the HBV program to an Investigational New Drug (IND) application with the China Food and Drug Administration (CFDA) and the Australian Therapeutic Goods Administration (TGA) followed by a clinical trial in China and Australia;
- optimising delivery systems for specific tissues and diseases;
- maintaining and expanding its RNAi patent portfolio;
- identifying other therapeutic candidate panels from siRNA target libraries via the Company's high-throughput screening process, and narrow down to distinct and effective drug targets for other serious diseases in infectious disease, cancer and neurology. This will generate further intellectual property;

- 
- 
- recruiting and retaining leading experts in the various aspects of RNAi drug development (including clinical, regulatory, manufacturing and marketing); and
  - maintaining and utilising the support from the Chinese Government including, but not limited to, obtaining various government subsidies such as an export subsidy, a talent recruitment subsidy and a high-tech industry tax reduction.

### 3.4 BUSINESS AND REVENUE MODELS

The Company's revenue growth strategy is to:

- expand sales of the anti-acne product *CoSensia*, initially in China followed by Australia and other international markets based on clinical studies to meet regulatory requirements in those countries; and
- establish clinical proof of principle for the HBV program enabling licensing and/or collaboration agreements with global pharmaceutical companies.

#### 3.4.1 EARLY STAGE REVENUES

*Britena*, the world's first RNAi-based skincare product, was launched in 2014 by Genecon (a joint venture company in which Biomics then had a 49% interest). Biomics earns revenue from sales of *Britena* by supplying the active siRNA ingredient to Genecon.

*CoSensia* is Biomics' wholly owned product for acne, and is currently achieving sales in China. The Company plans to increase its market share for *CoSensia* in China and to conduct studies to allow approval of *CoSensia* to be marketed globally – initially in Australia and the US.

#### 3.4.2 COLLABORATIONS

Biomics' expertise in RNAi technology provides it with the ability to collaborate with domestic and international biopharmaceutical companies, either in a form of a partnership, joint venture, licence, or distribution agreements.

Biomics has entered into a revenue generating collaboration with Australian ASX-listed biotechnology company Benitec Biopharma Limited (ASX: BLT) in identifying HBV therapeutic targets. In 2015, Biomics entered into a joint collaboration with ASX-listed gene therapy company Benitec Biopharma Limited (ASX: BLT) (**Benitec**). Benitec later acquired the Company's patent right of development and operation related to HBV targets identified for its ddRNAi technology.

A summary of the Benitec Agreement is provided at section 8.2. The patent right acquired by Benitec is different to that of the Company's HBV program.

### 3.4.3 LONGER TERM REVENUE POTENTIAL

The strategy for RNAi-based drug development is based on the Company's patents, expertise and technologies providing a systematic approach for identifying effective siRNA drug targets. The first therapeutic product candidate is an siRNA-based therapeutic for HBV. Developing and commercialising a therapeutic treatment for HBV remains a major goal for most of the world's large pharmaceutical companies. If Biomics is able to demonstrate effective progress in the development of an RNAi-based treatment, it is likely to attract interest from these companies. In addition, successful *in vitro* and *in vivo* data in the HBV program, while enhancing the value of this program in its own right, will also validate Biomics' overall approach creating an opportunity for funded collaboration on other disease targets. The Company intends to use its flagship HBV program as a template to develop and commercialise additional therapeutics for serious high value diseases.

## 3.5 HBV PHARMACEUTICAL DEVELOPMENT PROGRAM

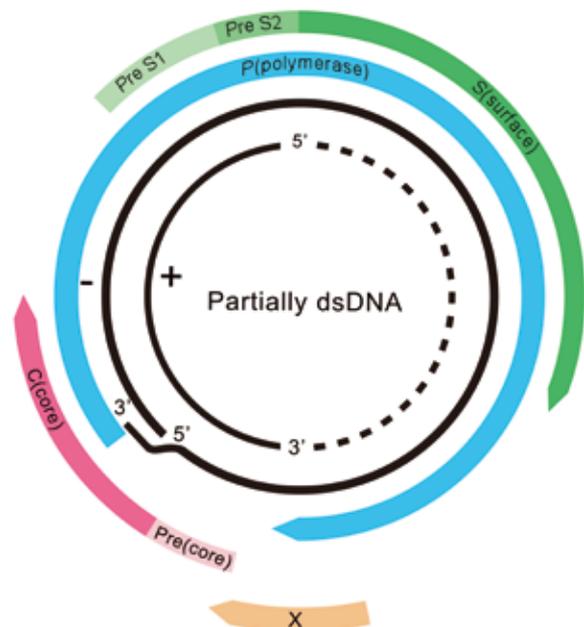
### 3.5.1 MULTISIRNA

The Group's novel siRNA-based therapeutic for HBV consists of two components:

- multiple specific siRNA molecule(s) targeting the HBV mRNA; and
- a novel lipid nanoparticle (LNP) formulation. The LNP serves as the delivery vehicle to take the siRNA into infected liver cells resulting in silencing of or "knocking down" the HBV mRNA.

The combination molecule is named "MultisiRNA". The design of the siRNA component takes advantage of the structure of the HBV genome. The hepatitis B virus is a small DNA genome with four overlapping open reading frames (ORFs) (Fig. 3.1), meaning several genes are produced from the same viral DNA sequence by shifting the starting point of the translation process. Thus one siRNA molecule has the potential to silence more than one HBV gene.

**Figure 3.1 Structure of the hepatitis B viral genome showing overlapping open reading frames (ORFs).<sup>26</sup>**



Source: Reviews in Medical Virology 2016 Jul; 26(4): 285–303.

<sup>26</sup> Kranvis A. The clinical implications of hepatitis B virus genotypes and HBeAg in pediatrics, *Reviews in Medical Virology* 2016 Jul; 26(4): 285–303.

### 3.5.2 CURRENT DEVELOPMENT STAGE

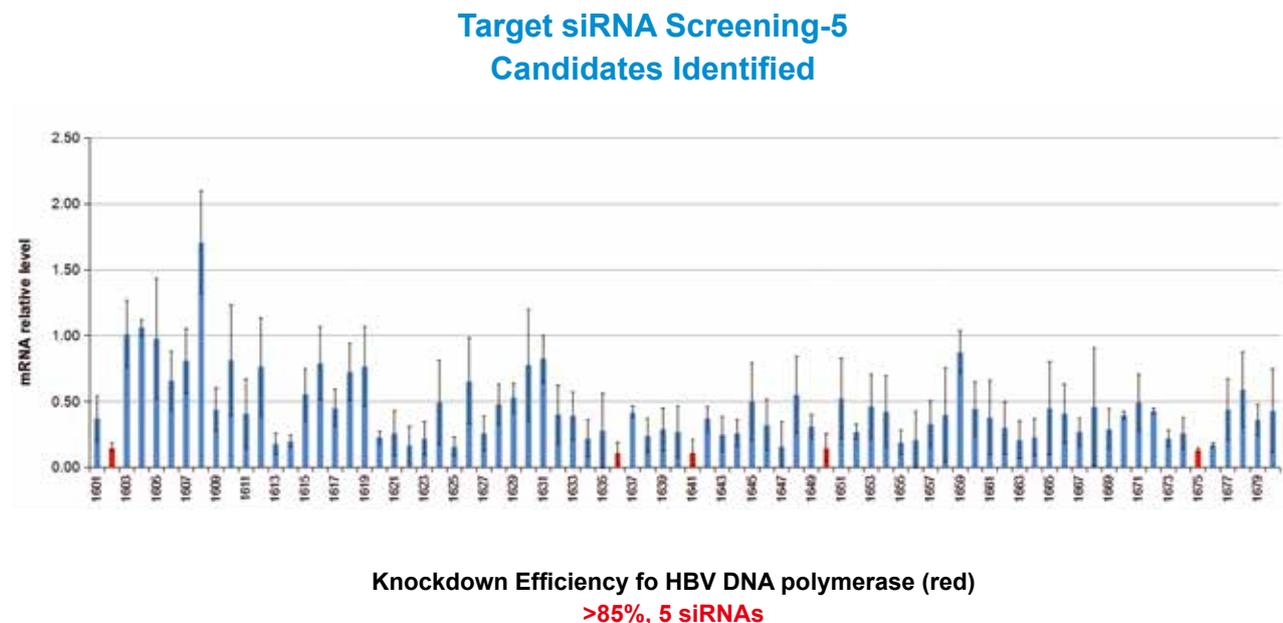
The Company has completed high-throughput target siRNA screening *in vitro* and discovered five novel siRNA sequences that are highly effective against the four major HBV subtypes (Figure 3.2). The Company's preliminary data has shown that the MultisiRNA design is effective and safe in both *in vitro* and early stage *in vivo* studies (in an HBV-infected mouse model).

The efficacy of the approach has been demonstrated against subtype D using one of the identified sequences targeting the HBV polymerase gene, and the Company is ready to expand its studies to subtypes A, B and C. The Company's goal is to validate the efficacy *in vivo* for all four subtypes. Further evaluation and optimisation is needed to confirm the optimal siRNA drug candidates to achieve this.

The Company also has generated *in vivo* data demonstrating the safety of the new generation LNP delivery vehicle. Further development is being undertaken to ensure compatibility with the multi-target siRNAs.

When the preclinical development program is complete, Biomics plans to commence clinical studies in China and Australia, subject to regulatory approval.

**Figure 3.2. Knockdown efficacy of a range of siRNA candidates screened using Biomics' high throughput technology. The five siRNAs with the strongest ability to silence the HBV DNA polymerase gene (by more than 85%) are shown in red.<sup>27</sup>**



<sup>27</sup>. Source: Biomics



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### 3.5.3 COMPETITIVE ADVANTAGES

The Company considers that it has the following competitive advantages in this development program:

- MultisiRNA utilises multiple siRNAs to target the HBV mRNA at several sites to reduce the possibility of development of resistance.
- High silencing efficacy of multiple sequences, each of which individually can knock down HBV mRNA by more than 80% *in vitro*.
- Highly efficient liver delivery system with low liver toxicity as demonstrated in an *in vivo* mouse model of HBV infection.
- Relatively low development cost compared to the novel small molecule development due to the demonstrated targeted efficacy in the siRNA screening system developed by Biomics.

### 3.5.4 PATENTS

The Company has a portfolio of patent applications for the HBV program:

- United States patent application number 14/436,060: Liposome formulation, its preparation and application;
- Australia patent application number 2013380825: Liposome formulation, its preparation and application;
- Canada patent application number 2888286: Liposome formulation, its preparation and application; and
- China patent application number 201610222630.2: highly positive liposome formulation and its application.

### 3.5.5 DEVELOPMENT TIMELINE

The Company estimates that the MultisiRNA drug development will take approximately 3 years from raising sufficient funds to complete the remaining pre-clinical studies, a Phase I clinical trial and to commence a Phase II clinical trial. The timeline below demonstrates each stage of the development. The Company expects that it will take a further 2 years to complete a Phase II clinical trial.



**Table 3.1: Estimated timeline of MultisiRNA development for HBV**

Study Design and Content		Year 1 (2017)				Year 2 (2018)				Year 3 (2019)			
		1	2	3	4	1	2	3	4	1	2	3	4
<b>Early stage studies</b>	Efficacy proof of concept and mechanism of action												
	Selection of siRNA drug candidate												
	Selection and optimization of LNP formulation												
<b>CMC</b>	API (siRNA) manufacturing study												
	Process developments and manufacturing studies of lipids and LNP formulations												
	Quality control studies of API and LNP formulation												
	Production of GLP batch for toxicology studies												
	Manufacturing control of MultisiRNA liposome formulation under regulatory requirements												
<b>Tox, PK and PD studies</b>	Pharmacology studies												
	Toxicology studies												
	PK and PD studies												
<b>IND</b>	IND submission to Chinese FDA and TGA (Australia)												
<b>Clinical Trial</b>	Clinical Trial Phase I in China and Australia												

### 3.5.6 DEVELOPMENT BUDGET

#### (a) Pre-clinical IND enabling studies

The Company intends to use proceeds from the Offer to complete the remaining pre-clinical studies for MultisiRNA. The Company estimates that this will cost approximately \$6.8 million. The allocation of detailed budget costs for early stage studies, CMC, toxicology, pharmacokinetic (PK), pharmacodynamics (PD) studies is shown below.

**Table 3.2 Proof of concept (pre-clinical *in vivo* IND enabling studies) budget**

Study content	Expense category	Amount (AUD)
Selection and combination of siRNA drug candidates Mechanism of action Selection and optimisation of LNP formulation	Synthesis and scale up of siRNAs and lipids Screening and optimisation of siRNA LNP formulations obtained <i>in vitro</i> to validate <i>in vivo</i> models of HBV infection Chemical and biological analytical studies of siRNAs, lipids, and LNPs.	\$1,600,000
<b>CMC studies</b>		
API manufacture Process and quality control	Manufacturing of siRNAs	\$600,000
Process development of LNP formulation	1) Process development and scale-up of various cationic, neutral and long-lasting lipids 2) Process development and scale-up of siRNA-LNP formulation	\$1,800,000
Stability and quality control of siRNA-LNP product	Quality control of API, lipid formulation, and finalised siRNA-LNP product	\$300,000
GLP batch	Manufacture of GLP batch of siRNA-LNP product for pharmacology and toxicology studies	\$900,000
<b>Toxicology studies</b> (via third party or contract research organisations)		
Pharmacology	Mouse/rat	\$400,000
Toxicology	NHP	\$1,000,000
PK and PD	Mouse/rat	\$200,000
<b>Total</b>		<b>\$6,800,000</b>

## (b) Clinical stage

If the Full Subscription is raised, it will provide the Company with funds necessary to complete a Phase I clinical trial and be in a position to make an assessment on whether to proceed to Phase II clinical trial for MultisiRNA in China and Australia. An estimate of costs for the Phase I clinical trial is set out in the table below:

Item	Amount (AUD)
IND submission (Chinese FDA)	\$200,000
IND submission (TGA in Australia)	\$300,000
Phase I Clinical Trial in China	\$800,000
Phase I Clinical Trial in Australia	\$1,200,000
<b>Total</b>	<b>\$2,500,000</b>

### Note:

R&D costs in Australia may be eligible for the Australian Federal Government's research and development tax incentive, which currently provides up to 43.5% tax offset subject to various conditions being met.

## 3.5.7 COMMERCIALISATION

Phase II clinical trials are generally considered to be "clinical proof of concept" of a therapy. Once the Company successfully completes Phase II clinical trials with positive results, the treatment program will be of significant value. The Company intends to then form strategic alliances that provide access to the resources necessary to continue to commercialise the HBV therapies in China, Australia and other territories. This may take the form of a partnership with a pharmaceutical company, out-licensing the program or a trade sale of the program to another biopharmaceutical company.

## 3.6 SKINCARE PRODUCTS

In 2012, *Britena*, the world's first RNAi-based first skincare product was approved for sale in China by the China Food and Drug Administration (CFDA). The Company's expertise in RNAi therapeutics enabled the Company to play a major role in the development of the key RNAi ingredient in *Britena*. *Britena* is manufactured and marketed in China through Genecon, a company in which Biomics has 10% ownership. Biomics has leveraged this experience into the development of *CoSensia*, an RNA based anti-acne treatment. In 2015 Biomics received approval from CFDA to market *CoSensia* in China. Biomics retains the global rights to manufacture and market *CoSensia*.

### 3.6.1 COSENSIA

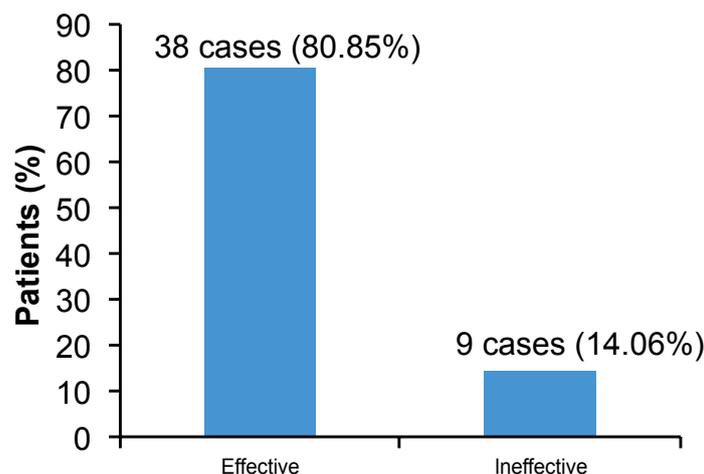
CoSensia is an RNA-based anti-acne skincare product with a core active ingredient that comprises double stranded RNAs (dsRNAs). Double-stranded RNAs (dsRNAs) increase anti-inflammation cytokines (IL-4 etc.) and activate the natural immune responses which suppress inflammation process. Meanwhile, dsRNAs can directly inhibit acne pathogens -- *Propionibacterium acnes*. Other related bacteria including, *Staphylococcus epidermidis*, *Pseudomonas aeruginosa*, *Escherichia coli* and *Staphylococcus aureus* are prohibited by antibacterial ingredients in the CoSensia product. These cofactors can effectively eliminate or mitigate acne.

From a small pilot user trial (conducted in 2013 in China) of 47 individuals (young adults) with acne vulgaris, CoSensia was demonstrated to be very effective in relieving 38 users from acne (80%). (Figure 3.3).

**Figure 3.3 Effectiveness of CoSensia in a clinical study in China<sup>28</sup>**

#### Anti-acne in Skin Care Application

Product	Cases	Healing	Markedly effective	Effective	Ineffective	Total effective rate
CoSensia	47	16	17	5	9	80.85%



<sup>28</sup> Source: Biomics

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Actual photographic examples of the improvement shown as a result of treatment with *CoSensia* are shown in Figure 3.4

**Figure 3.4 Examples of the effect of *CoSensia* in a clinical study in China<sup>29</sup>**



The results from this study demonstrates that *CoSensia* has the potential to address a significant unmet medical need in the treatment of acne.

### Competitive Advantages

The Company considers that it has the following competitive advantages in *CoSensia*:

- supresses inflammatory response;
- directly inhibits acne pathogens via a novel mechanism;
- non-antibiotic treatment; and
- it is readily metabolised by normal skin and limits the potential of adverse effects.

Biomics has made the following patent application protecting *CoSensia*:

- Chinese Patent Application No. 201610840261.3: "Anti-acne treatment based on small RNA compounds".

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<sup>29</sup> Source: Biomics



## Market development & commercialisation

Since launching *CoSensia* in late 2015 the Company has generated modest initial revenues. A key element of the Company's growth strategy will be to allocate a significant investment in the development and expansion of sales and marketing activities for *CoSensia*:

In China Biomics aims to:

- expand their sales and marketing resources – increasing head count in key areas such as:
  - sales supervision;
  - online sales support;
  - call center specialists; and
  - manufacturer's representatives.
- establish an internet based "Shopping Mall";
- establish a "TaoFactory" (an Alibaba platform aimed at pairing small brands with contract manufacturers) accountant. Progressively expand profile and reputation of *CoSensia*;
- expand the Company's retail distributors network; and
- establish a "Key Opinion Leader" (product champion) network.

As previously discussed the market opportunity for an effective "first in class" anti-acne treatment in China is significant.

In parallel with the company's China strategy, the Company will seek to further expand the sales of *CoSensia* worldwide, initially in the USA and Australia followed by Europe. *CoSensia* will be regulated in the USA and Australia as a therapeutic and therefore will require appropriately designed clinical trials. In addition to providing data for regulatory filings these trials will also provide further validation of *CoSensia* as an effective treatment for acne.

The Company has allocated A\$1.5 million to A\$2.7 million (if Full Subscription is raised) from the proceeds of the Offer for expenses relating to obtaining any required regulatory approvals to supply *CoSensia* in the USA and Australia and marketing activities in the USA and Australia.

Gaining regulatory approval in Australia and the USA combined with sales growth in China may provide Biomics with worldwide partnering opportunities enabling broader distribution reach and deeper market penetration.

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### 3.6.2 BRITENA

*Britena* is a highly effective whitening cream that uses siRNA to inhibit the formation of melanin in the skin. In a clinical trial conducted by Genecon at the General Air Force Hospital (Beijing, China), greater than 90% effectiveness was achieved in eliminating melisma (tan or dark skin discoloration) among the test population with no observable side effects or toxicity.

To the Company's knowledge, *Britena* is the first RNAi-based skincare product to be sold anywhere in the world.

Biomics had significant input into the R&D and commercialisation of the product that was launched in 2012 by Genecon, a company in which Biomics held a 49% share. Biomics supplied the active siRNA ingredient to Genecon. Due to a restructure in 2015, Biomics became a minor (10%) shareholder of Genecon. Following the restructure, the Company continues to supply Genecon with the active siRNA for manufacturing *Britena* under an exclusive supply agreement.

In addition to the siRNA as its base active ingredient, the formulation contains a "Targeting Nano Transdermal Peptide Delivery System" that ensures the siRNA reaches the deeper layers of the skin, and various nutritional ingredients which contribute to a healthy skin. *Britena* contains no preservatives or heavy metals, and has no known side effects. The "Targeting Nano Transdermal Peptide Delivery System" is unique in that it ensures that the active siRNA ingredient in the cream reaches the dermis where the siRNA molecules are released. The siRNA molecules suppress expression of melanin and other pigment-producing genes via RNAi, thus reducing formation of pigment and lightening or even eliminating dark skin spots (the actual clinical result varies depending on age and type of dark spots).

#### Competitive Advantages

Current skin whitening treatments include:

- Hydroquinone - this is a common first treatment for melisma;
- tretinoin and corticosteroids;
- other topical treatments - azelaic acid or kojic acid; and
- procedures - if a topical medicine does not work, a surgical procedure such as a chemical peel, microdermabrasion, and dermabrasion may be used.

All of these treatments can cause unwanted side effects. To date, there are no known side effects of *Britena*.

#### Market Development & Commercialisation

Biomics has been generating approximately RMB 750,000 (approximately A\$142,016) per annum from the sale of the key RNAi ingredient in *Britena*. The company expects that these revenues will remain stable or continue to grow as *Britena* expands its market share.



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## 3.7 NON-CORE BUSINESS ACTIVITIES

In addition to its core business, the Company has also been acting as a contract research organisation for various entities in China and providing life science reagents and kits, contract lab studies and custom chemical synthesis.

## 3.8 INTELLECTUAL PROPERTY

### 3.8.1 PATENTS

Since 2006, the Company has built a portfolio of more than 15 international and national patents as well as 15 patent applications which complement and facilitate the Company's business objectives. The Company will continue to grow its patent portfolio. Please refer to the Intellectual Property Report for a list of its current patents and patent applications.

### 3.8.2 OTHER INTELLECTUAL PROPERTY

The Company has other registered intellectual properties for example, domain names and various registered trademarks including a trademark over the Chinese name of *CoSensia* - siRNA-based product for treating acne.

### 4.1 OVERVIEW

This Section 4 contains a summary of the Pro Forma Historical Financial Information and Pro Forma Consolidated Historical Financial Information (collectively referred to as the Financial Information) in relation to Biomics Biopharma Limited (Company) which the Directors consider relevant to investors. Investors are referred to Section 3.1 of the Prospectus for an overview of the Company's corporate structure. Investors should note that Group's financial year (FY) is from 1 January to 31 December.

The Financial Information comprises the following:

#### 4.1.1 PRO FORMA HISTORICAL FINANCIAL INFORMATION

The Pro Forma Historical Information relates solely to Biomics Biotechnologies Co., Ltd (PRC BIO), a company incorporated in the PRC and consists of

- (a) Audited Pro Forma Historical Statement of Comprehensive Income for FY2014, FY2015 and Reviewed Pro Forma Historical Statement of Comprehensive Income for the half year ending 30 June 2016 as set out in Section 4.3.1;
- (b) Audited Pro Forma Historical Statement of Cash Flows for FY 2014, FY2015 and Reviewed Pro Forma Historical Statement of Cash Flows for the half year ending 30 June 2016 as set out in Section 4.3.2; and
- (c) Audited Pro Forma Historical Statement of Financial Position as at 31 December 2014, 31 December 2015 and Reviewed Pro Forma Historical Statement of Financial Position as at period end 30 June 2016 as set out in Section 4.3.3.

The audit / review reports of the financial statements for PRC BIO from which the above Pro Forma Historical Financial Information was compiled were qualified on closing stock for FY 2014 and qualified on opening stock for FY 2015 and contain an emphasis of matter paragraph on going concern. Details of the qualification and emphasis of matter paragraph are set out in Section 5 Investigation Accountant's Report of this Prospectus.

#### 4.1.2 PRO FORMA CONSOLIDATED HISTORICAL FINANCIAL INFORMATION

The Pro Forma Consolidated Historical Financial Information includes the Historical Financial Information of the Company, the Financial Information of PRC BIO at 30 June 2016 and assume the pro forma transactions as set out in Note 2 of section 4.5 had occurred and consist of:

- Pro Forma Consolidated Historical Statement of Financial Position of the Company as at 30 June 2016 at the minimum and full subscription; and
- Pro Forma Consolidated Historical Statement of Changes in Equity of the Company as at 30 June 2016 at the minimum and full subscription

The Pro Forma transactions which includes the acquisition of PRC BIO, have been included in the Pro Forma Consolidated Statement of Financial Position as at 30 June 2016 to provide potential shareholders with a view of the Group's financial position.

The Financial Information contained in this section of the Prospectus is presented in an abbreviated form and does not contain all the disclosures that are usually provided in an annual report prepared in accordance with Australian equivalents to International Financial Reporting Standards ("AIFRS") and the Corporations Act. In the view of the Directors of the Company, the omitted disclosures would provide no further relevant information to potential investors.

The Financial Information should be read in conjunction with the risk factors associated with an investment in the Company set out in Section 6, the Investigating Accountant's Report in Section 5 and the other information contained in this Prospectus. Investors should note the scope and limitations of the Investigating Accountant's Report.

## 4.2 BASIS OF PREPARATION OF THE FINANCIAL INFORMATION

### 4.2.1 PRO FORMA HISTORICAL FINANCIAL INFORMATION

The Pro Forma Historical Financial Information has been compiled from the financial statements of PRC BIO for FY2014, FY2015 and the half year ended 30 June 2016 ("Financial Statements").

The Financial Statements were audited (for FY2104 and FY2015) and audit reviewed (for the half year ended 30 June 2016) in accordance with Australian Auditing Standards by Pitcher Partners Adelaide and on which audit opinions issued were qualified on closing stock for FY 2014 and qualified on opening stock for FY 2015. Each of Pitcher Partners reports contained an emphasis of matter paragraph with respect to going concern. Pitcher Partner's audit and review reports on the Financial Statements were provided solely in the context of their compliance with International Financial Reporting Standards (IFRS) and expressed no opinion on the Financial Statements compliance with the relevant accounting, statutory and regulatory requirements in the PRC.

The Financial Statements are prepared and presented in its functional currency (RMB). The Pro Forma Historical Financial Information has no adjustment to those Financial Statements other than conversion to Australian Dollars (\$) at applicable exchange rates.

### 4.2.2 PRO FORMA CONSOLIDATED HISTORICAL FINANCIAL INFORMATION

The Pro Forma Historical Financial Information of the Company has been compiled from the reviewed financial information of Company for the period ended 30 June 2016 and the Pro forma Historical Financial Information of PRC BIO for the period ended 30 June 2016.

### 4.2.3 FOREIGN CURRENCY TRANSLATION

In accordance with the requirements of Australian Accounting Standards, the Company has adopted the foreign currency translation accounting policy set out in Section 4.5 in which assets and liabilities of the Company and its controlled entities (on a Pro forma basis) are translated at exchange rates in effect at reporting date. Revenue and expenses are translated at the exchange rates in effect at the date of the transaction. Exchange differences arising are recognised directly to the Group's foreign currency translation reserve in the Statement of Financial Position.

**The exchange rates used in the preparation of the Financial Information in this Section 4 is as follows:**

Year	RMB: AUD	
	Year ended Average	Year ended Spot
31 December 2012	0.15302	0.15459
31 December 2013	0.16798	0.18468
31 December 2014	0.17975	0.19662
31 December 2015	0.21153	0.21078
30 June 2016	0.20852	0.20266

Share capital of PRC BIO was converted at spot rates applicable on the date of capital injection.

## 4.3 PRO FORMA HISTORICAL FINANCIAL INFORMATION

Set out below the Historical Pro Forma Financial Information for PRC BIO. The basis of preparation of the Historical Financial Information is set out in Section 4.2. The accounting policies adopted by PRC BIO in preparation of the Financial Statements are set out in Note 1 of Section 4.5.

### 4.3.1 PRO FORMA HISTORICAL STATEMENT OF COMPREHENSIVE INCOME

Pro Forma Historical Statement of Comprehensive Income	FY2014	FY2015	6 Months Period Ended 30 June 2016
	\$'000	\$'000	\$'000
Revenue	535	923	808
Cost of Sales	(189)	(346)	(185)
<b>Gross Profit</b>	<b>346</b>	<b>577</b>	<b>623</b>
Other revenue	746	3,889	17
Operating expenses	(131)	(163)	(77)
Administration expenses	(590)	(856)	(434)
Finance costs	(341)	(425)	(198)
Other expenses	(2,327)	(1,788)	(1,134)
Gains/(Losses) on FVTPL	-	(269)	(131)
Gain/(Losses) in Associates	(179)	(22)	-
Impairment for available for sale assets	-	-	(82)
<b>Profit before income tax expense</b>	<b>(2,476)</b>	<b>943</b>	<b>(1,416)</b>
Income tax expense/(benefit)	-	-	-
<b>Profit after income tax expense</b>	<b>(2,476)</b>	<b>943</b>	<b>(1,416)</b>
Other comprehensive income			
Foreign currency translation gain/(loss)	(232)	(198)	115
<b>Total comprehensive income</b>	<b>(2,708)</b>	<b>745</b>	<b>(1,301)</b>

The above Pro Forma Historical Statements of Comprehensive Income have been translated from RMB to AUD\$ at average exchange rates applicable for the reporting period, as set out Section 4.2.3.

### 4.3.2 PRO FORMA HISTORICAL STATEMENTS OF CASH FLOWS

<b>Pro Forma Historical Statements of Cash Flow</b>	<b>FY2014</b>	<b>FY2015</b>	<b>6 Months Period Ended 30 June 2016</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Cash flows from operating activities			
Receipts from customers	703	2,883	415
Payments to suppliers, employees and others	(2,326)	(3,500)	(1,498)
Interest received	1	10	3
Finance expense paid	(341)	(425)	(198)
<b>Net cash provided by (used in) operating activities</b>	<b>(1,963)</b>	<b>(1,032)</b>	<b>(1,278)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	(12)	(31)	(57)
Purchase of intangibles	-	(18)	-
Proceed from disposal of investment in associates	-	825	-
<b>Net cash provided by (used in) investing activities</b>	<b>(12)</b>	<b>776</b>	<b>(57)</b>
<b>Cash flows from financing activities</b>			
Receipts of government grants	745	153	15
Cash receipts(Advanced) From(to) related parties	1,018	393	999
<b>Net cash provided by (used in) financing activities</b>	<b>1,763</b>	<b>546</b>	<b>1,014</b>
Net change in cash and cash equivalents held	(212)	290	(321)
Forex translation movement	-	5	(6)
Cash and cash equivalents at beginning of financial year	301	89	384
<b>Cash and cash equivalents at end of financial year</b>	<b>89</b>	<b>384</b>	<b>57</b>

The above Pro Forma Historical Statements of Cash Flows should be read in conjunction with the notes hereto.

#### Notes:

1. Cash and cash equivalent at the beginning and end of the financial year have been translated at the applicable spot rates at the balance date, as set out in Section 4.2.3.
2. Other than as stated above, all other figures have been translated from RMB to AUD at average exchange rates applicable for the reporting period, as set out in Section 4.2.3.

### 4.3.3 PRO FORMA HISTORICAL STATEMENT OF FINANCIAL POSITION

Pro Forma Historical Statement of Financial Position	FY2014	FY2015	6 Months Period Ended 30 June 2016
	\$'000	\$'000	\$'000
<b>Current Assets</b>			
Cash and cash equivalents	89	384	57
Trade and other receivables	571	770	1,133
Inventory	895	932	883
Other financial assets	-	161	27
Other current assets	2	333	278
<b>Total Current Assets</b>	<b>1,557</b>	<b>2,580</b>	<b>2,378</b>
<b>Non-Current Assets</b>			
Trade and other receivables	-	759	79
Property, plant and equipment	2,983	2,841	2,616
Intangible assets	731	779	738
Investment in associate	705	-	-
Other financial assets	350	526	425
<b>Total Non-Current Assets</b>	<b>4,769</b>	<b>4,905</b>	<b>3,858</b>
<b>Total Assets</b>	<b>6,326</b>	<b>7,485</b>	<b>6,236</b>
<b>Current Liabilities</b>			
Trade and other payables	1,950	1,854	2,199
Short-term borrowings	5,899	-	-
<b>Total Current Liabilities</b>	<b>7,849</b>	<b>1,854</b>	<b>2,199</b>
<b>Non-Current Liabilities</b>			
Other payables	1,182	1,267	1,218
Long-term Borrowing	-	6,324	6,080
<b>Total Non-Current Liabilities</b>	<b>1,182</b>	<b>7,591</b>	<b>7,298</b>
<b>Total Liabilities</b>	<b>9,031</b>	<b>9,445</b>	<b>9,497</b>
<b>Net Assets</b>	<b>(2,705)</b>	<b>(1,960)</b>	<b>(3,261)</b>
<b>Equity</b>			
Issued capital <sup>1</sup>	18,597	18,597	18,597
Foreign currency translation reserve <sup>3</sup>	(430)	(628)	(513)
Retained Earnings <sup>2</sup>	(20,872)	(19,929)	(21,345)
<b>Total Equity</b>	<b>(2,705)</b>	<b>(1,960)</b>	<b>(3,261)</b>

The above Pro Forma Statements of Financial Position should be read in conjunction with the notes hereto.

## Notes:

1. PRC BIO was registered on 17th of February 2006. On 15th of May 2006 the first paid up capital totalling \$658,734 was contributed (translated at the spot rate RMB1: AUD\$0.16229). On 20th of May 2006, 30th June 2006, 7th of July 2006, 10th of January 2007, 18th of July 2007, 27th of December 2007, 15th of August 2008 and 18th of August 2008, \$1,345,330, \$2,430,445, \$2,420,991, \$4,450,072, \$1,709,752, \$1,560,403, \$2,022,347 and \$1,999,300 has been contributed to the capital respectively (translated at the spot rate RMB1: AUD\$0.16348, RMB1: AUD\$0.16831, RMB1: AUD\$0.16766, RMB1: AUD\$0.16424, RMB1: AUD\$0.15064, RMB1: AUD\$0.15604, RMB1: AUD\$0.16853 and RMB1: AUD\$0.16661 respectively).

2. Opening retained earnings as at 1st of January 2014 have been translated at the average rate between 17th of February 2006 to 31st of December 2012 at RMB1: AUD\$0.16216 plus trading result of FY 2013 translated at average rate between 1 January 2013 to 31 December 2013 at RMB1: AUD\$0.16798. The relevant impact of net profit on retained earnings have been translated at the average exchange rate for the relevant year.

3. All other items on Pro Forma Historical Statement of Financial Position have been translated at spot rate at the applicable balance date, as set out Section 4.2.3

4. The impact on translation reserve as a result of translating the asset, liabilities, equity, revenue and expenses at different rate is summarised as follows:

	FY2014	FY2015	6 Months Period Ended 30 June 2016
	\$'000	\$'000	\$'000
Impact of translation of opening retained earnings/ (Accumulated losses) at historical average rate	(3,940)	(5,975)	(4,980)
Impact of translation of net profit/(losses) of the year at average rate	(232)	(3)	40
Impact of share capital at historical spot rate	3,742	5,350	4,427
<b>Total foreign currency translation reserve</b>	<b>(430)</b>	<b>(628)</b>	<b>(513)</b>

## 4.4 MANAGEMENT DISCUSSION AND ANALYSIS

### 4.4.1 GENERAL FACTORS AFFECTING THE OPERATING RESULTS

Below is a discussion of the main factors which affected PRC BIO's operations and relative financial performance in FY2014, FY2015 and for the period ending 30 June 2016 which PRC BIO expects may continue to affect it in the future. The discussion of these general factors is intended to provide a brief summary only and does not detail all factors that affected PRC BIO's historical operating and financial performance, or everything that may affect PRC BIO's operations and financial performance in the future. The section should be read in conjunction with Basis of Preparation of the Financial Information set out in Section 4.2.

#### (a) Revenue

A revenue breakdown is shown as follows:

Revenue	FY2014	FY2015	6 Months Period Ended 30 June 2016
	\$'000	\$'000	\$'000
<b>Revenue</b>			
Sale of goods	332	635	312
Technical consultancy service	203	288	496
<b>Total revenue</b>	<b>535</b>	<b>923</b>	<b>808</b>
<b>Other Income</b>			
Project income	-	2,359	-
Gain/(loss) on disposal of investment	-	1,063	-
Government subsidies received	745	154	14
Interest received	1	10	3
Donation	-	299	-
Other	-	4	-
<b>Total other income</b>	<b>746</b>	<b>3,889</b>	<b>17</b>

The increase in revenue recognised during FY 2015 was partially attributed to the sales of a new skin care product – Cosensia, which was launched to the Chinese domestic market in 2015.

A significant drop of the government subsidies can be seen from FY2014 to FY2015. The government subsidies mainly support initial-stage R&D programs. With more programs progressed to further stages, less subsidies were granted to the company from the government.

Project income recognised in FY 2015 was in relation to the earn out income received from Benitec Bio Pharma Limited for the transfer of all rights, title and interest in the HBV patents jointly developed with Benitec Bio Pharma Limited through historical cooperation.

Gain/(loss) on disposal of investment recognised in FY 2015 was in relation to the sale of 39% shares in associate company Jiangsu Genecon Biotechnologies Co., Ltd on 10 May 2015.

## (b) Operating expense

The operating expense line items are shown below:

Operating expenses	FY2014	FY2015	6 Months Period Ended 30 June 2016
	\$'000	\$'000	\$'000
Salary expenses	100	129	58
Depreciation	6	8	4
Advertising	1	7	6
Travelling	11	4	5
Other	13	15	4
<b>Total Operating Expense</b>	<b>131</b>	<b>163</b>	<b>77</b>

The main operating expenses for FY2014, FY2015 and the first half of 2016 financial year were salaries and wages which accounted for 76.34%, 79.14% and 75.32% of the total operating expenses respectively. The operating expense for 2015 has increased by 24.43% comparing with 2014 is a combined effect of increased salary expenses and also depreciating average exchange rate between RMB to AUD resulting in higher amount in Australian dollars when translated.



### (c) Administrative expense

The administrative expense line items are shown below:

Administrative expenses	FY2014	FY2015	6 Months Period Ended 30 June 2016
	\$'000	\$'000	\$'000
Salary expenses	334	439	282
Service fee	38	142	28
Taxes	89	106	51
Depreciation	27	30	15
Amortisation	20	25	14
Other	82	114	44
<b>Total Administrative Expense</b>	<b>590</b>	<b>856</b>	<b>434</b>

The main administration expenses for 2014, 2015 and the first half of 2016 financial year are salaries and wages which accounted for 56.61%, 51.29% and 64.98% of total administrative expenses respectively. The administrative expense for 2015 has increased by 45% comparing with 2014 is a combined effect of increased in salaries and wages expenses, and also depreciating average exchange rate between RMB to AUD resulting in higher amount in Australian dollars when translated.

#### (d) Finance expense

The finance expense line item is shown below:

Finance expense	FY2014	FY2015	6 Months Period Ended 30 June 2016
	\$'000	\$'000	\$'000
Interest expense on borrowings	336	424	196
Bank charge	12	19	1
Foreign exchange loss / (gain)	(7)	(18)	1
<b>Total Finance Expense</b>	<b>341</b>	<b>425</b>	<b>198</b>

The main finance expenses for 2014, 2015 and the first half of 2016 financial year are bank borrowing interest costs. The increased interest in 2015 was due to a RMB5,000,000 loan borrowed and repaid within the same financial year.

#### (e) Other expense

Other expense	FY2014	FY2015	6 Months Period Ended 30 June 2016
	\$'000	\$'000	\$'000
Research and development – Salary expense	828	990	478
Research and development – Other expenses	642	658	249
Fees and registration	43	73	14
IPO service fee	-	67	393
Fees for distribution right	814	-	-
<b>Total Other Expense</b>	<b>2,327</b>	<b>1,788</b>	<b>1,134</b>

The other expenses for 2014, 2015 and the first half of 2016 financial year mainly comprise of salaries for research scientists and expenses incurred for relevant research and development activities. The salaries expense for 2015 has increased by 19.57% comparing with 2014 mainly due to the salary raised for the research scientist.

The fee of distribution right relates to the domestic market distribution right for *Britena* products purchased from Jiangsu Genecon Biotechnologies Co., Ltd.

Fee and registration fee mainly comprised of the patent application fee.

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## 4.5 PRO FORMA CONSOLIDATED HISTORICAL FINANCIAL INFORMATION

### 4.5.1 REVIEWED STATEMENT OF COMPREHENSIVE INCOME

The parent entity Biomics Biopharma Limited was registered in Australia on the 2nd of August 2016 therefore there is no trading result for period ended 30 June 2016.

## 4.5.2 PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016

	N o t e	30 June 2016 Company <sup>1</sup>	Pro Forma Reviewed 30 June 2016 PRC BIO <sup>2</sup>	Pro Forma Adjustments Minimal Subscription <sup>3</sup>	Pro Forma Historical Balance Sheet Minimum Subscription	Pro Forma Adjustments Full Subscription <sup>4</sup>	Pro Forma Historical Balance Sheet Full Subscription
<b>\$'000</b>							
<b>Current Assets</b>							
Cash and cash equivalents		–	57	11,735	11,792	14,516	14,573
Trade and other receivables	4	–	1,133	–	1,133	–	1,133
Inventory	5	–	883	–	883	–	883
Other financial assets	6	–	27	–	27	–	27
Other current assets	7	–	278	(278)	–	(278)	–
<b>Total Current Assets</b>		–	<b>2,378</b>	<b>11,457</b>	<b>13,835</b>	<b>14,238</b>	<b>16,616</b>
<b>Non-Current Assets</b>							
Trade and other receivables	4	–	79	–	79	–	79
Property, plant and equipment	8	–	2,616	–	2,616	–	2,616
Intangible assets	9	–	738	–	738	–	738
Other financial assets	6	–	425	–	425	–	425
<b>Total Non-Current Assets</b>		–	<b>3,858</b>	–	<b>3,858</b>	–	<b>3,858</b>
<b>Total Assets</b>		–	<b>6,236</b>	<b>11,457</b>	<b>17,693</b>	<b>14,238</b>	<b>20,474</b>
<b>Current Liabilities</b>							
Trade and other payables	10	–	2,199	(1,759)	440	(1,759)	440
Borrowing	11	–	–	6,080	6,080	6,080	6,080
<b>Total Current Liabilities</b>		–	<b>2,199</b>	<b>4,321</b>	<b>6,520</b>	<b>4,321</b>	<b>6,520</b>
<b>Non-Current Liabilities</b>							
Trade and other payables	10	–	1,218	(1,218)	–	(1,218)	–
Borrowings	11	–	6,080	(6,080)	–	(6,080)	–
<b>Total Non-Current Liabilities</b>		–	<b>7,298</b>	<b>(7,298)</b>	–	<b>(7,298)</b>	–
<b>Total Liabilities</b>		–	<b>9,497</b>	<b>(2,977)</b>	<b>6,520</b>	<b>(2,977)</b>	<b>6,520</b>
<b>Net Assets</b>		–	<b>(3,261)</b>	<b>14,434</b>	<b>11,173</b>	<b>17,215</b>	<b>13,954</b>
Share Capital	12	–	18,597	15,734	34,331	18,506	37,103
Retained earnings		–	(21,346)	(1,300)	(22,646)	(1,291)	(22,637)
Reserve	13	–	(512)	–	(512)	–	(512)
<b>Total Equity</b>		–	<b>(3,261)</b>	<b>14,434</b>	<b>11,173</b>	<b>17,215</b>	<b>13,954</b>

The above Pro Forma Historical Statements of Financial Position and Pro Forma Consolidated Statement of Financial Position should be read in conjunction with the notes hereto and accompany notes set out in Section 4.5.4

## Notes:

1. The Australian parent company, Biomics Biopharma Limited, was registered on 2nd of August 2016.
2. Reflects the reported the Pro forma Historical Statement of Financial Position of PRC BIO as at 30 June 2016, at Section 4.3.3 above to provide potential shareholders with a view of the Group's financial position as at that date.
3. Reflects the impact of the following pro forma adjustments related to the IPO assuming minimal subscription:
  - a. Minimum subscription of 65,000,000 issued shares at an issue price of \$0.20, with cash proceeds of the Offer totalling \$13,000,000.
  - b. Total expense of the Offer \$2,041,473, \$1,055,081 has been directly off set against raised capital and \$986,392 has been expensed in accordance with Australian Accounting Standards Within. \$986,392 expensed, \$277,859 is related to prepaid listing expenses as at 30 June 2016 and amortised.
  - c. Total share capital of \$3,788,983 has been recognised as a result of issue of 18,944,917 ordinary shares at \$0.20 each for conversion of shareholder loans to equity with corresponding adjustment \$1,758,552 in current shareholder loan payable and \$1,217,980 in non-current shareholder loan payable as at 30 June 2016. The difference of \$812,451 is adjusted in retained earnings representing additional shareholder loan advanced to the Company after 30 June 2016 and expensed. Refer section 4.5.3 and note 12 in section 4.5.4 for details of the impact on share capital and equity.
  - d. Long term borrowing totalling \$6,079,767 has been reclassified to short term borrowing as the borrowing has become current at the date of the Prospectus. Refer note 11 in section 4.5.4 for details of the impact on borrowing.
4. Reflects the impact of the following pro forma adjustments related to the IPO assuming full subscription:
  - a. Full subscription of 80,000,000 issued shares at an issue price of \$0.20 per share, with cash proceed of the Offer totalling \$16,000,000.
  - b. Total expense of the Offer \$2,259,523, \$1,282,597 has been directly off set against raised capital and \$976,926 has been expensed in accordance with Australian Accounting Standards . Within \$976,926 expensed, \$277,859 is related to prepaid listing expenses as at 30 June 2016 and amortised.
  - c. Total share capital of \$3,788,983 has been recognised as a result of issue of 18,944,917 ordinary shares at \$0.20 each for conversion of shareholder loans to equity with corresponding adjustment \$1,758,552 in current shareholder loan payable and \$1,217,980 in non-current shareholder loan payable as at 30 June 2016. The difference of \$812,451 is adjusted in retained earnings representing additional shareholder loan advanced to the Company after 30 June 2016 and expensed. Refer section 4.5.3 and note 12 in section 4.5.4 for details of the impact on share capital and equity.
  - d. Long term borrowing totalling \$6,079,767 has been reclassified to short term borrowing as the borrowing has become current at the date of the Prospectus. Refer note 11 in section 4.5.4 for details of the impact on borrowing.

### 4.5.3 PRO FORMA STATEMENT OF CHANGE IN EQUITY FOR THE PERIOD FROM INCORPORATION TO 30 JUNE 2016

This table below sets out the reviewed Pro Forma Historical Statement of Changes in Equity and Pro Forma Consolidated Statement of Changes in Equity for the Period from Incorporation to 30 June 2016.

Pro Forma Statement of Change in Equity	Issued Capital	Foreign Currency Translation Reserve	Retained Earnings
	\$'000	\$'000	\$'000
Balance at incorporation	-	-	-
Share issued on incorporation – 1 Ordinary Share	-	-	-
Pro forma transaction			
Amounts recognised as a consequence of a restructure transaction - Refer Note 3	18,597	(512)	(21,346)
Amount recognised as a consequence of shareholder loans conversion to equity	3,789	-	(812)
Issue of 65,000,000 Offer Shares in the Company pursuant to this prospectus - Minimum Subscription	13,000		
Expenses of the offer - Refer Note 2	(1,055)		(488)
<b>Pro forma balance - Minimum Subscription</b>	<b>34,331</b>	<b>(512)</b>	<b>(22,646)</b>
Issue of an additional 15,000,000 Offer Shares in the Company pursuant to this prospectus - Full Subscription	3,000		
Additional expenses of the offer - Refer Note 2	(227)		9
<b>Pro forma balance - Full Subscription</b>	<b>37,104</b>	<b>(512)</b>	<b>(22,637)</b>

The above Pro Forma Historical Statements of Changes in Equity should be read in conjunction with the notes hereto and accompany notes set out in Section 4.5.4.

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## 4.5.4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2016

### Note1 Statement of Significant Accounting Policies

#### (a) New Accounting Standards and Interpretations

Certain new accounting standards and IFRIC interpretations have been published that are not mandatory for current reporting periods. The Company and its controlled entities (the Group) assessment of the impact of these new standards and interpretations is that there would be no material impact on the historical or reported pro forma financial information.

#### (b) Principle of Consolidation

A controlled entity is any entity that the Company controls. The consolidated entity controls an entity when it is exposed to, or has rights to variable returns from its investment with the entity and has the ability to affect those returns through its power to direct the activities of that entity.

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the period then ended. Where controlled entities have entered (left) the Group during the period, their operating results have been included (excluded) from the date control was obtained (ceased).

Common control transactions are transactions in which the shareholders of the Group are the same party or parties before and after the transaction.

The share transfer agreements detailed in note 2 represent a capital restructure transaction. The Company has elected to account for these transactions using the predecessor value method. The method requires financial statements to be prepared using predecessor book value. Predecessor book values represent the carrying amount of net assets before the restructure transaction.

All intercompany balances and transactions between entities in the consolidated entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

#### (c) Income Tax

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

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability where there is no effect on accounting or taxable profit or loss.

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.



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#### (d) Incorporation

The Company was registered on 2 August 2016.

#### (e) Foreign Currency Translation

##### *(i) 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 presentational currency and the functional currency of its main operating subsidiary, Biomics Biotechnologies Co., Ltd is Chinese Renminbi, and the Pro Forma Consolidated Historical Financial Information is presented in Australian Dollars, the presentational and functional currency of the Company.

##### *(ii) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction(s). Foreign exchange gains and losses resulting from the settlement of such transaction(s) and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Profit or Loss and Other Comprehensive Income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Transaction differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available for sale financial assets are included in the fair value reserve in equity.

##### *(iii) Group entities*

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;
- Income and expenses are translated at average rates for the period; and
- Retained earnings are translated at historical average rates.
- Share capital is translated at historical spot rates

Exchange differences arising on the translation of foreign operations are recognised directly to the Group's foreign currency translation reserve in the Consolidated Statement of Financial Position.

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## **(f) Revenue Recognition**

Revenue is measured at the fair value of the consideration received or receivable after taking into account any sales rebates. Any consideration deferred is treated as comprising a finance component and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Revenue from sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement by the Company in those goods.

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs it is compensating.

All revenue is stated net of the amount of value added tax (VAT).

## **(g) Business Combination**

The Group assess whether a business combination is a common control transaction or a change of control transaction.

Control is assumed to exist when the parent entity (a) owns directly, or indirectly, through other subsidiaries, more than half the voting power of the entity, unless in exceptional circumstances it can be demonstrated that such control does not exist or (b) has the power to govern the financial and operating policies of the subsidiary entity under a statute or agreement.

Common control transactions are transactions in which all the combining entities are controlled by the same party or parties before and after the transaction and the control is not transitory. In respect to such transactions the Group has elected to account for these transactions using the predecessor values method. The method requires financial statements to be prepared using the predecessor book value.

Change of control transactions are accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) is assumed is recognised (subject to certain limited exceptions). The acquisition may result in the recognition of goodwill or a gain from a bargain purchase.

All transaction costs incurred in relation to a business combination are expensed in the statement of comprehensive income.

## **(h) Impairment of Assets**

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists,



the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

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

#### **(i) Cash and cash equivalent**

Cash and cash equivalents comprise cash at bank and on hand. Cash equivalents are short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

#### **(j) Trade and Other Receivables**

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets, less any provision for impairment.

#### **(k) Property, Plant and Equipment**

Property, plant and equipment are measured at cost less depreciation and any impairment losses.

The cost of fixed assets constructed within the Company includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

### **Depreciation**

The depreciable amount of all fixed assets including building and capitalised leased assets, but excluding freehold land, is depreciated on a straight-line basis over their useful lives to the Company commencing from the time the asset is held ready for use. Leased assets are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the assets.

The depreciation rates used for each class of depreciable assets are:

<b>Class of Fixed Asset</b>	<b>Depreciation Rate</b>
Office equipment	20%~33%
Buildings	5%
Plant and equipment	10%~33%
Motor vehicles	20%~25%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting period date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the statement of comprehensive income.

#### **(l) Inventory**

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of fixed overheads. Overheads are applied on the basis of direct material usage. Costs are assigned on the basis of weighted average costs.

#### **(m) Intangible assets**

Land use right has a finite useful life and is carried at cost less accumulated amortisation and any impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of land use rights over its estimated useful lives, which is 50 years.

Trademarks are recognised at cost of acquisition. They have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Trademarks are amortised over their useful lives of 10 years.

Computer software are recognised at cost of acquisition. They have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Computer software are amortised over their useful lives of 5 years.

#### **(n) Employee Benefits & Entitlements**

Salary and wages are paid on a monthly basis and recognised as an expense when incurred and no leave entitlements accrue at the end of the reporting period. Other employee benefits accruals is recognised in accordance with applicable statutory or employee contractual arrangements.

#### **(o) Contributed Equity**

Ordinary Shares are classified as equity. Incremental costs directly attributable to the issue of new shares and options are shown in equity as a deduction, net of tax, from the proceeds.



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### **(p) Chinese VAT/Australian GST**

Revenue, expenses and assets are recognised net of the amount of VAT/GST, except where the amount of VAT/GST incurred is not recoverable from the local tax office. In these circumstances the VAT/GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of VAT/GST. Cash flows are presented in the statement of cash flows on a gross basis, except for the VAT/GST component of investing and financing activities, which are disclosed as operating cash flows.

### **(q) Investments in Associates**

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the entity but is not control or joint control of those policies. Investments in associates are accounted for in the financial statements by applying the equity method of accounting, whereby the investment is initially recognised at cost (including transaction costs) and adjusted thereafter for the post-acquisition change in the Company's share of net assets of the associate. In addition, the Company's share of the profit or loss of the associate is included in the Company's profit or loss.

The carrying amount of the investment includes, when applicable, goodwill relating to the associate. Any discount on acquisition, whereby the Company's share of the net fair value of the associate exceeds the cost of investment, is recognised in profit or loss in the period in which the investment is acquired.

Profits and losses resulting from transactions between the Company and the associate are eliminated to the extent of the Company's interest in the associate.

When the Company's share of losses in an associate equals or exceeds its interest in the associate, the Company discontinues recognising its share of further losses unless it has incurred legal or constructive obligations or made payments on behalf of the associate. When the associate subsequently makes profits, the Company will resume recognising its share of those profits once its share of the profits equals the share of the losses not recognised.

### **(r) 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 90 days of recognition of the liability.

### **(s) Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use of sale. All other borrowing costs are recognised in the statement of comprehensive income in the period in which they are incurred.

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## (t) Critical accounting estimates and judgments

The Director evaluate estimates and judgments incorporated into the financial statements 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. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

### Research and Development Expenses

The Company assess its research and development as follows:

- Expenditure incurred on research programs are recognised as an expense when incurred.
- Expenditure incurred on development programs that are not sufficiently advanced to reliably determine the economic benefits and technical feasibility to justify capitalisation are recognised as an expense when incurred.

### Key Estimates — Impairment of Non-Financial Assets

The Company assesses impairment at each reporting date by evaluating conditions and events specific to the Company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

### Significant Judgments — Provision for Impairment of Receivables/Inventory

The Company assesses the provision for impairment of receivable and inventory at each reporting date by evaluating the ageing likely recoverability of the outstanding balances.

## (u) Financial Instruments

### Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the entity commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified “at fair value through profit or loss”, in which case transaction costs are expensed to profit or loss immediately.



## Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) over the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

The Company does not designate any interests in subsidiaries, associates or joint ventures as being subject to the requirements of Accounting Standards specifically applicable to financial instruments.

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

Financial assets are classified at “fair value through profit or loss” when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying amount being included in profit or loss.

### *(ii) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and 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.

### *(iii) Available-for-sale investments*

Available-for-sale investments are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with any remeasurements other than impairment losses and foreign exchange gains and losses recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

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Available-for-sale financial assets are classified as non-current assets when they are not expected to be sold within 12 months after the end of the reporting period. All other available-for-sale financial assets are classified as current assets.

The Company's available for sale financial assets included equity investment in in Jiangsu Laifu Shidai Biotechnologies Co., Ltd, Energene Biotechnologies Co., Ltd and Jiangsu Genecon Biotechnologies Co., Ltd. The equity investments are measured at cost less any impairment charges, as its fair value cannot currently be estimated reliably. Impairment charges are recognised in profit or loss.

#### *(iv) Financial liabilities*

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

### **Impairment**

A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered to constitute a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified into profit or loss at this point.

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Company recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

### **Derecognition**

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.



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## **Note 2: Basis of Preparation for Pro Forma Consolidated Statement of Financial Position**

The Pro Forma Consolidated Statement of Financial Position has been prepared from the Historical Statement of Financial Position of the Company and the Pro Forma Historical Statement of Financial Position of Biomics Biotechnologies Co., Ltd (PRC BIO) adjusted for the following transactions as if they had taken place on 30 June 2016:

### **(a) PRC BIO Restructure Agreement subsequent to 30 June 2016**

Pursuant to a Share Sale Deed dated 20 March 2017 the Company has issued 239,999,999 Ordinary Shares to the existing shareholders of Biomics Biopharma Limited (HK BIO) as purchase consideration for 100% of the share capital of that entity. This transaction is not within the scope of AASB 3 Business Combinations and has been treated as a capital restructure. Detail of the transaction is set out in Note 3.

Biomics Biopharma Limited (HK BIO) is a holding company registered in Hong Kong on 21 July 2016. Pursuant to a Share Transfer Agreement dated 8 September 2016, Biomics Biopharma Limited (HK BIO) acquired 100% of the registered capital contribution in Biomics Biotechnologies Co., Ltd (PRC BIO). When combined with the transaction above, HK BIO become intermediate holding company for the Group.

### **(b) Assuming Minimum Subscription**

The issue of 65,000,000 Offer Shares at an issue price of \$0.20 per share to raise \$13,000,000, less associated capital raising costs estimated to be \$2,041,473. \$1,055,081 has been directly off set against raised capital and \$986,392 has been expensed in accordance with Australian Accounting Standards.

### **(c) Assuming Full Subscription**

The issue of an additional 15,000,000 Offer Shares at an issue price of \$0.20 per share to raise an additional \$3,000,000, less additional capital raising costs estimated to be \$218,050. Total capital raising costs associated with Full Subscription are estimated to be \$2,259,523, of which \$1,282,597 has been directly off set against raised capital and \$976,926 has been expensed in accordance with Australian Accounting Standards.

### **(d) Debt for equity conversion**

Total share capital of \$3,788,983 has been recognised as a result of issue of 18,944,917 ordinary shares at \$0.20 each for conversion of shareholder loans to equity with corresponding adjustment \$1,758,552 in current shareholder loan payable and \$1,217,980 in non-current shareholder loan payable as at 30 June 2016. The difference of \$812,451 is adjusted in retained earnings representing additional shareholder loan advanced to the Company after 30 June 2016 and expensed.

### **(e) Reclassification of borrowing from non-current to current**

Long term borrowing totalling \$6,079,767 has been reclassified to short term borrowing as the borrowing has become current at the date of the Prospectus.

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### Note 3: Capital Restructure

The Pro Forma Consolidated Statement of Financial Position has been:

- (a) prepared on the basis that the Company has acquired PRC BIO's assets and liabilities as noted below;  
and
- (b) adjusted to reflect transactions in the agreements as discussed in Note 2(a).

Through this transaction effective control of PRC BIO passed to the shareholders of the Company. The transaction is not within the scope of AASB 3 Business Combinations and has been treated as a capital restructure, where following the corporate restructure of the Group, the Company took control of PRC BIO with no change in underlying control.

As the Company was incorporated specifically for the purpose of this transaction and the subsequent Offer, the fair value of the equity instruments issued has been estimated by reference to the value of historical net assets of PRC BIO.

The following has been extracted from the Financial Information of PRC BIO as at 30 June 2016, converted from Chinese Renminbi to Australian Dollars using an exchange rate outlined in Note 1(e).

The assets and liabilities of PRC BIO as at 30 June 2016, were:



30 June 2016

\$'000

Cash and cash equivalents	57
Trade and other receivables	1,133
Inventory	883
Other financial assets	27
Other current assets	278
Trade and other receivables	79
Property, plant and equipment	2,616
Intangible assets	738
Other financial assets	425
Trade and other payables	(2,199)
Other payables	(1,218)
Long-term Borrowing	(6,080)
<b>Total net asset/(deficiency) acquired</b>	<b>(3,261)</b>

Accounted for as:

Issued capital <sup>1</sup>	18,597
Foreign currency translation reserve	(512)
Retained Earnings/ (Accumulated losses)	(21,346)
	<b>(3,261)</b>

Notes:

1. Pursuant to IFRS, the amount of capital paid for PRC BIO is RMB 113,613,624. The conversion of RMB to AUD is at spot exchange rates applicable on the date of the respective capital injections.

#### Note 4 Trade and Other Receivables

	Reviewed PRC BIO	Pro Forma Minimum Subscription	Pro Forma Full Subscription
	\$'000	\$'000	\$'000
Current			
Trade receivables	235	235	235
Other receivables	764	764	764
VAT receivable	134	134	134
Total current trade and other receivables	1,133	1,133	1,133
Non-Current			
Other receivables *	79	79	79
Total non-current trade and other receivables	79	79	79

\* On 10 May 2015, the PRC BIO disposed 39% shareholdings in Jiangsu Genecon Biotechnologies Co., Ltd for a consideration of AUD 1,580,739 (RMB 7,800,000). As at year end 30 June 2016 there is AUD 790,370 (RMB 3,900,000) other receivable remained outstanding. Pursuant to a subsequent repayment agreement on 17 February 2017, AUD 610,003 (RMB 3,010,000 ) will be paid by the purchaser before 30 June 2017 and the remaining balance of AUD 79,037 (RMB 390,000 ) will be paid by the purchaser before 30 June 2018. Therefore the balance of AUD 79,037 (RMB 390,000) has been classified as non-current.

#### Note 5 Inventory

	Reviewed PRC BIO	Pro Forma Minimum Subscription	Pro Forma Full Subscription
	\$'000	\$'000	\$'000
Raw material	142	142	142
Finished goods re-processed into raw material	567	567	567
Packing materials	21	21	21
Work in progress	75	75	75
Low value consumables	6	6	6
Finished goods	72	72	72
Total Inventory	883	883	883

## Note 6 Other financial assets

	Reviewed PRC BIO	Pro Forma Minimum Subscription	Pro Forma Full Subscription
	\$'000	\$'000	\$'000
<b>Current</b>			
Financial assets at fair value through profit or loss	27	27	27
Total Current Other Financial Assets	27	27	27
<b>Non-Current</b>			
Available-for-sale financial assets	425	425	425
Total Non-Current Other Financial Assets	425	425	425

### (a) Investments in related parties

Available-for-sale financial assets include the following investments held in related parties:

(i)	8.88% interest in Jiangsu Laifu Shidai Biotechnologies Co., Ltd	119
(ii)	5.45% interest in Energene Biotechnologies Co., Ltd	162
(iii)	10% interest in Jiangsu Genecon Biotechnologies Co., Ltd	144

## Note 7 Other Current Assets

	Reviewed PRC BIO	Pro Forma Minimum Subscription	Pro Forma Full Subscription
	\$'000	\$'000	\$'000
<b>Current</b>			
Prepaid IPO expenses*	278	–	–
Total other current assets	278	–	–

\* Proforma adjustment:

\$277,859 related to prepaid listing expenses as at 30 June 2016 has been amortised on a Pro-Forma basis.

## Note 8 Property, Plant and Equipment

	Reviewed PRC BIO	Pro Forma Minimum Subscription	Pro Forma Full Subscription
	\$'000	\$'000	\$'000
<b>Office Equipment</b>			
At cost	458	458	458
Accumulated depreciation	(396)	(396)	(396)
<b>Total Office Equipment</b>	<b>62</b>	<b>62</b>	<b>62</b>
<b>Buildings</b>			
At cost	3,250	3,250	3,250
Accumulated depreciation	(1,165)	(1,165)	(1,165)
<b>Total Buildings</b>	<b>2,085</b>	<b>2,085</b>	<b>2,085</b>
<b>Plant and Equipment</b>			
At cost	3,201	3,201	3,201
Accumulated depreciation	(2,794)	(2,794)	(2,794)
<b>Total Plant and Equipment</b>	<b>407</b>	<b>407</b>	<b>407</b>
<b>Motor Vehicles</b>			
At cost	300	300	300
Accumulated depreciation	(238)	(238)	(238)
Total Motor Vehicles	<b>62</b>	<b>62</b>	<b>62</b>
<b>Total property, plant and equipment</b>	<b>2,616</b>	<b>2,616</b>	<b>2,616</b>

## Note 9 Intangibles

	Reviewed PRC BIO	Pro Forma Minimum Subscription	Pro Forma Full Subscription
	\$'000	\$'000	\$'000
<b>Land use right</b>			
At cost	900	900	900
Accumulated amortisation	(178)	(178)	(178)
<b>Total Land use right</b>	<b>722</b>	<b>722</b>	<b>722</b>
<b>Software</b>			
At cost	34	34	34
Accumulated amortisation	(18)	(18)	(18)
<b>Total Software</b>	<b>16</b>	<b>16</b>	<b>16</b>
<b>Trademark</b>			
At cost	2	2	2
Accumulated amortisation	(2)	(2)	(2)
Total Trademark	-	-	-
<b>Total intangible assets</b>	<b>738</b>	<b>738</b>	<b>738</b>

## Note 10 Trade and other payables

	Reviewed PRC BIO	Pro Forma Minimum Subscription	Pro Forma Full Subscription
	\$'000	\$'000	\$'000
<b>Current</b>			
Trade payables	17	17	17
Salary payable	246	246	246
Revenue received in advance	35	35	35
Other tax payables	39	39	39
Other payables	103	103	103
Related party payable *	1,759	–	–
<b>Total current trade and other payables</b>	<b>2,199</b>	<b>440</b>	<b>440</b>
<b>Non-Current</b>			
Other payables *	103	–	–
Related party payable*	1,115	–	–
<b>Total Non-Current Trade and Other Payables</b>	<b>1,218</b>	<b>–</b>	<b>–</b>

\* Pro-forma Adjustment:

Total share capital of \$3,788,983 has been recognised as a result of issue of 18,944,917 ordinary shares at \$0.20 each for conversion of shareholder loans to equity with corresponding adjustment \$1,758,552 in current shareholder loan payable and \$1,217,980 in non-current shareholder loan payable as at 30 June 2016 on a Pro-Forma basis, resulted in nil balances for these payables.

## Note 11 Borrowings

	Reviewed PRC BIO	Pro Forma Minimum Subscription	Pro Forma Full Subscription
	\$'000	\$'000	\$'000
<b>Current</b>			
Secured loan	–	6,080	6,080
<b>Non-Current</b>			
Secured loan	6,080	–	–
Total Borrowings	<b>6,080</b>	<b>6,080</b>	<b>6,080</b>

### Note:

On 19 November, 2015, the Company entered into an entrustment loan agreement with Nantong Economic & Technological Development Zone Xinnongcun Construction Co., Ltd (Xinnongcun Construction) and Agricultural Bank of China (ABC) Nantong Economic & Technological Development Zone Branch, pursuant to which Xinnongcun Construction will provide an entrustment loan in the sum of RMB 30,000,000 (equivalent to AUD 6,080,000) to PRC BIO through ABC as the entrusted bank. The term of the Entrustment Loan is 24 months and it carries a fixed interest rate of 6.15%. The principal of the loan will be repaid at maturity. The borrowings are secured by buildings and land use right of PRC BIO with a carrying amount of AUD2,085,256 and AUD721,860 respectively.

### Pro-forma Adjustment:

As the loan is due for repayment on 18 Nov 2017 which is within 12 months from the date of this Prospectus, the loan has been reclassified as current on a Pro-Forma basis.

## Note 12 Issued Capital

	Number of shares issued	\$'000
<b>Shares on issue at incorporation - 1 Ordinary Share</b>	<b>1</b>	<b>0.001</b>
<b>Pro forma transactions</b>		
- Issue of 239,999,999 Ordinary Shares for the acquisition of PRC BIO	<b>239,999,999</b>	<b>18,597</b>
- Issue of 18,944,917 Ordinary Shares for shareholder loan conversion to equity	<b>18,944,917</b>	<b>3,789</b>
- Issue of 65,000,000 Offer Shares in the Company pursuant to this Prospectus	<b>65,000,000</b>	<b>13,000</b>
Less capital raising costs	-	<b>(1,055)</b>
<b>Pro forma issued capital - Minimum subscription</b>	<b>323,944,917</b>	<b>34,331</b>
- Issue of additional 15,000,000 Offer Shares in the Company pursuant to this Prospectus	<b>15,000,000</b>	<b>3,000</b>
Less capital raising costs		<b>(228)</b>
<b>Pro forma issued capital - Full subscription</b>	<b>338,944,917</b>	<b>37,103</b>

### Note:

As set out in note 1 – Business combinations, the Company has adopted the common control method for the acquisition of PRC BIO and whereby the issued capital is recognised in accordance with the contributed capital as recorded in the financial statements of PRC BIO.

## Note 13 Reserves

	Reviewed PRC BIO \$'000	Pro Forma Minimum Subscription \$'000	Pro Forma Full Subscription \$'000
<b>Current</b>			
Foreign currency translation reserve	(512)	(512)	(512)
Total reserve	<b>(512)</b>	<b>(512)</b>	<b>(512)</b>



## 4.6 CONTROLLED ENTITIES

Following all the transactions contemplated by this Replacement Prospectus the Company will control the following subsidiaries:

Name of Entity	Registration Date	Country of Incorporation	Pro-forma Equity Holding
<b>Ultimate Holdings Company</b>			
Biomics Biopharma Limited	2 August 2016	Australia	
<b>Subsidiary of Biomics Biopharma Limited</b>			
Biomics Biopharma Limited (HK)	21 July 2016	Hong Kong	100%
<b>Subsidiary of Biomics Biopharma Limited (HK)</b>			
Biomics Biotechnologies Co., Ltd	17 February 2006	People's Republic of China	100%

## 4.7 COMMITMENTS

### (a) Capital commitments:

As at 30 June 2016, the Group is not aware of any commitments that should be disclosed.

### (b) Operating commitments:

As at 30 June 2016 The Group does not have any operating commitments.

## 4.8 CONTINGENT ASSETS AND LIABILITIES

As at 30 June 2016, the Group is not aware of any contingent assets or liabilities that should be disclosed in accordance with IAS 37.

## 4.9 SUBSEQUENT EVENTS

The Group is not aware of any subsequent events, other than those pro forma transactions set out in Note 2 .

## MOORE STEPHENS

Moore Stephens (Vic) Pty Ltd

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28 March 2017

The Directors  
Biomics Biopharma Limited  
Level 36 Gateway Tower  
1 Macquarie Place  
Sydney NSW 2000

Dear Sirs

### INVESTIGATING ACCOUNTANT'S REPORT AND FINANCIAL SERVICES GUIDE

#### INDEPENDENT LIMITED ASSURANCE REPORT ON BIOMICS BIOPHARMA LIMITED

##### 1. Introduction

Biomics Biopharma Limited (ACN 613 499 184) (**Company**) has authorised the issue of a **Prospectus**, dated on or about 28 March 2017, for the issue of between 65 million and 80 million ordinary shares in the Company at an issue price of AUD \$0.20 per share to raise between AUD \$13 million and 16 million (**Offer**) and the subsequent listing of the Company's shares on the Australian Securities Exchange (**ASX**).

The Company has engaged Moore Stephens (Vic) Pty Ltd (**Moore Stephens**) to report on the Pro Forma Historical and Pro Forma Consolidated Historical Financial Information for inclusion in the Prospectus in respect of the Offer.

Details concerning the operations and objectives of the Company are set out in Section 3 of the Prospectus. The principal purposes of the Offer are set out in Section 1.4 of the Prospectus.

Expressions and terms defined in the Prospectus have the same meaning in this Report, unless the context otherwise requires.

The nature of this Report is such that it can only be issued by an entity that holds an Australian Financial Services Licence under the Corporations Act 2001 (Cth). Moore Stephens holds the appropriate Australian Financial Services Licence. Moore Stephens's Financial Services Guide is attached as **Appendix A** to this Report.

##### 2. Scope

You have requested Moore Stephens to review the following financial information included in the Prospectus:

- a) Pro Forma Historical Financial Information of Biomics Biotechnologies Co., Ltd, a company incorporated and domiciled in the Peoples Republic of China (**PRC Biomics**), as set out in Section 4.3; and
- b) Pro-Forma Consolidated Historical Financial Information of the Company assuming completion of the acquisition<sup>1</sup> of PRC Biomics and the Offer, as at 30 June 2016, as set out in Section 4.5

Collectively referred to as the Financial Information. The stated basis of preparation of the Financial Information is:

<sup>1</sup> As stated in *Note 3 Statement of Significant Accounting Policies* in Section 4.5 of the Prospectus, the acquisition of PRC Biomics by the Company is accounted for as a restructure where there is no change in underlying control and the accounts of the Company represent a continuation of the accounts of PRC Biomics.

#### **Pro Forma Historical Financial Information**

The Pro Forma Historical Financial Information, detailed in Section 4.3 of the Prospectus comprises the Pro Forma Historical Statements of Comprehensive Income, Pro Forma Historical Statements of Financial Position, and Pro Forma Historical Statements of Cash Flows for the years ended 31 December 2014 and 31 December 2015 and for the half year ended 30 June 2016 of PRC Biomics, restated and presented in Australian dollars at applicable exchange rates for the relevant periods.

The Pro Forma Historical Financial Information has been extracted from the audited (for the years ended 31 December 2014 and 2015) and audit reviewed (for the half year ended 30 June 2016) financial statements of PRC Biomics prepared in accordance with International Financial Reporting Standards (IFRS) and denominated in RMB, its functional currency. Those financial statements were audited or reviewed by Pitcher Partners SA in accordance with Australian Auditing Standards and on which qualified audit opinions were issued in respect of the balance of closing inventory for the year ended 31 December 2014 and the opening inventory balance for the year ended 31 December 2015. The matter is described in Pitcher Partner SA reports as:

*We were appointed auditors of Biomics Biotechnologies Co., Ltd. Biomics Biotechnologies Co., Ltd in April 2016 and as a consequence, we were not able to observe the counting of inventories and we were unable to satisfy ourselves concerning inventory quantities held at 31 December 2014 (opening inventories balance) by alternative means. Since the opening inventories balance of RMB 4,550,897 enters into the determination of the financial performance and cash flows, we were unable to determine whether adjustments might have been necessary in respect of the income for the year reported in the statement of comprehensive income and the net cash flows from operating activities reported in the statement of cash flows.*

Pitcher Partners SA issued an unmodified review opinion in respect of the half year ended 30 June 2016.

Each of Pitcher Partners SA reports also contained an emphasis of matter paragraph, without modifying their opinions, with respect to going concern, (refer to the Emphasis of Matter paragraph below).

The management discussion and analysis set out in Section 4.4 of the Prospectus does not form part of Pro Forma Historical Financial Information and does not form part of the scope of our review.

#### **Pro Forma Consolidated Historical Financial Information**

The Pro Forma Consolidated Historical Financial Information detailed in Section 4.5 of the Prospectus comprises the Reviewed Statement of Comprehensive Income, the Historical Statement of Financial Position, the Pro Forma Consolidated Historical Statement of Financial Position as at 30 June 2016, and the Pro Forma Statement of Changes in Equity of the Company from incorporation to 30 June 2016 after accounting for the effects of the events and transactions described in Section 4.5.2 of the Prospectus, including the acquisition of PRC Biomics and completion of the Offer, as if those events and transactions had occurred at that date.

The Financial Information is presented in the Prospectus in an abbreviated form, in so far as it does not include all of the presentation and disclosures required by International Financial Reporting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001 (Cth).

### **3. Directors' Responsibility**

The Directors of the Company are responsible for the preparation of the Financial Information, including the basis of preparation and the selection and determination of pro forma adjustments included in the Pro Forma Consolidated Historical Financial Information. This includes responsibility for such internal controls as the Directors determine are necessary to enable the preparation of Financial Information that is free from material misstatement, whether due to fraud or error.

*Biomics Biopharma Limited  
Independent Limited Assurance Report  
28 March 2017*

We have assumed, and relied on representations from the Directors, that all material information concerning the Company, the Financial Information and the pro forma transactions as set out in the Prospectus have been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

#### 4. Our Responsibility

Our responsibility is to express limited assurance conclusions on the Financial Information, and the reasonableness of the Financial Information, based on our review. We have conducted our engagement in accordance with Australian Auditing and Assurance Standards applicable to assurance engagements<sup>2</sup>

Our limited assurance procedures consisted of examining work papers prepared by and making enquiries of the auditors and other persons responsible for financial and accounting matters, reviewing the Prospectus Due Diligence Committee minutes of meetings, disclosures made in the Prospectus and other review procedures. A limited assurance engagement is substantially less in scope than an audit in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express an audit opinion.

#### 5. Conclusions

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention which causes us to believe that the Financial Information, as described in Sections 4.3 and 4.5 of the Prospectus, and comprising:

- a) Pro Forma Historical Financial Information of PRC Biomics, which comprised of the Pro Forma Historical Statements of Financial Performance, Pro Forma Historical Statements of Financial Position, and Pro Forma Historical Statements of Cash Flows for the years ended 31 December 2014 and 31 December 2015 and for the half year ended 30 June 2016 restated in Australian dollars, as set out in Section 4.3; and
- b) Pro Forma Consolidated Historical Financial Information of the Company, which comprised of the Reviewed Statement of Comprehensive Income, the Historical Statement of Financial Position, the Pro Forma Consolidated Historical Statement of Financial Position and the Pro Forma Statement of Changes in Equity assuming completion of the acquisition of PRC Biomics and the Offer, as at 30 June 2016, as set out in Section 4.5,

is not prepared fairly, in all material respects, in accordance with the basis of preparation as stated in Section 4.1 and 4.2 of the Prospectus.

#### **Emphasis of Matter – Material uncertainty related to going concern**

Without further modifying our conclusion we draw attention to Section 4.3 of the Financial Information. As at 30 June 2016, on a pro-forma basis the Company had cash assets, prior to the effects of the capital raise of \$AUD 57 thousand, a deficiency in net asset position of \$AUD 3.26 million, incurred a net loss after tax of \$AUD 1.30 million (inclusive of foreign currency translation gains) and an operating cash outflow of \$AUD 1.28 million for the 6 months to 30 June 2016. Bank debt of \$AUD 6.08 million is due for repayment on 18 November 2017, which is within 12 months from the date of this Prospectus and therefore has been classified as a current liability on a Consolidated Pro forma adjusted basis. As stated in Pitcher Partners reports on PRC Biomics these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

<sup>2</sup> Standard on Assurance Engagement ASAE 3450 Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information

*Biomics Biopharma Limited  
Independent Limited Assurance Report  
28 March 2017*

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On a Consolidated Pro forma basis after the effects of the minimum capital raise, the Company has cash assets of \$AUD 11.79 million and a net asset position of \$AUD 14.43 million.

#### **6. Restriction on Use**

Without modifying our conclusions, we note that the purpose of the Financial Information is for inclusion in the Prospectus to assist investors in assessing the Offer. As a result, the Financial Information may not be suitable for use for other purposes. We disclaim any assumption of responsibility for any reliance on this Report, or the Financial Information to which it relates, for any purposes other than for which it was prepared.

#### **7. Consent**

Consent to the inclusion of this Limited Assurance Report in the Prospectus in the form and context in which it appears has been given. At the date of this Report, this consent has not been withdrawn.

#### **8. Liability**

The Company has agreed to indemnify and hold harmless Moore Stephens and its employees from any claims arising out of misstatement or omission in any material or information supplied by the Company to Moore Stephens for the purposes of preparation of this Report and the Prospectus.

#### **9. Independence or Declaration of Interest**

Neither Moore Stephens nor its directors or employees have any pecuniary interests that could reasonably be regarded as being capable of affecting its ability to give an unbiased conclusion on this matter.

During the last 2 years Moore Stephens has not provided any professional services to the Company or other entities associated with its directors or shareholders. Neither Moore Stephens nor its directors or employees has any interest in the outcome of the Offer other than in the preparation of this Report for which normal professional fees will be received in accordance with its normal fee billing arrangements.

Yours faithfully

**Moore Stephens (Vic) Pty Ltd**

Holder of Australian Financial Services Licence No: 247262



**GARY GRACO**  
Director

**APPENDIX A – Moore Stephens (Vic) Pty Ltd Financial Services Guide**

**This Financial Services Guide is dated 28 March 2017  
and forms part of the Independent Limited Assurance Report.**

Moore Stephens (Vic) Pty Ltd (ACN 052 362 348) (**Moore Stephens**) holds Australian Financial Services Licence no 247262 authorising it to provide general financial product advice in relation to various financial products such as securities, interests in managed investment schemes, and superannuation to wholesale and retail clients. Moore Stephens has been engaged by Biomics Biopharma Limited (**Company**) to provide a report in the form of an Independent Limited Assurance Report (**this Report**) for inclusion with the Prospectus issued by the Company on or about 28 March 2017 to potential investors considering investing in the Company.

The *Corporations Act 2001* (Cth) requires Moore Stephens to provide this Financial Services Guide (**FSG**) in connection with its provision of this Report. Moore Stephens does not accept instructions from retail clients. Moore Stephens provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Moore Stephens does not provide any personal retail financial product advice to retail investors nor does it provide market-related advice to retail investors.

Moore Stephens is only responsible for this Report and this FSG. Moore Stephens is not responsible for any material publicly released by the Company in conjunction with this Report or the Offer. Moore Stephens will not respond in any way that might involve any provision of financial product advice to any retail investor.

This Report contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs. You should consider your own objectives, financial situation and needs when assessing the suitability of this Report to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

When providing reports in the form of this Report, Moore Stephens's client is the Company to which it provides the Report. Moore Stephens receives its remuneration from the Company based upon the time incurred in respect to the Report at normal charge rates, plus reimbursement of out-of-pocket expenses from the Company. Directors or employees of Moore Stephens or other associated entities may receive distributions, salary or wages from Moore Stephens. Moore Stephens and its authorised representatives, employees and associates may from time to time have relationships with the issuers of financial products.

Moore Stephens has professional indemnity insurance cover for reports of this nature under its professional indemnity insurance policy. This policy meets the compensation arrangement requirements of section 912B of the *Corporations Act 2001* (Cth).

Moore Stephens has internal complaints-handling mechanisms. If you have concerns regarding this Report, please contact us in writing to Mr Kevin Mullen, Moore Stephens (Vic) Pty Ltd, Level 18, 530 Collins Street, Melbourne, Vic, 3000. We will endeavour to satisfactorily resolve your complaint in a timely manner. In addition, a copy of our internal complaints handling procedure is available upon request.



*\* The picture above depicts the property situated on the Company's premises at Nantong, Jiangsu, PRC*



As with any share investment, there are risks involved. This section identifies the major areas of risk associated with an investment in the Company, but should not be taken as an exhaustive list of the risk factors to which the Company and its shareholders are exposed. Investors should read the entire Prospectus and consult their professional adviser before deciding whether to apply for Shares.

### 6.1 SPECIFIC RISKS

#### 6.1.1 SUFFICIENCY OF FUNDING AND FUTURE FUNDING REQUIREMENTS

The Directors believe the funds raised from the Offer will give the Company sufficient working capital to achieve its objectives in this Prospectus. However, funds raised under this Prospectus may not be sufficient to enable the Company to fully commercialise its delivery system technologies, to progress its program(s) through to marketing approval and to implement its overall business strategy and accordingly the Company may need to seek to raise additional capital in the future through further offers, or rely on securing a commercial transaction to further program internally.

The Company's ability to raise further capital (equity or debt) within an acceptable time, or a sufficient amount and on terms acceptable to it will vary according to a number of factors, including the success of current projects, the result of research and development and other cyclical factors affecting the Company and financial and share markets generally. No assurance can be given that future funding will be available, or that it will be available on terms acceptable to the Company. Any inability to obtain funding will likely have an adverse effect on the Company and its performance.

#### 6.1.2 INNOVATIVE TECHNOLOGICAL DEVELOPMENT – EARLY STAGE

The Company's product development program is at a relatively early development stage and substantial formulation development and clinical development is necessary to progress these products. No guarantee can be provided that the proposed formulation development or clinical work will be successful or result in an approved product that can be marketed and sold.

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### 6.1.3 RESEARCH AND DEVELOPMENT

The Company can make no representation that any of its research into or development of its delivery system technologies will be successful, that the development milestones will be achieved, or that the delivery system technologies will be developed into products that are commercially exploitable.

There are many risks inherent in the development of biotechnology products, particularly where the products are in the early stages of development. Projects can be delayed or fail to demonstrate any benefit, or research may cease to be viable for a range of scientific and commercial reasons.

### 6.1.4 CLINICAL TRIALS RISKS

The process of securing marketing approval for new biopharmaceutical products is both costly and time consuming. Advancing from discovery through development and subsequent commercialisation, in particular for novel programs such as RNAi, typically involves multiple and progressively larger clinical trials.

The Group's product development plans include the conduct of human clinical trials initially with the HBV program and then the balance of the pipeline product candidates. Such clinical trials are expensive, time consuming (clinical trials of the Group's products could take several years to complete), and can be difficult to design and implement, in part because they are subject to rigorous regulatory requirements. Clinical trial success can be impacted by a number of factors including incomplete or slower than expected recruitment of a sufficient number of patients, failure to meet trial end points, lack of product effectiveness during the trial, safety issues and modifications to trial protocols or changes to regulatory requirements for trials.



Generally, there is a high rate of failure for drug candidates proceeding through clinical trials. Clinical development of the Group's products may fail for a number of other reasons, including lack of efficacy or adverse side effects. Failure can occur at any stage of the trials (for example, the trials are exposing the trial participants and or the staff involved in conducting the clinical trial to unacceptable health risks), requiring the Group to abandon or repeat clinical trials.

In addition, the regulatory authorities may suspend, delay or terminate the Group's trials at any time, or suspend or terminate the registrations and quota allotments it requires, in order to procure and handle controlled substances, for various reasons.

There is also no guarantee that any future trials will demonstrate that the Company's products are successful. There is the risk that despite conducting the relevant clinical trial in compliance with regulatory requirements, the results of the trial do not support any further development or the regulatory authorities disagree with the Group's interpretation of the data result in a rejection by the relevant regulator. This may delay the market adoption rate and impact the Company's future performance. As a result, the Group may fail to commercialise or out-license any products.

### 6.1.5 REGULATORY RISKS

Biomics' operations are subject to laws, regulatory restrictions and certain government directives, recommendations and guidelines relating to, amongst other things, occupational health and safety, laboratory practice, use and handling of hazardous materials, prevention of illness and injury and environmental protection. Any changes may increase the cost of compliance in the future.

The pharmaceutical regulatory regime, which includes pre-clinical studies and clinical trials of each product in order to establish its safety and efficacy, is uncertain, can take significant periods of time and require the expenditure of significant resources. This includes securing clinical investigators and medical institutions to enrol patients in the Company's clinical trials and other third parties to perform data collection and analysis. As a result, the Company may face costs and delays outside of its control.

Data obtained from pre-clinical and clinical activities are susceptible to varying interpretations, which could delay, limit or prevent regulatory approval or clearance. Before the Company can market and sell its products, it must demonstrate that the products are safe and effective and must obtain necessary approvals from market regulators (for example, the Australian Therapeutic Goods Administration (TGA) and the United States Food and Drug Administration (FDA)).

### 6.1.6 LICENSING RISKS

Australia is a signatory to the United Nations Single Convention on Narcotic Drugs 1961 (Convention). The parties to the Convention undertake to limit the production, manufacture, export, import, distribution, trade, use and possession of narcotic drugs and to provide a system of controls permitting their use for medical and scientific purposes.

The Therapeutic Goods Act 1989 (Cth), which is administered by the TGA, provides a national system regulating the import, export, manufacture and supply of medicines in Australia. It is intended that the Biomics Group will apply for a licence and the necessary permits for clinical trial purposes.



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In Australia, the approval process for commencing Phase 1 and 2 clinical trials resides with the Human Research Ethics Committee (HREC). Prior to commencing a clinical trial, a sponsor must submit to the HREC a study protocol, an investigator's brochure and a template informed consent for the clinical trial.

Once a study is approved by the HREC, the Sponsor is required to complete an online Clinical Trial Notification (CTN) form on the TGA Businesses Services website, which notifies the TGA that the HREC has evaluated and approved the scientific merit of the trial and approved it on ethical grounds. Once the notification is acknowledged (and a unique clinical trial number issued), the trial may commence.

It is intended that the Biomics Group will submit a CTN application to seek HREC approval for its first clinical trials in Australia for HBV program.

Following the successful completion of clinical trials, only products which are listed, registered or included in the Australian Register of Therapeutic Goods (ARTG) can be sold in Australia.

If the Biomics Group's plans to obtain HREC approval for its CTN trials in Australia are not successful, the Biomics Group will need to conduct its clinical studies in another jurisdiction (in which case it will need to comply with the relevant local regulatory processes and associated legal requirements).

The Directors believe that the Biomics Group will have the necessary documentation and data to support a positive outcome from these filings. However, there can be no guarantee that the HRECs will approve the trials and that the FDA will allow the Biomics Group to undertake the planned trials in the manner proposed by Biomics or potentially at all. As with any company involved in developing pharmaceutical products, for each product, the Biomics Group and its partners will need to obtain regulatory approval in each country in which they intend to market the product in question. There is a risk that products developed by the Biomics Group may not satisfy requirements for regulatory marketing approval and/or the approval process may take longer than expected.

### **6.1.7 PRODUCT LIABILITY AND UNINSURED RISKS**

As a manufacturer and supplier of products designed to be exposed to humans, the Biomics Group is exposed to potential product liability claims, regulatory action and litigation which are inherent in the research and development, manufacturing marketing and use of its products or products developed with future co-development alliance partners. These risks will arise if the Biomics Group's products are alleged to have caused significant loss or injury. In addition, the manufacture of the Biomics Group's skin products *CoSensia*, involves the risk of injury to consumers due to tampering by unauthorised third parties or product contamination.

Previously unknown adverse reaction resulting from human exposure to the Biomics Group's skin products alone or in combination with other medication or substances could occur. A product liability claim or regulatory action against the Biomics Group could result in increased costs, could adversely affect the Biomics Group's reputation with its clients and consumers generally and could have a material adverse effect on the Biomics Group's results of operations and financial conditions.

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It will be necessary to secure insurance to help manage such risks. The Company currently does not maintain insurance for product or service liability as it is not required by PRC law or regulations. It is possible that the Company may not be able to maintain insurance for product or service liability on reasonable terms and, in addition, the Company's insurance may not be sufficient to cover large claims, or the insurer could disclaim coverage on claims.

Although the Company endeavours to work to rigorous standards there is still the potential for the products to contain defects which may result in system failures. These defects or problems could result in the loss of or delay in generating revenue, loss of market share, failure to achieve market acceptance, diversion of development resources, injury to the Company's reputation or increased insurance costs.

Further, the Company is exposed to the risk of catastrophic loss to necessary laboratory equipment, computer equipment or other facilities which would have a serious impact on the Company's operations. The Company gives no assurance that all such risks will be adequately managed through its insurance policies to ensure that catastrophic loss does not have an adverse effect on its performance.

#### **6.1.8 INDUSTRY AND COMPETITION RISKS**

The biopharmaceutical industry is competitive and competitors around the world may commercialise products that may compete with the Biomics Group's products, or create technology which competes with the RNAi technology or any of the Biomics Group's product candidates. The Company's potential competitors may include companies with substantially greater resources and access to more markets.

The Biomics Group's ability to compete in these markets may also be limited by its relatively small human resource base, access to capital, speed of clinical development or other factors. Therefore, competitors may succeed in developing products that are safe, more effective or otherwise commercially superior than those being developed by Biomics or which could render the Company's products obsolete and/or otherwise uncompetitive.

Although the Company is maintaining a portfolio of patents to prevent competitors from making, using, and selling competing products, most patents only protect the market in the PRC.

#### **6.1.9 INTELLECTUAL PROPERTY RISKS**

The Company's ability to leverage its innovation and expertise depends upon its ability to protect its intellectual property (especially its patents and patent applications) and any improvements to it. The intellectual property may not be capable of being legally protected, it may be the subject of unauthorised disclosure or be unlawfully infringed, or the Company may incur substantial costs in asserting or defending its intellectual property rights.

The Biomics Group will heavily rely for its success on its ability to obtain and maintain patent protection for its products and technology. The process of obtaining patent protection for products and technology is highly uncertain and the process involves complex and continually evolving factual and legal questions. The successful prosecution of the Biomics Group's existing patent applications and future patent applications will be critical to the protection of the products.



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The Biomics Group may also be forced to litigate to enforce or defend its intellectual property rights against infringement and unauthorised use by competitors, and to protect its trade secrets. In so doing, the Biomics Group may place its intellectual property at risk of being invalidated, unenforceable, limited or narrowed in scope. Further, an adverse result in any litigation or defence proceedings may place pending applications at risk of non-issuance.

If a third party accuses the Company of infringing its intellectual property rights or if a third party commences litigation against the Company for the infringement of patent or other intellectual property rights, the Company may incur significant costs in defending such action, whether or not it ultimately prevails. Costs that the Company incurs in defending third party infringement actions would also include diversion of management's and technical personnel's time. In the event of a successful claim of infringement against the Company, it may be required to pay damages and obtain one or more licenses from the prevailing third party. If it is not able to obtain these licenses at a reasonable cost, if at all, it could encounter delays in product introductions and loss of substantial resources while it attempts to develop alternative products.

#### **6.1.10 DEPENDENCE ON THIRD PARTIES**

The Biomics Group is currently outsourcing its *CoSensia*'s production to Genecon. There is no guarantee that Genecon will be readily available or available on reasonable terms, within the Biomics Group's expenditure forecasts.

The Company intends to operate a significant amount of its marketing and sales activities of skincare product, *CoSensia* through collaborations with a number of companies. The Company intends to continue to rely on its key collaborators/distributors for their ability in marketing and distributing the skincare product. There is no guarantee that these collaborations will continue or that the collaborators/distributors will achieve the sales target outlined in the collaboration/distribution agreements.

#### **6.1.11 MANUFACTURING AND PRODUCT QUALITY RISKS**

The Company may use third party manufacturers to produce its products. There is no guarantee that its manufacturing partners will be able to meet the Company's cost, quality and volume requirements.

The Company's products must also meet the regulatory requirements, which are subject to continual review including inspection by regulatory authorities. Failure by the Company or its suppliers to continuously comply with applicable regulatory requirements regarding or failure to take satisfactory corrective action in response to adverse inspection, could result in enforcement actions, including a public warning letter, a shutdown of, or restrictions on, the Company's outsourced manufacturing operations, delays in approving or clearing products, refusal to permit the import or export of the Company's products, product recalls or other enforcement action.

#### **6.1.12 REPUTATIONAL RISK**

The Company's reputation, brand and its products are important to the Company's standing in the pharmaceutical and biotechnology industries. Reputation is also important in attracting and retaining high calibre medical professionals. Any reputation damage or negative publicity relating to Biomics or its products could adversely impact the Company's business.

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Reputational damage could arise due to a number of circumstances including:

- inadequate services or unsatisfactory clinical outcomes for patients;
- error, malpractice or negligence of Biomics's employees; or
- error, malpractice or negligence of the licensed medical specialists performing the treatments.

#### **6.1.13 UNCERTAINTY OF FUTURE PROFITABILITY**

The Company's ability to operate profitably in the future will depend in part on its ability to successfully commercialise its products and grow sales including its ability to develop domestic and international distribution networks on appropriate terms.

Other factors that will determine the Company's profitability are its ability to manage its costs, to execute its development and growth strategies, economic conditions in the markets in which it operates, competitive factors and regulatory developments. Accordingly, the extent of future profits, if any, and the time required to achieve a sustained profitability are uncertain.

#### **6.1.14 DEPENDENCE ON MANAGEMENT TEAM**

The success of the Company has been in large part due to the talent, effort, experience and leadership of its senior management team, in particular, the leadership of Dr York Zhu. Although the Company has entered into indefinite employment agreements with Dr York Zhu (see section 8.1 for a summary of the agreements), there is no assurance that such agreements will not be terminated or breached.

Due to the specialised nature of the Company's business, its ability to commercialise its products and maintain its research program(s) will depend in part on its ability to attract and retain suitably qualified management, scientists and research personnel.

There can be no assurance that the Company will be able to attract or retain sufficiently qualified scientific and management personnel, or maintain its relationship with key scientific organisations.

The loss of key scientific and management personnel could have a detrimental impact on the Company. This may adversely affect the Company and may impede the achievement of its research, product development and commercialisation objectives. The Company also faces competition to employ and retain the services of such individuals.

#### **6.1.15 FOREIGN EXCHANGE RISKS**

The Company's costs and expenses in the People's Republic of China are denominated in RMB. Accordingly, the depreciation and/or the appreciation of the RMB relative to the Australian currency would result in a translation loss on consolidation which is taken directly to shareholder equity. In addition, after listing, the Company's financial reports will be denominated in Australian currency. Any depreciation of the RMB relative to the Australian dollar may result in lower than anticipated revenues of profits.



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The Company will be exposed to foreign exchange risks between the Australian dollar and the RMB on an ongoing basis and, accordingly, it will have to continuously monitor this risk. Any change in the ability to convert the RMB to Australian dollars due to currency control may have an adverse effect on the financial position of the Company from time to time.

#### **6.1.16 INSURANCE COVERAGE**

The Company faces various risks in its business and it may lack adequate insurance coverage or insurance coverage may otherwise not be available to protect against these risks. The Company maintains motor vehicle insurance and social insurance in compliance with PRC regulations (including pension fund, unemployment, medical, work related injury and maternity insurance). However, as is usual in the PRC, the Company does not maintain professional indemnity insurance, business interruption insurance or third-party liability insurance against claims for property damage, personal injury and environmental liabilities. If the Company incurs substantial losses or liabilities and its insurance coverage is unavailable or inadequate to cover such losses or liabilities, its financial performance will be adversely affected.

#### **6.1.17 FUTURE PRODUCT DEVELOPMENT AND COMMERCIALISATION**

The discovery, development and commercialisation of biopharmaceutical products is subject to the inherent risk of failure, including the possibility that the products proposed to be developed by the Company may:

- be found to be unsafe or ineffective;
- fail to demonstrate any material benefit or advancement in safety and/or efficacy of an existing product;
- fail to receive necessary regulatory approvals;
- be difficult or impossible to manufacture on the necessary scale;
- be uneconomical to market or otherwise not commercially exploitable;
- fail to be developed prior to the successful marketing of a similar product by competitors;
- compete with products marketed by third parties that are superior;
- fail to achieve the support or acceptance of physicians, patients or the medical community

The Company gives no guarantee that further development of its intellectual property will be successful, that development milestones will be achieved, or that the intellectual property will be developed into further products that are commercially exploitable. There are many risks inherent in the development of biopharmaceutical products, particularly where the products are in the early stages of development. Projects can be delayed or fail to demonstrate any benefit, or may cease to be viable for a range of scientific and commercial reasons.

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### 6.1.18 HEALTH CARE INSURERS AND REIMBURSEMENT

Market success is likely to be influenced by the availability and amounts of reimbursement by third party payer organisations including government agencies, private health care insurers and other health care payers. There is no assurance that reimbursement of any product(s) commercialised by the Company will be available to patients at all or without substantial delay. Even if such reimbursement is provided, the approved reimbursement amounts may not be sufficient to enable the Company to sell products development on a profitable basis.

### 6.1.19 RENEWAL OF LOANS

As at the date of this Prospectus, the Group has a secured entrustment loan of RMB30,000,000, which expires on 18 November 2017. The loan is secured by a mortgage over the land at 76 Changxing Road, Nantong Economic & Technology Development Zone, Jiangsu Province, PRC, and including all the buildings on such land.

The Group has obtained an indemnity from each of its Managing Director and Chief Executive Officer, Dr Zhu and the entities controlled by non-executive directors Mr Gao and Mr Huang for any amounts payable under this loan.

The Group intends to seek a renewal of this loan when it expires. The Group is not in default of this loan and it has no reason to believe that this loan will not be renewed when it expires. However, there are no assurances that this loan will be renewed on terms favourable to the Group or at all.

See sections 8.6 and 8.7 of this Prospectus for further details on the loan and indemnity provided by Dr Zhu and the entities controlled by non-executive directors Mr Gao and Mr Huang.

### 6.1.20 CONCENTRATION OF OWNERSHIP OF SHARES

Upon completion of the Offer, the Managing Director, Dr Zhu, will have a relevant interest in 138,345,609 Shares representing voting power of 42.71% (assuming Minimum Subscription) or 40.82% (assuming Full Subscription) rights in the Company.

Therefore, where he is not excluded from voting, Dr Zhu will have significant influence over matters requiring the approval of Shareholders, including the election of Directors, and in doing so may not vote in the interests of other minority Shareholders. This concentration of ownership could also discourage, delay or prevent a takeover offer for, or other change in control of, the Company which may deprive Shareholders of an opportunity to receive a premium for their Shares as part of a sale of the Company.

### 6.1.21 TRADE LIQUIDITY AND ESCROW EXPIRY

In the event ASX determines that ASX will impose escrow on the Company's securities, a high proportion of Shares may be subject to escrow following completion of the Offer. This would reduce liquidity in the market for the Company's Shares, and may affect the ability of a Shareholder to sell some or all of its Shares due to the effect less liquidity may have on demand. An illiquid market for the Company's Shares is likely to have an adverse impact on the Share price.

Following the end of any escrow periods, a significant portion of Shares will become tradable on ASX. This may result in an increase in the number of Shares being offered for sale on market which may in turn put downward pressure on the Company's Share price. See Section 1.7 for further information on possible escrow arrangements.



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## 6.2 PRC RISKS

### 6.2.1 UNCERTAINTY IN THE ECONOMY

The Company currently conducts most of its business operations in the PRC. Accordingly, the Company's results of operations, financial condition and prospects are significantly dependent on economic and political developments in the PRC. Although the Chinese economy has experienced significant growth in the past 30 years, that growth has slowed in recent years. The Company cannot assure investors that the Chinese economy will continue to grow, or that if there is growth, such growth will be steady and uniform, or that if there is a slowdown, such slowdown will not have a negative effect on its business and results of operations.

According to the Reserve Bank of Australia in its Statement on Monetary Policy released in August 2015, there is significant uncertainty surrounding the trajectory for growth and macroeconomic policy in the PRC. The recent volatility in the Chinese equity market and the government's policy response have both increased the general level of uncertainty regarding the economic outlook in the PRC. More uncertainty has been created by the devaluation of China's currency in August 2015, which is believed to have been done by the Chinese government to a great extent to prevent its economy from slowing further by making its exports cheaper.

The uncertainty surrounding the economy in the PRC makes it difficult for the Company to foresee and manage risks. A significant deterioration of economic conditions in the PRC may have a negative impact on the performance of the Company and the value of its Shares.

### 6.2.2 GOVERNMENT ROLE

The PRC government exercises significant control over its economic growth through the allocation of resources, control over payment of foreign currency-denominated obligations, implementation of monetary policy, and preferential treatment to particular industries or companies. Certain measures adopted by the Chinese government may restrict loans to certain industries, such as changes in the statutory deposit reserve ratio and lending guidelines for commercial banks by the People's Bank of China (PBOC). These current and future government actions could materially affect the Company's liquidity, access to capital, and ability to operate its business.

In response to the global financial crisis and economic downturn in 2008, the Chinese government adopted various measures aimed at expanding credit and stimulating economic growth, such as decreasing the PBOC statutory deposit reserve ratio and lowering benchmark interest rates. However, it is unclear whether such measures will be effective in sustaining stable economic growth in the future in the PRC.

If economic growth in the PRC continues to slow then this could lead to reduced demand for the Company's services, which could materially and adversely affect the Company's performance and Share price.

### 6.2.3 LEGAL SYSTEM AND LEGAL RISKS

The Company's operations in the PRC are governed by PRC laws and regulations. The Company's PRC Subsidiaries are foreign-invested enterprises and are subject to laws and regulations applicable to foreign investment in the PRC.

The legal system in the PRC is based on the Chinese Constitution and is made up of written laws, regulations, rules and normative documents. The Chinese government is still in the process of developing its legal system, so as to meet the needs of investors and to encourage foreign investment. As the Chinese economy tends to grow at a faster pace than its legal system, some degree of uncertainty exists in connection with whether and how existing laws and regulations will apply to certain events or circumstances.

Some of the laws and regulations, and the interpretation, implementation and enforcement of such laws and regulations, are still subject to policy changes. The introduction of new laws, changes to existing laws and the interpretation or application of laws, or the delays in obtaining approvals from the relevant authorities, may have an adverse impact on the Company's business or operations.

Further, precedents on the interpretation, implementation and enforcement of the Chinese laws and regulations are limited and, unlike other common law countries such as Australia, decisions on precedent cases are not binding on lower courts. As such, the outcome of litigation may not be consistent or predictable as in other more developed jurisdictions and it may be difficult to obtain swift or equitable enforcement of the laws in the PRC, or obtain enforcement judgment by a court of another jurisdiction.

The legislative trend in the PRC in recent years has been to enhance the protection afforded to foreign investment and to allow for more active control by foreign parties of foreign invested enterprises. However, there is no assurance that such a trend will continue. Any restrictive rules against foreign investments may severely affect the Company's ability to expand its operations in the PRC.

#### **6.2.4 PAYMENT OF DIVIDENDS FROM PRC SUBSIDIARY**

The Chinese government imposes controls on the convertibility of the RMB into foreign currencies and, in certain cases, the remittance of currency out of the PRC. As the Company receives all of its revenues in RMB, the Company relies principally on dividends from its PRC Subsidiaries to fund any cash and financing requirements the Company may have. The inability of the PRC Subsidiaries to distribute dividends or other payments to the Company could materially and adversely affect the Company's ability to grow, make investments or acquisitions that could be beneficial to its businesses, pay dividends, or otherwise fund and conduct its business.

Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from the PRC State Administration of Foreign Exchange (**SAFE**), by complying with certain procedural requirements. Therefore, the PRC Subsidiaries are able to pay dividends in foreign currencies to the Company without prior approval from SAFE by complying with certain procedural requirements. For conversion of RMB into foreign currency and remittance out of the PRC to pay for capital items such as repatriation of capital, securities investments and repayment of loans, approval from or registration with SAFE or its local branches is required.

Current Chinese regulations permit the PRC Subsidiaries to pay dividends only out of accumulated after-tax profits, if any, determined in accordance with Chinese accounting standards and regulations. In addition, the PRC Subsidiaries are required to set aside a certain amount of its after-tax profits each year, if any, to fund certain statutory reserves. These reserves are not distributable as cash dividends. Furthermore, in the future, if the PRC Subsidiaries incur debt on their own behalf, the instruments governing the debt may restrict its ability to pay dividends or make other payments to the Company.

#### **6.2.5 TAX TREATY BENEFITS**

Pursuant to the arrangement between the PRC and the Hong Kong Special Administrative Region for the *Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Incomes* which came into effect on 27 September 2006, and the *Notice of the State Administration of Taxation on How to*



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*Understand and Determine “Beneficial Owner” in Tax Agreements* issued by the State Administration of Taxation on 27 October 2009, the withholding tax rate on the dividend distribution by the foreign investment enterprise will be a preferential tax rate of not more than 5% of the total dividend declared if the “Beneficial Owner” of the dividends is a company that holds directly at least 25% of the share capital of the Company paying the dividend.

According to the *Notice of the State Administration of Taxation on the Issues relating to the Administration of the Dividend Provision in Tax Treaties* which came into effect on 20 February 2009, the corporate recipients of dividends distributed by Chinese enterprises must satisfy the direct ownership thresholds of 25% at all times during the 12 consecutive months preceding the receipt of the dividends. In the event that a company is not considered to be a “Beneficial Owner” of the dividends, the preferential tax rate of not more than 5% does not apply and the withholding tax rate will be 10% instead.

In the event that the Company is not deemed to be the “Beneficial Owner” of the dividends distributed and the Company is subject to a withholding tax rate which is higher than the preferential tax rate of not more than 5%, it may limit the amount of dividends declared by the PRC Subsidiaries. Further, there is no assurance that the Chinese and Hong Kong governments will not amend the above treaty, or that the Company will continue to be deemed to be the “Beneficial Owner” of the dividend by the local tax authorities and be entitled to the preferential tax rate of not more than 5%.

#### **6.2.6 FOREIGN EXCHANGE REGULATION**

Foreign currency exchange in the PRC is subject to substantial regulation. For example, payments of current account items, such as profit distributions and trade, are subject to certain procedural requirements. Further, express approval from appropriate government authorities is required where RMB is to be converted into foreign currency and remitted out of the PRC to pay capital expenses, such as the repayment of foreign currency-denominated loans.

Capital of a foreign enterprise converted into RMB (**Foreign Capital**) may only be used for purposes within the scope of business approved by the applicable government authority and may not be used for equity investments within the PRC except in certain pilot areas. The use of Foreign Capital may not be changed without the State Administrator of Foreign Exchange’s (**SAFE**) approval, and in any case, may not be used to repay loans denominated in RMB if the proceeds of such loans have not been used. Furthermore, SAFE promulgated Circular 59 in November 2010, which tightens the regulation over settlement of net proceeds from overseas offerings, such as the Offer, and requires, among other things, the authenticity of settlement of net proceeds from offshore offerings to be closely examined and the net proceeds to be settled in the manner described in the offering documents or otherwise approved by the Board. Violations of these SAFE regulations may result in severe monetary or other penalties, including confiscation of earnings derived from the violations or a fine ranging from 30% to 100% of the Foreign Capital.

The opening of bank account, receipt of capital, settlement of currency exchange, transfer and payment by a foreign investor shall be subject to SAFE regulation, and registration is needed for these activities. SAFE has strengthened the intervention on RMB conversion into foreign currency and the conversion process is now prolonged or delayed in most cases. The Board considers that the Company complies with the SAFE registration requirements, however, if the Company needs to transfer funds out of the PRC, it is expected that such a transfer will be subject to the strict control of SAFE and can be severely delayed.

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## 6.2.7 REGISTRATION WITH SAFE

A PRC resident (whether a natural or legal person) is required to complete an initial registration with its local SAFE branch before incorporating or acquiring control of an offshore special purpose vehicle (**SPV**) with assets or equity interests in a PRC company, for the purpose of offshore equity financing. The PRC resident is also required to amend the registration or make a filing upon (1) the injection of any assets or equity interests in an onshore company or undertaking of offshore financing, or (2) the occurrence of a material change that may affect the capital structure of an SPV. SAFE also subsequently issued various guidance and rules which imposed obligations on PRC subsidiaries of offshore companies to coordinate with and supervise any PRC-resident beneficial owners of offshore entities in relation to the SAFE registration process.

The Company has notified certain beneficial owners of Shares, whom it knows are PRC residents, of their filing obligation. However, the Company may not be aware of the identities of all beneficial owners of Shares who are PRC residents. In addition, the Company does not have control over the beneficial owners of Shares and cannot assure you that all of the PRC resident beneficial owners will comply with the SAFE registration requirements. The failure of the beneficial owners who are PRC residents to register or amend their SAFE registrations in a timely manner or the failure of future beneficial owners of Shares who are PRC residents to comply with the registration procedures may subject such beneficial owners or our PRC subsidiaries to fines and legal sanctions.

## 6.3 GENERAL RISKS

### 6.3.1 CHANGES TO LEGISLATION OR REGULATIONS

The Company may be affected by changes to government policies and legislation (both in Australian and in foreign jurisdictions including, but not limited to, Hong Kong and the PRC) concerning property, the environment, superannuation, taxation and the regulation of trade practices and competition, government grants and incentive schemes. These changes in legislation or regulation, or changes to accounting rules, could have adverse impacts on the Company from a financial and operational perspective. The Company's primary assets and business interests are in Australia and PRC and changes to the legislation or regulations of these countries could have an adverse impact on the Company's operations, profitability or prospects.

### 6.3.2 INVESTMENT RISK

The Shares to be issued under the Offer should be considered highly speculative. There is no guarantee as to the payment of dividends, return of capital or the market value of the Shares from time to time. The price at which an investor is able to trade the Shares may be above or below the price paid for Shares under the Offer. Whilst the Directors commend the Offer, investors must make their own assessment of the risks and determine whether an investment in the Company is appropriate in their own circumstances.

### 6.3.3 SHARE MARKET

Share market conditions may affect the value of the Company's Shares regardless of the Company's operating performance. Share market conditions are affected by many factors including the following:

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- the general economic outlook;
  - interest rates and inflation rates;
  - currency fluctuations;
  - changes in investor sentiment toward particular market sectors;
  - the demand for, and supply of, capital;
  - terrorism and other hostilities; and
  - other factors beyond the control of the Company.

#### **6.3.4 FORCE MAJEURE RISK**

Events may occur within or outside the markets in which the Company operates that could impact upon the global, Australian and Chinese economies, the operations of the Company and the market price of its Shares. These events include acts of terrorism, outbreaks of international hostilities, fires, pandemics, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease, and other man-made or natural events or occurrences that can have an adverse effect on the demand for the Company's services and its ability to conduct business. Given the Company has only a limited ability to insure against some of these risks, its business, financial performance and operations may be materially adversely affected if any of the events described above occurs.

#### **6.4 OTHER RISKS**

This list of risk factors above is not an exhaustive list of the risks faced by the Company or by investors in the Company. The risk factors described in this section 6 as well as risk factors not specifically referred to above may in the future materially affect the financial performance of the Company and the value of its Shares. Therefore, the Shares offered under the Offer carry no guarantee with respect to the payment of dividends, return of capital or their market value.

Investors should consider that an investment in the Company is highly speculative and should consult their professional advisers before deciding whether to apply for Shares under the Offer.

## 7. KEY PERSONS AND CORPORATE GOVERNANCE

### 7.1 BOARD OF DIRECTORS

The Board is responsible for:

- setting and reviewing strategic direction and planning;
- reviewing financial and operational performance;
- identifying principal risks and reviewing risk management strategies; and
- considering and reviewing significant capital investments and material transactions.

Collectively, the Directors have significant experience in the biopharmaceutical industry. Brief profiles of the Directors are set out in Section 7.2.

### 7.2 DIRECTOR PROFILES

#### Dr York Zhu

\* Executive Chairman, Managing Director and Chief Executive Officer



Dr Zhu is a well established high-tech entrepreneur in the field of biotech industry with a wealth of experience spanning his 29 years from R&D in life sciences, RNAi therapeutics and innovative product development in biopharma, to corporate strategy and leadership as well as venture capital investment in business.

Dr Zhu has served as top executives in several biotech companies in Silicon Valley, USA. He was an R&D manager for Clontech Lab (1993 to 1999); and CTO of Genemed / Zytogene (2000 to 2005), emerged to a larger platform through M&A as a pharmaceutical company. In 2005, Dr Zhu founded NT Omics where he led RNAi therapeutic development. Under his leadership with a strong management team and with big success in unique patented technology on RNAi drug targets. Since founding Biomics Biotechnologies Co. Ltd (Nantong Jiangsu, China) in 2006, Dr Zhu has been the Chairman and CEO leading the company's transformation to become a top RNAi therapeutics player in Asia with a strong portfolio of intellectual properties evidenced by an award of Asia Pacific Emerging Company by Biospectrum in 2013. Dr Zhu holds a PhD in medical science from Nagoya University (Japan, 1993). He has also been a Joint Professor of China Pharmaceutical University (Jiangsu, China) and served as a head to RNAi Technology Institution of Nantong University (Jiangsu, China). Dr Zhu has authored more than 40 scientific papers and holds 40 issued and pending patents.



#### **Dr Peter French**

\* Non-Executive Director

Dr Peter French is a cell and molecular biologist with extensive experience in both basic and clinical medical research and in the biotechnology industry. In 1998 Peter founded ASX-listed Cryosite (ASX:CTE), Australia's first cord blood stem cell storage company. He wrote the initial business plan and assembled the original board and management team. He listed Cryosite on the ASX in 2000, and served as a non-executive director until 2006. Cryosite has developed into a dividend paying company. In 2003 he was appointed CEO and Managing Director of ASX-listed Probiomics Ltd (ASX:PCC), a company involved in developing, manufacturing and launching probiotic based products in Australia and Singapore. In 2006 Peter took up the position of Chief Scientist for start-up company Fermiscan Limited, and was involved in road shows and the back door listing process for Fermiscan to join the ASX (ASX:FER). He was also instrumental in conducting and managing the Fermiscan's pivotal clinical trials. In 2010 he was appointed as Managing Director of ASX-listed gene therapy company Benitec Biopharma Limited (ASX:BLT). Peter grew Benitec from 1.5 FTEs in 2010 to 28 FTEs in December 2015, and initiated the Company's product portfolio. He conducted several successful capital raisings in the US (approximately \$60M raised), including a NASDAQ listing in 2015.

Currently, Peter is an Executive Director on the Board of Bioxyne Limited (ASX:BXN), an ASX-listed company developing, marketing and selling a probiotic for immune and gut health. He is a Director of private company BCAL Diagnostics, a Sydney-based start-up developing a novel blood-based test for breast cancer, and is a Director of AusDiagnostics Pty Limited, a diagnostic kit manufacturer based in Sydney.

Peter is a Past President of the Australia and New Zealand Society for Cell and Developmental Biology and served as a member of the Board of the International Society of Differentiation from 1998-2014. He is an Adjunct Senior Lecturer at UNSW and an Honorary Fellow at Macquarie University. Peter also serves as a member of the Scientific Advisory Board of the ARC Centre for Bio-Nano Science. Peter was awarded the title of "Innovator of Influence, 2015" from the Australian Science and Innovation Forum in November 2015.

#### **Carl Stubbings**

\* Non-Executive Director



Mr Stubbings is a highly qualified senior executive with over thirty years' experience in biotechnology and medical diagnostics. His background includes manufacturing, administration, and extensive international sales and marketing expertise in North America, Latin America, Asia Pacific and Europe. Currently Carl is providing consulting services to a number Australian biotechnology and diagnostics companies, his prior positions include:

- Chief Business Officer Benitec Biopharma (ASX: BLT)
- Vice President Sales & Marketing for Focus Diagnostics a subsidiary of

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Quest Diagnostics (NASDAQ: DGX)

- Senior Vice President Panbio Inc (ASX: PBL)

In addition Carl holds non-executive directorships at the following companies:

- Analytica Medical (ASX: ALT)
- Sienna Cancer Diagnostics: Unlisted Public Company (SCDU)
- Otakaro Pathways: New Zealand based Private Company.

Prior to moving back to Australia, Carl and his family had lived and worked in the USA for more than 12 years.

Mr Stubbings holds a B.App.Sc. from the Queensland University of Technology; he holds dual Australian and US citizenship.

#### **Xing Huang**

\* Non-Executive Director

Mr Huang is an entrepreneur with over 30 years of experience in corporate management and more than 10 years of experience in venture investment. He is the founder and chairman of Jiangsu Yixing Group Co., Ltd. He is also a registered member of Enterprise Operating Managers Association (China).

#### **Chongping Gao**

\* Non-Executive Director

Mr Gao is an renowned real estate entrepreneur and an experienced venture investor. He serves as chairman at China Real Estate Development Group-Nantong Ltd, Shanghai Shenggao Investment Co., Ltd and Jiangsu Dinghong Venture Capital Co., Ltd. Mr Gao holds a Bachelor of Science in Construction Engineering at Nanjing Tech University.

## **7.3 COMPANY SECRETARY PROFILE**

#### **Nicholas Ong**

\* Company Secretary



Nicholas was a Principal Adviser at the Australian Securities Exchange in Perth and brings 13 years' experience in listing rules compliance and corporate governance. He has overseen the admission of over 100 companies to the official list of the ASX. Nicholas is a member of the Governance Institute of Australia and the Australia Institute of Company Directors. He holds a Bachelor of Commerce and a Master of Business Administration from the University of Western Australia.

Nicholas is currently a director of Segue Resources Limited, non-executive chairman and director of CoAssets Limited, and is Company Secretary to Pura Vida Energy NL, Sagalio Energy Limited, Traditional Therapy Clinics Limited



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and Blackgold International Holdings.

## 7.4 COMPOSITION OF THE BOARD

The Board currently comprises of five members, including four Non-Executive Directors and one Executive Director.

The Board considers an independent Director to be a Non-Executive Director who is not a member of management and who is free of any business or other relationship that could materially interfere with or could reasonably be perceived to materially interfere with the independent exercise of that Director's judgment. The Company considers Peter French and Carl Stubbings to be independent.

## 7.5 SENIOR MANAGEMENT TEAM

The Board has delegated responsibility for the business operations of the Company to the senior management team. The senior management team, led by the Chief Executive Officer, is accountable to the Board. Brief profiles of the persons comprising the senior management team are set out below.

### **Dr York Zhu**

\* Chief Executive Officer

See section 7.2

### **Dr Jinkang Wang**

\* Chief Scientific Officer

Dr Jinkang Wang joined Biomics in 2008 bring 18 years' experience in the creation and development of various nanoparticle drug delivery systems for small molecule anti-cancer drugs and biologics (antisense oligonucleotides, plasmid DNA, and siRNA). He was the inventor/co-inventor of 15 US patents. Prior to joining Biomics, Dr Wang served as a senior scientist for several biopharmaceutical companies including Alza Corp. (Johnson & Johnson), NeoPharm, Inc., Genteric, Inc., and Valentis, Inc.. He possesses broad expertise that spans several areas including the delivery system design, formulation study, process development, and manufacturing under cGMP guidance. He participated in the development of one product to market, and three drugs in clinical trials. Most recently, his research has been involved in the drug delivery systems including targeted second generation stealth-liposome and self-assembling co-polymers. Currently, his research is more focused on the siRNA drug development.

Dr Wang obtained his undergraduate education from Beijing Normal University, received his Ph.D. degree in Organic Chemistry from Marquette University in Wisconsin, US, and postdoctoral training in Biopharmaceutical Science at the University of California, San Francisco (UCSF).

### **Dr Jianxin Chen**

\* Chief Technology Officer

Dr Jianxin Chen joined Biomics in 2011. He has broad and profound chemical knowledge and 25 years' R&D experience in medicinal chemistry, process chemistry, product development and commercialization.

Before joining Biomics, Dr Chen worked in several biopharmaceutical companies including Acuitas

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Therapeutics (Director of medicinal chemistry R&D, Vancouver), Neuftech Chemicals Ltd. (Technology VP, Richmond), Kinetek Pharmaceuticals Inc. (Senior scientist, Vancouver). He also served as a key consultant at Alnylam Pharmaceuticals Inc. and at Arbutus Pharmaceuticals Inc., respectively based on his innovation in developing siRNA delivery system. He also has about 10 years' experience in business development.

Dr Chen obtained his Ph.D. in organic chemistry from University of British Columbia (Canada) in 1991, M.Sc in organic chemistry from Institute of Photographic Chem., Chinese Academy of Sciences in 1984. He has more than 30 papers published in leading journals, 10 granted filed patents, as well as numerous company confidential technical reports.

### **Li Shan**

\* Business and Market Development

Mr. Li Shan has more than 15 years' experience in Pharmaceutical Industry both in China and USA. Prior joining Biomics, Mr. Li Shan worked in AustarPharma Inc. in New Jersey as Business Development Director, where he helped company to start the partnership with Amerisourcebergen and Cardinal Health Group-2 giant whole sale companies in generic drug market. His experience in pharmaceutical industry also including the following aspects: research, assistant researcher in School of Medicine, the University of South Dakota (USA); marketing and sales, Sales Manager in Jintai Biotech Pharmaceutical Company; production, fermentation engineer in Qilu Pharmaceutical Company.

Mr. Li Shan received his MBA degree in John Molson Business School, Concordia University, Canada in 2003. He also owned a master degree on Bio-medical in School of Medicine, University of South Dakota, USA (1999) and a bachelor degree of Microbiology from Shandong University (1988).

### **Kate Zhu**

\* Chief Risk Management Officer/Public Relations

Ms. Kate Zhu joined Biomics since it's' foundation as the Director of Operation. She contributed greatly on fund raising, planning construction of the Biomics' corporate center and development of Biomics' administrative systems.

From mid 80s to early 90s, Ms. Zhu served as the import-export manager in Jiangsu Technology Import and Export Corporation. She was responsible for contract negotiation, quality assurance and cost control. From 1992 to 1995, Ms. Zhu went to the United States and in charge of company's business development in United States. Upon returning to China, she became the director of Jiangsu Technology Import and Export Corporation because of her achievement in USA and was responsible of company's marketing and sales department, developing market strategies and implemented sales expansion.

In 1999, prior to joining Biomics, Kate Zhu founded Linkone Inc., the earliest human resources consulting and recruitment firm in Nantong, where she got the experience on assessing, recruiting and retaining highly valuable employees for companies.

Ms. Zhu holds an MBA Degree from the University of Northern Virginia.



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### **Dr Jianping Qui**

\* Director of Innovation Center

Dr Jianping Qui joined Biomics in 2014. She has extensive research experience in gene therapy field with adeno associated virus vector, adenovirus vector and lentivirus vector system. She has worked on autosomal disorder gene therapy, monoclonal antibody gene therapy, genetic vaccine development, cancer immunotherapy and CRISPR technology mediated eukaryotic genome editing.

Dr Qui obtained her Ph.D in pharmacology from Medical School of McGill University (Canada) in 1995; M.S. in pharmacology from China Pharmaceutical University (China) in 1984. Before joining Biomics, Dr. Qui had her postdoctoral training and worked as research associate scientist in Gene therapy Center, Weill Cornell Medical College, Memorial Sloan-Kettering Cancer Center since 1997 till 2014. She has published 24 papers and 22 meeting abstracts.

Dr Qui obtained her Ph.D in pharmacology from Medical School of McGill University in 1995, M.S. in pharmacology from China Pharmaceutical University in 1984 and B.S in pharmacology from China Pharmaceutical University in 1978.

## **7.6 INTERESTS OF DIRECTORS**

Other than as disclosed in this Prospectus, no Director holds at the date of this Prospectus or held at any time during the last 2 years, any interest in:

- the formation or promotion of the Company;
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion, or the Offer; or
- the Offer.

Further, other than as disclosed in this Prospectus, the Company has not paid any amount or provided any benefit, or agreed to do so, to any Director, either to induce that Director to become, or to qualify them as a Director, or otherwise, for services rendered by them in connection with the formation or promotion of the Company or the Offer.

### **7.6.1 SHAREHOLDING REQUIREMENTS**

The Directors are not required to hold any Shares under the Constitution of the Company.

### **7.6.2 DIRECTORS' SECURITY HOLDINGS**

Assuming that Full Subscription is achieved under the Offer, set out below are the Directors' relevant interests in the securities of the Company.

Director	Shares	Voting power at completion of Offer	
		Minimum Subscription	Full Subscription
York Zhu <sup>1</sup>	138,345,609	42.71%	40.82%
Xing Huang <sup>2</sup>	78,832,048	24.34%	23.26%
Chongping Gao <sup>3</sup>	18,389,820	5.68%	5.43%
Peter French	Nil	0%	0%
Carl Stubbings	Nil	0%	0%
<b>Total</b>	<b>235,567,477</b>	<b>72.73%</b>	<b>69.51%</b>

#### Notes:

1. In addition to his own shareholding in the Company (126,345,609 Shares), Dr York Zhu (managing director) has a relevant interest in ordinary shares in which Bioteam Holding Ltd has a relevant interest, pursuant to section 608(3) of the Corporations Act. By virtue of Dr York Zhu's ownership of 100% of the issued capital of Bioteam Holding Ltd, Dr Zhu is deemed to have a relevant interest in any shares in which Bioteam Holding Ltd has a relevant interest (12,000,000 Shares).

2. Mr Huang's interest arises through his 70% shareholding interest in Yixing Investment Limited with 30% shareholding interest held by his spouse.

3. Mr Gao's interest arises through his 52% shareholding interest in Sapience Investment Limited

4. The table assumes that no Directors apply for Shares under the Offer

5. The Company does not have any class of security on issue other than its Shares.

### 7.6.3 DIRECTORS' REMUNERATION

The Constitution provides that each Director is entitled to such remuneration from the Company as the Directors decide, but the total amount provided to all non-executive directors must not exceed in aggregate the amount fixed by the Directors prior to the first annual general meeting. The aggregate remuneration for all non-executive directors has been set at an amount of \$250,000 per annum by the Directors. The remuneration of the Directors must not be increased except pursuant to a resolution passed at a general meeting of the Company where notice of the proposed increase has been given to Shareholders in the notice convening the meeting.

Dr Peter French and Carl Stubbings, each a Non-Executive Director, will each receive directors' fees of \$60,000 per annum inclusive of statutory superannuation.

Mr Xing Huang and Mr Chongping Gao, each a Non-Executive Director, will each receive directors' fees of \$45,000 per annum inclusive of statutory superannuation.

As Executive Chairman, managing director and Chief Executive Officer, Dr York Zhu will be paid \$100,000

per annum plus statutory superannuation. See section 8.1 for a summary of Dr York Zhu's employment agreement with the Company.

## 7.7 CORPORATE GOVERNANCE

The Board of Biomics is cognizant of the need for a well-articulated and robust corporate governance framework and believes that good corporate governance is essential to the preservation and enhancement of Shareholder value. The Board believes that the success of the business is strengthened by implementing clearly articulated policies to enhance accountability, efficiency and the reliable measurement of performance.

The Board has adopted a Board Charter (**Charter**), which sets out the key corporate governance principles and procedures of Biomics. The Charter and other corporate governance documents are available on the Company's website at <http://www.biomics.com>. These key documents will be kept under review by the Board and amended from time to time.

The Charter and the other governance measures adopted reflect the Board's endorsement of the recommendations contained in the ASX Corporate Governance Council's Principles and Recommendations, 3rd edition, 2014 (**Principles**). Those Principles marked with a ⊖ either have not been fully implemented or are to be addressed during the FY2017 reporting year. The commentary addresses the reasons for the departure from the requirements.

Principle 1 – Lay solid foundations for management and oversight		
1.1	The Board has outlined in its Charter, its roles and responsibilities and has established a clear distinction between its functions and those delegated to management.	✓
1.2	Appropriate checks including criminal record checks have been carried out on all Board members prior to their appointment. The Company will provide Shareholders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a Director at future general meetings	✓
1.3	All Directors and senior executives have a written agreement with the Company setting out the terms of their appointment.	✓
1.4	The Company Secretary is accountable directly to the Board, through the Chairman on all matters to do with the proper functioning of the Board.	✓
1.5	The Board has adopted a Diversity Policy. The Diversity Policy requires the Board to set measurable objectives for obtaining gender diversity. The Board has not yet set measurable objectives but intends to review the diversity statistics within the Company and use those measures to formulate measurable objectives.	✓
1.6	At least once per year the Board will, with the advice and assistance of the remuneration and nomination committee ( <b>RNC</b> ), review and evaluate the performance of the Board, each Board committee and each individual Director against the relevant charters, corporate governance policies, and agreed goals and objectives.	✓
1.7	Performance reviews for Executive Directors and Senior Management will take place at least annually. The RNC has accountability in its Charter to oversee these reviews and report to the Board on their outcomes. The Company intends to ensure the appropriate disclosures in the remuneration report are made in relation to each reporting period as to the performance evaluations that were undertaken and the process that was followed.	✓



<b>Principle 2 – Structure the Board to add value</b>		
2.1	The Board has formed a Remuneration and Nomination Committee. The charter for the Remuneration and Nomination Committee will be made available on Company's website. Membership of the Remuneration and Nomination Committee is: Dr Peter French, Carl Stubbings and Xing Huang. Chairperson for the Remuneration and Nomination Committee is Carl Stubbings.	✓
2.2	In establishing the Board of Biomics, regard was had to the skills and expertise required of the Directors relevant to Biomics's business, it's listing in Australia and operations in China. Directors with the desired skills and expertise were carefully selected for appointment to the Board.	✓
2.3 & 2.4	The Board Charter sets out the criteria adopted by the Board for considering if a Director is independent. The Board is comprised of five members, two of whom are independent. Dr Peter French and Carl Stubbings are considered independent as none of them has a material shareholding in the Company or is an adviser or supplier to the Company or has any other material contractual relationship with the Company other than their position as a Director. The Company has considered the recommendation of having a majority of the Board as independent Directors. However, the Board considers the Company's immediate requirements as it transits to an ASX-listed company and is satisfied that the composition of the Board reflects an appropriate range of independence and skill and experience in the period immediately after Listing on the ASX. Together, the Directors have a broad range of experience, expertise, skills, qualifications and contacts relevant to the business of the Company.	⊙
2.5	The Board recognises the recommendation that the chairman should be an independent Non-Executive Director. However, the Board believes that Dr York Zhu is the most appropriate person to act as Chairman and lead the Board given his extensive experience and application of sound judgment to issues falling within the scope of the role of Chairman. Further, Dr Zhu has unmatched and extensive knowledge of the Company's operations and important business relationships that the Company as a whole benefits from.	⊙
2.6	All Non-Executive Directors have had an extensive induction into the business of the Company prior to accepting their appointment and have received continuing information on the Company and its operations since being appointed. Directors are also given access to continuing education in relation to the Company extending to its business, the industry in which it operates, and other information required by them to discharge the responsibilities of their office.	✓

<b>Principle 3 – Act ethically and responsibly</b>		
3.1	The Board has adopted a code of conduct applicable to all Directors, senior executives and employees.	✓

#### Principle 4 – Safeguard integrity in financial reporting

4.1	<p>The Board has established an audit and risk committee. The audit and risk committee is comprised of Non-Executive Directors. Its composition being Dr Peter French, Carl Stubbings and Xing Huang. Chairperson for the audit &amp; risk committee is Dr Peter French . The qualifications of the members of the audit and risk committee are set out in the Prospectus in Section 7.2.</p> <p>A copy of the audit and risk committee’s charter is on the Company’s website.</p>	✓
4.2	<p>The Board of Biomics has not yet had to approve the entity’s financial statements for a financial period and accordingly has not been required to receive relevant declarations from the CEO and CFO in respect of the financial records of the Company. It is the intention of the Board that these declarations will be required for both the half-year and full-year results and this fact has been communicated to both the CEO and CFO.</p>	⊙
4.3	<p>Biomics has not yet held an Annual General Meeting (<b>AGM</b>) but it is the intention of the Board to ensure that its external auditor attends the AGM and is available to answer questions from security holders relevant to the audit.</p>	⊙

#### Principle 5 – Make timely and balanced disclosure

5.1	<p>The Board has established a written continuous disclosure policy to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability for compliance. Each Board meeting considers whether any continuous disclosure issues arose during the course of the meeting. The continuous disclosure policy is on the Company’s website.</p>	✓
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#### Principle 6 – Respect the rights of Shareholders

6.1	<p>Biomics has established a website which provides information about the Company, Directors and executives, key governance policies and other information relevant to its investors. The website will be a key communication tool between the Company and the Shareholders.</p>	✓
6.2	<p>Biomics has not yet designed and implemented an investor relations program to facilitate effective two-way communication with investors, however, the Board recognises its importance and will put in place a tailored program following the Completion.</p>	⊙
6.3	<p>The Board has adopted a Shareholder Communication Policy and will provide Shareholders with opportunities to have questions addressed at Shareholder meetings, irrespective of whether the Shareholder is able to attend. A copy of the Shareholder Communication Policy is on the Company’s website.</p>	✓
6.4	<p>All Shareholders of Biomics will be able to communicate with the Company and its share registry electronically and in fact this method of communication is encouraged.</p>	✓



<b>Principle 7 – Recognise and manage risk</b>		
7.1	<p>The Board has established a combined audit and risk committee. The audit and risk committee is comprised of Non-Executive Directors, its composition being Dr Peter French, Carl Stubbings and Xing Huang. The qualifications of the members of the audit and risk committee are set out in the Prospectus in Section 7.2.</p> <p>A copy of the audit and risk committee's charter will be made available on the Company's website.</p>	✓
7.2	<p>The risk management framework for the Company has not yet been formally reviewed by the Board but the Board has requested a report from management by December 2017. The Board has appointed the ARC to assist it with discharging its oversight function in respect of material business risks and to determine if the system of risk management is sound. Outcomes of those reviews will be reported in the corporate governance statement annually.</p>	⊙
7.3	<p>Biomics has various quality assurance functions throughout the business but not a dedicated internal audit function. It is the Board's intention that the audit &amp; risk committee reviews the need for an internal audit function, the scope of any function should one be required and whether it will be insourced or outsourced. The outcome of the review will be reported in the Company's annual report.</p>	✓
7.4	<p>As mentioned under Principle 7.2, the Board expects a report on the risk management framework in December 2017 and has requested that management address economic, environmental and sustainability risks. The outcome of that review will be reported in the Company's annual report.</p>	⊙

<b>Principle 8 – Remunerate fairly and responsibly</b>		
8.1	<p>The Board has formed a combined Remuneration and Nomination Committee. Membership of the Remuneration and Nomination Committee is: being Dr Peter French, Carl Stubbings and Xing Huang. A copy of the charter for the Remuneration and Nomination committee will be provided on the company's website. The qualifications of the members of the Remuneration and Nomination Committee are set out in the Prospectus in Section 7.2.</p>	✓
8.2	<p>The Board is currently developing a remuneration policy for Non-Executive Directors. A copy of the Non-Executive Director remuneration policy will be on the Company's website upon finalisation.</p>	⊙
8.3	<p>The Company's Securities Trading Policy prohibits participants of any equity-based remuneration scheme entering into transactions which limits the economic risk of a participant.</p>	✓

**B**iomics

BIOPHARMA

**BIOMICS BIOPHARMA LIMITED**



### 8.1 EMPLOYMENT AGREEMENT

#### **Dr York Zhu**

Executive Chairman, Managing Director  
Chief Executive Officer

Dr York Zhu is engaged as the Company's Executive Chairman, Managing Director and Chief Executive Officer pursuant to an employment agreement with the Company.

As the Managing Director, Dr Zhu will not be subject to the usual requirement of directors to stand for re-election in accordance with the rotation of directors requirements.

The engagement commences on the date that the Company is admitted to the official list of the ASX and will continue until it is terminated in accordance with the agreement.

The remuneration package is made up of an annual salary of \$100,000 plus statutory superannuation.



As Executive Chairman, Managing Director and Chief Executive Officer, Dr Zhu will, among other things:

- report to the Board;
- be engaged as a full-time employee of the Company and must donate the whole of his time, attention and skill to the duties of his position and the business of the Company;
- be responsible for effectively managing the Company including organisation, planning, leading, motivating and coordinating the activities of the Company to reach pre-set objectives which are determined from time to time by the Board;
- perform his duties in a proper and reasonable manner, with the standard of diligence normally exercised by a person bearing comparable qualifications in the performance of comparable duties, and in accordance with generally accepted practices and standards appropriate to those duties and that industry; and
- obey all reasonable and lawful directions given to him by or under the authority of the Board, and use his best endeavours to promote interests of the Company.

Either party may terminate the agreement without cause by providing the other party no less than 6 months' notice in writing.

The Company may terminate the agreement by summary notice to Dr Zhu with cause in circumstances considered standard for agreements of this nature in Australia.

Dr Zhu is subject to restrictions in relation to the solicitation of employees and customers, the use of confidential information (including know-how) and being directly involved in competing businesses for a period of 1 year from termination of the agreement.

The agreement is otherwise on terms and conditions considered standard for agreements of this nature in Australia.

## 8.2 BENITEC AGREEMENT

In 2015, the Company and Benitec Biopharma Ltd (ACN 068 943 662) (**Benitec**) entered into an agreement pursuant to which the Company and Benitec terminated their previous collaboration in relation to the ddRNAi-based HBV therapeutics program and Benitec acquiring the full rights to the program including the associated patents (**Benitec Agreement**).

The Company received \$2,000,000 in cash and \$500,000 in shares (647,333 ordinary shares) in Benitec as upfront payment in accordance with the terms of the Benitec Agreement. Upon successful commercialisation of the patents, the Company will be entitled to receive up to \$3,500,000. In addition, the Company will also be entitled to a single-digit royalty on sales over certain monetary threshold.

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The agreement is otherwise on terms and conditions considered standard for agreement of this nature in Australia.

### 8.3 SALE CONTRACT

PRC BIO has entered into a sale contract with Jiangsu Kupin Network Technology Co., Ltd in the People's Republic of China (**Kupin**) of the total value of RMB 6,300,000 (approximately A\$1.193 million) for the supply of *CoSensia* RNA Acne- Elimination Lotion by PRC BIO to Kupin. The sale contract is in effect.

The key terms of the sale contract are:

- (a) Kupin may place orders in batches and pay for each order within one month after receipt of goods, and the full payment must be made before 8 June 2017.
- (b) If Kupin completes this sale contract and pays the full payment by 8 June 2017, the Company will grant Kupin the exclusive distribution right of *CoSensia* nationwide and will pay Kupin 8% of the sale contract price (RMB504,000 – approximately (A\$95,435)) as a reward.
- (c) PRC BIO must arrange the manufacture and delivery of the products after receipt of notice from Kupin. Kupin must inspect the products and within 24 hours notify PRC BIO of any damage. PRC BIO accepts complaints made by Kupin within 2 months of receipt of products.
- (d) PRC BIO accepts no liability for delay in delivery due to severe weather.

### 8.4 LONG-TERM AGREEMENT OF COSMETICS COMMISSION PROCESSING AGREEMENT

PRC BIO has entered into a Long-term Agreement of Cosmetics Commission Processing with Genecon under which Genecon produces *CoSensia* for a fee. This agreement expires on 31 January 2019.

The key terms of this agreement are:

- (a) PRC BIO will notify Genecon in writing of its production requirement and Genecon will ensure the products comply with the quality requirements of the Industry Standard on Moisturizer (QB/T 2286-1997).
- (b) Each party is responsible for the materials it supplied for the processing process, however, Genecon is responsible for inspecting the quality of the product during the processing process.
- (c) The processing fee payable by the Company to Genecon depends on the product quantity and standards requirement of the products requested by PRC BIO and is to be agreed between the parties.

### 8.5 LONG TERM SUPPLY AGREEMENT

PRC BIO has entered into Long-term Supply Agreement with Genecon under which BRC BIO is the exclusive supplier of the active ingredient of Britena (i.e. siRNA) to Genecon. This agreement expires on 20 May 2020.

The key terms of this agreement are:

- (a) Genecon has the right to source the active ingredient from other supplier should PRC BIO is unable to complete the orders.
- (b) Genecon will place orders for siRNA, and PRC BIO will confirm the orders in writing and give priority to all orders placed by Genecon. Quality requirements, delivery, payment etc relating to the supply will be agreed upon in each order.
- (c) PRC BIO covenants that the price of the active ingredient charged to Genecon will not be higher than the price charged to any third parties nationwide, or Genecon will enjoy the lower price charged by PRC BIO to any third parties.
- (d) In the event of any price adjustment due to market changes, PRC BIO will supply siRNA at a price that reflects the original discount on the adjusted price.
- (e) Genecon will bear all the return costs and consequential loss arising from any wrong delivery which is caused by inaccurate product specifications provided by Genecon. Otherwise, PRC BIO will bear all the return costs and consequential loss arising from the wrong delivery.
- (f) PRC BIO will be responsible for all losses arising from the design, manufacture and quality of the product supplied by PRC BIO.
- (g) Genecon will be in breach if it fails to make payment on time or if it purchases siRNA from other party without PRC BIO's approval and will be liable for damages.

## 8.6 ENTRUSTMENT LOAN

As at the date of this Prospectus, the Group has entered into a secured Entrustment Loan of RMB30,000,000 with Nantong Economic and Technological Development Area New Rural Construction Co., Ltd as the consignor, and Agriculture Bank of China Nantong Economic and Technological Development Area Branch as consignee. The terms of this bank loan are typical of those expected in such financial arrangements in the PRC. Details of the Group's Entrustment Loan are set out below:

<b>Consignor</b>	Nantong Economic and Technological Development Area New Rural Construction Co., Ltd
<b>Consignee</b>	Agriculture Bank of China Nantong Economic and Technological Development Area Branch
<b>Amount RMB / (A\$)</b>	RMB 30 million (approximately A\$5.68 million)
<b>Annual interest rate</b>	6.15%
<b>Term of loan</b>	2 years expiring on 18 November 2017.
<b>Secured by</b>	Mortgage over the land at 76 Changxing Road, Nantong Economic & Technology Development Zone, Jiangsu Province, PRC, and including all the buildings on such land.

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## 8.7 INDEMNITIES

In relation to the entrustment loan mentioned at section 8.6, the Company's Managing Director and Chief Executive Officer, Dr Zhu and the entities controlled by non-executive directors Mr Gao and Mr Huang has agreed to jointly indemnify the Group in respect of all associated losses that may be incurred by the Group in relation to any amount payable under the Entrustment Loan. The indemnity is enforceable against Dr Zhu personally and the entities controlled by non-executive directors Mr Gao and Mr Huang.

## 8.8 CONFIRMATION OF EQUITY TRANSFER AGREEMENT

In 2015, PRC BIO entered into an agreement to transfer its 49% interest in Genecon's equity to Boyuan Health Technology Co., Ltd (**Boyuan Health**) for RMB 7,800,000 (approximately A\$1.48 million) payable by instalments upon satisfying various conditions. PRC BIO has received the first two instalment payments totaling RMB 4,400,000 (approximately A\$833,160).

Boyuan Health has delivered a confirmation letter dated 17 February 2017 to the Company setting out the following:

- (a) confirming that PRC BIO has satisfied the conditions for the third and fourth instalment payments with the fifth instalment payment due one year after the payment of fourth instalment; and
- (b) undertaking to pay PRC BIO the third and fourth instalment payments totaling RMB 3,010,000 (approximately A\$569,957) by the end of June 2017; and
- (c) undertaking to pay PRC BIO the fifth instalment payment of RMB 390,000 (approximately A\$73,848) by the end of June 2018.

## 8.9 LEAD MANAGER MANDATE

The Company has entered into an engagement agreement (**Lead Manager Mandate**) with Platinum Gate Global Markets Proprietary Limited (**Platinum Gate**) under which the Platinum Gate was appointed to act as the lead manager to the Offer. The key terms of the agreement are set out below.

- (a) Platinum Gate will use its best efforts to assist to raise funds under the Offer.
- (b) After completion of the Offer, Platinum Gate will assist the Company in developing and implementing investor relations strategy and seeking potential growth opportunities.
- (c) For these services, Platinum Gate will receive:
  - (i) a management fee of \$52,500 for its services in relation to the Offer for a period up to two months, exclusive of GST;
  - (ii) a success fee of 7% in respect of the funds raised pursuant to the Lead Manager Mandate with a minimum of \$500 per investor, exclusive of GST (**Success Fee**);
  - (iii) a management fee of \$20,000 per month for a period of 6 months (with an option to extend to 12 months) for services provided after completion of the Offer, exclusive of GST.

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- (d) If Platinum Gate engages a third party to assist with raising funds under the Offer, subject to the Company's agreement, Platinum Gate is entitled to have its Success Fee increased to the same percentage charged by the third party in respect of the funds raised by the third party plus the higher of 2.5% or \$100 exclusive of GST (**Third Party Raising**).
- (e) The Company has agreed to indemnify Platinum Gate in respect of loss suffered by or claims made against Platinum Gate arising from or in connection with the appointment of Platinum Gate as the Lead Manager.
- (f) The agreement contains warranties given by the parties in favour of the other considered standard for agreements of this nature.

It is estimated that the total fees payable to Platinum Gate under the Lead Manager Mandate are approximately A\$1,082,500 (Minimum Subscription) and A\$1,292,500 (Full Subscription) (excl. GST) and the Company will incur 25% of non-recoverable GST amounts of \$27,063 (Minimum Subscription) and \$32,313 (Full Subscription) respectively. These amounts exclude any minimum fees of \$500 per investor on the assumption that the success fee calculated on each investor's investment will exceed \$500, and any fees charged by the Platinum Gate for the Third Party Raising.

## 8.10 DEEDS OF ACCESS, INDEMNITY AND INSURANCE

The Company has entered into deeds of access, indemnity and insurance with each Director which confirm each person's right of access to certain books and records of the Company for a period of 7 years after the Director ceases to hold office. This 7 year period can be extended where certain proceedings or investigations commence before the 7 years expires. The deeds also require the Company to provide an indemnity for liability incurred as an officer of the Company, to the maximum extent permitted by law.

Under the deeds, the Company must arrange and maintain Directors' and Officers' insurance during each Director's period of office and for a period of 7 years after a Director ceases to hold office. This 7 year period can be extended where certain proceedings or investigations commence before the 7 years expires.

The deeds are otherwise on terms and conditions considered standard for deeds of this nature in Australia.

## 8.11 ESCROW AGREEMENTS

If ASX determines that mandatory escrow applies to the Company's proposed ASX listing, then the Company will likely be required to enter into escrow agreement with all of the existing Shareholders. If mandatory escrow does not apply, then the Company will only enter into escrow agreements with its four major Shareholders, Dr York Zhu, Yixing Investment Limited, Sapience Investment Limited and Bioteam Holding Ltd. The escrow agreements will be on ASX's standard terms and conditions set out in Appendix 9B of the Listing Rules.

Please see section 1.7 for further details of the escrow agreements to be entered into by the Company and existing Shareholders.



### 9.1 RIGHTS AND LIABILITIES ATTACHING TO SHARES

The following is a general description of the more significant rights and liabilities attaching to the Shares. This summary is not exhaustive. Full details of provisions relating to rights attaching to the Shares are contained in the Corporations Act, Listing Rules and the Company's Constitution. A copy of the Company's Constitution is available upon request by contacting the Company on +61 2 8075 4595.

#### Ranking of Shares

At the date of this Prospectus, all shares are of the same class and rank equally in all respects. Specifically, the Shares issued pursuant to this Prospectus will rank equally with Existing Shares.

#### Voting rights

Subject to any special rights or restrictions (at present there are none), at any meeting each member present in person or by proxy has one vote on a show of hands, and on a poll has one vote for each share held.

#### Dividend rights

Subject to any special rights (at present there are none), any dividends that may be declared by the Company are payable on all Shares in proportion to the amount paid up.

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## Variation of rights

The rights attaching to the Shares may only be varied by the consent in writing of the holders of 75% of the Shares, or with the sanction of a special resolution passed at a general meeting.

## Transfer of Shares

Subject to the Company's Constitution, the Corporations Act or any other applicable laws of Australia and the Listing Rules, the Shares are freely transferable. The Directors may refuse to register a transfer of Shares only in limited circumstances, such as where the Listing Rules require or permit the Company to do so.

## General meetings

Each shareholder is entitled to receive notice of, and to attend and vote at, general meetings of the Company and to receive all notices, accounts and other documents required to be furnished to shareholders under the Company's Constitution, the Corporations Act and Listing Rules.

## Rights on winding up

If the Company is wound up, the liquidator may, with the sanction of a special resolution;

- divide among the shareholders the whole or any part of the Company's property; and
- decide how the division is to be carried out between the Shareholders.

Subject to any special rights (at present there are none), any surplus assets on a winding up are to be distributed to Shareholders in proportion to the number of Shares held by them irrespective of the amounts paid or credited as paid.

## 9.2 CONTINUOUS DISCLOSURE

The Company will be a "disclosing entity" for the purposes of Part 1.2A of the Corporations Act. As such, it will be subject to regular reporting and disclosure obligations which will require it to disclose to ASX any information which it is or becomes aware of concerning the Company and which a reasonable person would expect to have a material effect on the price or value of the securities of the Company.

## 9.3 SUBSTANTIAL HOLDERS

Assuming that no other existing Shareholders apply for Shares under the Offer, the only existing Shareholders who will hold 5% or more of the total Shares on issue upon completion of the Offer are Dr York Zhu, Yixing Investment Limited and Sapience Investment Limited, whose voting power will be as follows:

Shareholder	Shares	Voting power at completion of Offer	
		Minimum Subscription	Full Subscription
Dr York Zhu <sup>1</sup> (together with his controlled entity, Bioteam Holding Ltd)	138,345,609	42.71%	40.82%
Yixing Investment Limited <sup>2</sup>	78,832,048	24.34%	23.26%
Sapience Investment Limited <sup>3</sup>	18,389,820	5.68%	5.43%
<b>Total</b>	<b>235,567,477</b>	<b>72.73%</b>	<b>69.51%</b>

#### Notes:

1. In addition to his own shareholding in the Company (126,345,609 Shares), Dr York Zhu (managing director) has a relevant interest in ordinary shares in which Bioteam Holding Ltd has a relevant interest, pursuant to section 608(3) of the Corporations Act. By virtue of Dr York Zhu's ownership of 100% of the issued capital of Bioteam Holding Ltd, Dr Zhu is deemed to have a relevant interest in any shares in which Bioteam Holding Ltd has a relevant interest (12,000,000 Shares).

2. Yixing Investment Limited is 70% owned by the non-executive director, Mr Xing Huang.

3. Sapience Investment Limited is 52% owned by the non-executive director, Mr Chongping Gao.

Following completion of the Offer but prior to Shares commencing trading on ASX, the Company will announce to ASX details of its top 20 Shareholders by number of Shares.

## 9.4 INTERESTS OF EXPERTS AND ADVISERS

Other than as set out below or elsewhere in this Prospectus, no expert, promoter, or any other person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus, nor any firm in which any of those persons is or was a partner nor any company in which any of those persons is or was associated with, within 2 years before lodgement of this Prospectus with ASIC, has:

- had any interest in the formation or promotion of the Company or in any property acquired or proposed to be acquired by the Company in connection with its formation or promotion, or in connection with the Offer, or in the Offer; and
- received any amounts or benefits or has agreed to be paid benefits for services rendered by such persons in connection with the formation or promotion of the Company or the Offer.



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AGC Capital Securities Pty Ltd has acted as the corporate adviser to the Company in relation to the Offer. Total fees payable to AGC Capital Securities Pty Ltd for these services are approximately A\$244,000.

Platinum Gate Global Markets Proprietary Limited has acted as the Lead Manager to the Offer. The Company has agreed to pay management fees of A\$52,500 (excl. GST) for its services in relation to the Offer for up to two months, and A\$20,000 per month for 6 months for services provided after completion of the Offer (excl. GST) and a success fee comprising 7% (with a minimum of \$500 per investor) of the funds raised pursuant to the Lead Manager Mandate, exclusive of GST. If agreed by the Company, the Lead Manager is entitled to have its success fee increased to the same percentage charged by the third party plus the higher of 2.5% or \$100. Total fees payable to Platinum Gate Global Markets Proprietary Limited for these services are approximately A\$1,082,500 (Minimum Subscription) and A\$1,292,500 (Full Subscription) (excl. GST) and the Company will incur 25% of non-recoverable GST amounts of \$27,063 (Minimum Subscription) and \$32,313 (Full Subscription) respectively. These amounts exclude any minimum fees of \$500 per investor on the assumption that the success fee calculated on each investor's investment will exceed \$500, and any fees charged by the Lead Manager for the Third Party Raising.

Pitcher Partners SA Pty Ltd has acted as the auditor to the Company in relation to the Offer. Total fees payable to Pitcher Partners SA Pty Ltd for these services are approximately A\$204,500.

Moore Stephens (VIC) Pty Ltd has prepared the Investigating Accountant's Report which is included in section 4 of this Prospectus. Total fees payable to Moore Stephens (VIC) Pty Ltd for these services are approximately A\$20,000 plus GST.

Pitcher Partners SA Pty Ltd has prepared the Taxation Report which is included in section 10 of this Prospectus. Total fees payable to Pitcher Partners SA Pty Ltd for these services are approximately A\$5,000 plus GST.

Price Sierakowski Corporate has acted as the Australian legal adviser to the Company in relation to the Offer. Total fees payable to Price Sierakowski Corporate for these services are approximately A\$175,000 plus GST.

HaoLiWen Partners has acted as the Chinese legal adviser to the Company in relation to the Offer. Total fees payable to HaoLiWen Partners for these services are approximately RMB450,000 (A\$85,209).

Patrick Mak & Tse has acted as the Hong Kong legal adviser to the Company in relation to the Offer. Total fees payable to Patrick Mak & Tse for these services are approximately HKD\$20,000 (A\$3,352).

Wrays Pty Ltd has prepared the Intellectual Property Report which is included in section 11 of this Prospectus. Total fees payable to Wrays Pty Ltd for these services are approximately A\$8,800.

## 9.5 CONSENTS

Each of the parties referred to below:

- does not make the Offer;
- does not make, or purport to make, any statement that is included in this Prospectus, or a statement on which a statement made in this Prospectus is based, other than as specified below or elsewhere in this Prospectus;
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name and a statement contained in this Prospectus with the consent of that party as specified below; and
- has given and has not, prior to the lodgement of this Prospectus with ASIC, withdrawn its consent to the inclusion of the statement in this Prospectus that are specified below in the form and context in which the statements appear.

AGC Capital Securities Pty Ltd has given and has not before lodgement of this Prospectus withdrawn its written consent to be named in this Prospectus as the corporate adviser to the Company in the form and context in which it is named. AGC Capital Securities Pty Ltd has not authorised or caused the issue of this Prospectus and takes no responsibility for any part of this Prospectus other than references to its name.

Platinum Gate Global Markets Proprietary Limited has given, and at the time of lodgement of this Prospectus, has not withdrawn its consent to be named as Lead Manager to the offer of securities under this Prospectus, in the form and context in which it is named.

Pitcher Partners SA Pty Ltd has given and has not before lodgement of this Prospectus withdrawn its written consent to be named in this Prospectus as the auditor of the Company in the form and context in which it is named and to the inclusion of the financial information in section 4 in the form and context in which it is included. Pitcher Partners SA Pty Ltd has not authorised or caused the issue of this Prospectus and takes no responsibility for any part of this Prospectus other than references to its name and the financial information in section 4.

Moore Stephens (VIC) Pty Ltd has given and has not before lodgement of this Prospectus withdrawn its written consent to be named in this Prospectus as the investigating accountant in the form and context in which it is named and to the inclusion of the Investigating Accountant's Report in the form and context in which it is included. Moore Stephens (VIC) Pty Ltd has not authorised or caused the issue of this Prospectus and takes no responsibility for any part of this Prospectus other than references to its name and the Investigating Accountant's Report.

Pitcher Partners SA Pty Ltd has given and has not before lodgement of this Prospectus withdrawn its written consent to be named in this Prospectus as the Australian taxation adviser to the Company in the form and context in which it is named and to the inclusion of the Taxation Report in the form and context in which it is included. Pitcher Partners SA Pty Ltd has not authorised or caused the issue of this Prospectus and takes no responsibility for any part of this Prospectus other than references to its name and the Taxation Report.

Price Sierakowski Corporate has given and has not before lodgement of this Prospectus withdrawn its written consent to be named in this Prospectus as the Australian legal adviser to the Company in the form and context in which it is named. Price Sierakowski Corporate has not authorised or caused the issue of this Prospectus and takes no responsibility for any part of this Prospectus other than references to its name.

HaoLiWen Partners has given and has not before lodgement of this Prospectus withdrawn its written consent to be named in this Prospectus as PRC legal adviser to the Company in the form and context in which it is named. HaoLiWen Partners has not authorised or caused the issue of this Prospectus and takes no responsibility for any part of this Prospectus other than references to its name.

Patrick Mak & Tse has given and has not before lodgement of this Prospectus withdrawn its written consent to be named in this Prospectus as Hong Kong legal adviser to the Company in the form and context in which it is named. Patrick Mak & Tse has not authorised or caused the issue of this Prospectus and takes no responsibility for any part of this Prospectus other than references to its name.

Advanced Share Registry Ltd has given and has not before lodgement of this Prospectus withdrawn its written consent to be named in this Prospectus as the Share Registry in the form and context in which it is named. Advanced Share Registry Ltd has had no involvement in the preparation of any part of this Prospectus other than being named as the Share Registry. Advanced Share Registry Ltd has not authorised or caused the issue of this Prospectus and takes no responsibility for any part of this Prospectus other than references to its name.

Wrays Pty Ltd has given and has not before lodgement of this Prospectus withdrawn its written consent to be named in this Prospectus as the Intellectual Property Expert to the Company in the form and context in which it is named and to the inclusion of the Intellectual Property Report in the form and context in which it is included. Wrays Pty Ltd has not authorised or caused the issue of this Prospectus and takes no responsibility for any part of this Prospectus other than references to its name and the Intellectual Property Report.

There are a number of persons referred to elsewhere in this Prospectus who have not made statements included in this Prospectus and there are no statements made in this Prospectus on the basis of any statements made by those persons. These persons did not consent to being named in this Prospectus and did not authorise or cause the issue of this Prospectus.

## 9.6 EXPENSES OF THE OFFER

The expenses of the Offer are expected to comprise the following amounts which are exclusive of any GST payable by the Company, unless it is not recoverable by the Company.

Expense	Minimum Subscription	Full Subscription
Lead Manager fees	\$1,109,563	\$1,324,813
Adviser fees (corporate, accounting, legal, other)	\$729,592	\$729,592
ASIC fee	\$2,350	\$2,350
ASX fee	\$120,352	\$122,452
Printing, design and miscellaneous	\$79,616	\$80,316
<b>Total</b>	<b>\$2,041,473</b>	<b>\$2,259,523</b>

## 9.7 ELECTRONIC PROSPECTUS

Pursuant to Class Order 00/44 the ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an electronic prospectus and electronic application form on the basis of a paper prospectus lodged with ASIC, and the publication of notices referring to an electronic prospectus or electronic application form, subject to compliance with certain conditions.

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If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Form. If you have not, you may obtain a copy of this Prospectus from the Company's website at [www.biomics.com](http://www.biomics.com).

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

## **9.8 LITIGATION**

Neither the Company nor any of its Subsidiaries is involved in any litigation that is material for the purposes of this Prospectus, and the Directors are not aware of any circumstances that might reasonably be expected to give rise to such litigation.

## **9.9 TAXATION**

It is the responsibility of all persons to satisfy themselves of the particular taxation treatment that applies to them in relation to the Offer, by consulting their own professional tax advisers. Neither the Company nor any of its Directors or officers accepts any liability or responsibility in respect of the taxation consequences of the matters referred to above. Please also see the Taxation Report contained in section 10.

## **9.10 FOREIGN INVESTOR RESTRICTIONS**

This Prospectus does not constitute an offer of Shares in any jurisdiction in which it would be unlawful. No action has been taken to register or qualify Shares that are subject to the Offer or otherwise permit a public offering of the Shares in any jurisdiction outside Australia.

### **9.10.1 PEOPLE'S REPUBLIC OF CHINA**

This Prospectus may not be circulated or distributed in the PRC and the Shares offered by this Prospectus have not been offered or sold, and will not be offered or sold to any person for re-offering or resale, directly or indirectly, to any resident of the PRC except pursuant to applicable laws and regulations of the PRC.

The contents of this Prospectus have not been reviewed by any PRC regulatory authority. You are advised to exercise caution in relation to the Offer. If you are in doubt about any contents of this Prospectus, you should obtain independent professional advice.

For the purpose of the paragraphs above, the PRC does not include Taiwan and the special administrative regions of Hong Kong and Macau.



### 9.10.2 HONG KONG

This Prospectus has not been, and will not be, registered as a prospectus under the New Companies Ordinance (Cap. 622) of Hong Kong (**Companies Ordinance**), nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (**SFO**). No action has been taken in Hong Kong to authorise or register this Prospectus or to permit the distribution of this Prospectus or any documents issued in connection with it. Accordingly, the Shares have not been and will not be offered or sold in Hong Kong by means of any document, other than:

- (a) to 'professional investors' (as defined in the SFO); or
- (b) in other circumstances that do not result in this Prospectus being a 'prospectus' (as defined in the Companies Ordinance) or that do not constitute an offer to the public within the meaning of that ordinance.

No advertisement, invitation or document relating to the Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors (as defined in the SFO and any rules made under that ordinance). No person issued Shares may sell, or offer to sell, such shares in circumstances that amount to an offer to the public in Hong Kong within 6 months following the date of issue of such Shares.

The contents of this Prospectus have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the Offer. If you are in doubt about any contents of this Prospectus, you should obtain independent professional advice.

### 9.10.3 SINGAPORE

This Prospectus may not be circulated or distributed in Singapore and the Shares offered by this Prospectus have not been offered or sold, and will not be offered or sold to any person for re-offering or resale, directly or indirectly, to any resident of Singapore except pursuant to applicable laws and regulations of Singapore.

The contents of this Prospectus have not been reviewed by Singaporean regulatory authority. You are advised to exercise caution in relation to the Offer. If you are in doubt about any contents of this Prospectus, you should obtain independent professional advice.



**PITCHER PARTNERS**  
ACCOUNTANTS · AUDITORS · & ADVISORS

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Pitcher Partners is an association of independent firms  
Adelaide | Brisbane | Melbourne | Newcastle | Perth | Sydney

27 March 2017

The Directors  
Biomics Biopharma Limited  
Level 36, Gateway Tower  
1 Macquarie Place  
SYDNEY NSW 2000  
AUSTRALIA

Dear Sirs,

## TAXATION REPORT

Pitcher Partners SA Pty Ltd has been engaged by the Directors of Biomics Biopharma Limited ACN 613 499 184 ("Biomics" or "the Company") to prepare this Taxation Report for inclusion in the Prospectus to be dated on or about 27<sup>th</sup> March 2017 relating to the offer for subscription of ordinary shares at an issue price of \$0.20 per share in the Company.

Biomics will list on the Australian Stock Exchange ("ASX") and will act as the international holding company of its wholly owned subsidiary Biomics Biopharma Limited ("BBHK"), a company registered in Hong Kong and its wholly owned subsidiary Biomics Biotechnologies Co. Limited ("BBPRC"), a company registered in the People's Republic of China.

This report has been prepared on the assumption that the shares will be held on capital account and it therefore does not deal with the tax issues that apply to shareholders who are in the business of share trading or who hold the shares on income account.

All information contained in this Taxation Report must be read in conjunction with and in the context of the prospectus and also with our disclaimer.

### 1. INVESTING IN BIOMICS

The taxation consequences of any investment will depend upon a taxpayer's particular circumstances.

This report considers the Income Tax Assessment Act 1936 ("ITAA 1936"), the Income Tax Assessment Act 1997 ("ITAA 1997") and associated Acts (the "Australian Tax Legislation").

This report is based on Australian Tax Legislation and established interpretations of that legislation at the date of issue and is not intended to be an authoritative or complete statement of the law applicable to the particular circumstances of investors.

Pitcher Partners SA Pty Ltd ABN 36 112 219 735  
Liability limited by a scheme approved under Professional Standards Legislation

 an independent member of  
**BAKER TILLY**  
INTERNATIONAL  
Offices throughout the world

## 2. TAXATION TREATMENT OF DIVIDENDS

The capital raise in Biomics involves the issue of shares which will be “equity interests” for Australian tax purposes (determined in accordance with Australian Tax Legislation and the debt/equity classification rules therein).

Biomics is incorporated in Australia and is understood to own (directly and indirectly) subsidiary companies located in tax jurisdictions outside Australia (“foreign subsidiaries”).

We are advised that the main income derived by Biomics will be from the receipt of dividends from its foreign subsidiaries.

### 2.1 Dividends

Dividends paid by an Australian resident company constitute assessable income, the taxation of which will depend on the nature of the taxpayer and the level to which the dividends are franked.

A franking credit is commonly referred to as an imputation credit and is the share of tax paid on profits from which dividends are paid.

Franked dividends are paid to shareholders out of profits on which an Australian resident company has already paid tax. Franked dividends carry an associated franking credit which may reduce the amount of tax payable by the shareholder.

Unfranked dividends have had no Australian company tax paid on the profits from which they are paid. Unfranked dividends do not carry an associated franking credit.

Where Biomics does not pay Australian company tax on its profits, it will not generate franking credits.

Based on the information contained in the prospectus, the Company is not likely to be subject to any Australian tax and will generate no franking credits.

Based on the information contained in the prospectus, the directors are of the opinion there will be no activities that would give rise to Australian taxation under the Controlled Foreign Company (“CFC”) provisions.

No franking credits are likely to be available and it is anticipated that, if dividends are paid by Biomics, they will be unfranked.

## 3. TAX IMPLICATIONS OF RECEIVING DIVIDENDS

The tax treatment of receiving dividends will vary depending on the circumstances relating to the particular individual or entity.

All tax payers should seek professional advice in respect of their particular circumstances.

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### **3.1 Individual Taxpayers**

An individual receiving a dividend will include the amount of the dividend in their assessable income in the year it is paid or credited to them. Tax is paid at the individual's marginal rate of tax.

The individual's assessable income is grossed up to include any franking credit. The individual may be entitled to a tax offset for the amount of the franking credit.

Where an individual's marginal rate of tax is greater than 30%, franked dividend income may give rise to additional tax payable.

Where the individual's marginal rate of tax is less than 30%, the franking credits may be available to offset tax payable on other income of the individual. Any excess franking credits may give rise to a refund of tax.

Additional levies such as Medicare Levy may be payable as a result of receiving the dividends.

### **3.2 Company Taxpayers**

A company receiving a dividend will include the dividend as assessable income and pay tax at the corporate tax rate, generally 30% unless the company is a "small business entity".

Where dividends are franked, the company tax rate, is applied to the grossed up dividend.

A tax offset equivalent to the franking credit will generally be available. In the event the dividend is fully franked, a company taxpayer would pay no further tax on the dividend.

Company taxpayers that have tax losses and receive franked dividends may be able to convert any excess franking offsets to tax losses.

In limited circumstances, certain corporate entities may be entitled to receive a refund of the franking credit where they satisfy Division 67 of the ITAA 1997.

### **3.3 Trust Taxpayers**

Specific taxation rules apply to income received by trusts. The tax liability depends on the type of trust, the trust deed and whether income is distributed to beneficiaries. In many circumstances, the trust is not liable to pay tax and the income is taxed in the hands of the beneficiaries.

### **3.4 Complying Superannuation Funds**

Complying Superannuation Funds are required to gross up any franked dividend for income tax purposes. Any franking credit may be available to offset tax payable on other income of the complying superannuation entity or alternatively results in a refund of the excess franking credits.

### **3.5 PAYG Withholding Tax**

Interest, dividend or royalty payments to a non-Australian resident will generally require the payer to withhold a portion of the gross amount and remit that amount to the Australian Taxation Office. Withholding tax applies at varying rates and where Australia has a tax treaty with the relevant country a lower rate may apply.

Fully franked dividends are not subject to withholding tax and withholding will generally not apply to Australian resident taxpayers.

### **3.6 Tax File Number Withholding**

If a resident shareholder chooses not to provide a tax file number to Biomics, the Company will be required to withhold tax at 49% (being the current top marginal tax rate plus the Medicare Levy) from the unfranked part of the dividend.

### **3.7 Tax Avoidance**

Various measures are contained in the Australian Tax Legislation to target tax avoidance including, dividend streaming and franking credit trading. Taxpayers should take their own advice to ensure that such measures do not apply to their situation.

## **4. DISPOSAL OF SHARES**

The disposal of the shares acquired by shareholders in the capital raising will constitute a CGT event. The shareholder will make a capital gain in respect to the CGT event if the proceeds received from the disposal of the shares exceed the cost base of the shares. Alternatively the shareholder will make a capital loss if the reduced cost base of the shares exceeds the proceeds from the disposal. Capital losses can only be used to offset capital gains.

Individuals, trusts and complying superannuation funds that dispose of shares that they have owned for at least 12 months may be able to reduce the capital gain. The reduction available is one-third for complying superannuation funds and 50% for individuals and trusts. The reduction is calculated after capital losses have been applied.

Any net capital gain is included in the assessable income of the shareholder.

## **5. GOODS & SERVICES TAX**

The acquisition of shares is a financial supply for Australian GST purposes and accordingly GST should not be payable in respect of the amount payable for the allotment of shares.

## **6. STAMP DUTY**

No stamp duty should be payable in respect to the acquisition of the shares.

## 7. LIMITED SCOPE OF REPORT

The purpose of this Taxation Report is to provide a general outline of Australian tax issues for investors who accept the offer to acquire shares in Biomics.

This outline is a general overview of the Australian tax law and is based on relevant Australian tax law and interpretations at the date of the prospectus. It is not intended to provide a complete statement of the specific implications for each shareholder.

The Report also does not address the tax issues for investors that, due to their particular circumstances, are subject to specific tax rules, such as calculation of the tax payable by a non-resident in respect to a capital gain, tax exempt organisations, banks, taxpayers subject to the TOFA rules, shares acquired under an employee share plan, taxpayers who cease to be an Australian tax resident or non-resident entities with an Australian permanent establishment.

Therefore, each investor should seek their own independent tax advice to determine the possible taxation consequences of accepting the offer to acquire shares.

## 8. DISCLAIMER

Pitcher Partners SA Pty Ltd ABN 36 112 219 735 ("Pitcher Partners") is a registered tax agent under the Tax Agent Services Act 2009 (registration no. 45218002) and is authorised to provide this report about liabilities, obligations or entitlements that arise under Commonwealth taxation laws for tax purposes.

This report is provided in the ordinary course of Pitcher Partners' activities as a registered tax agent, and only addresses certain taxation implications of the offer of shares in Biomics. In particular, this report does not take into account any user's personal objectives, situation or needs and is not intended to imply any recommendation or opinion about a financial product.

This report does not constitute financial product advice under the Corporations Act 2001 (Cth). It is recommended that any user of this report obtains financial product advice before making any decision on the offer of shares in Biomics, including any decision to purchase shares or invest in Biomics under the offer.

To the extent this tax report contains any information about a 'financial product' within the meaning of that term in the Corporations Act 2001, taxation is only one of the matters that must be considered when making a decision on a financial product.

Yours sincerely

**PITCHER PARTNERS**



**P W SHEPHERD**  
Principal





## INTELLECTUAL PROPERTY REPORT (BIOMICS)

Our Ref: 265091

28 March 2017

### The Directors

Biomics Biopharma Limited  
c/- AGC Capital Securities Pty Ltd  
Level 36, Gateway Tower  
1 Macquarie Place  
Sydney NSW 2000  
Australia

Dear Directors

This Report has been prepared for Biomics Biopharma Limited ("BBM"), for inclusion in a Prospectus required for lodgement at the Australian Securities and Investments Commission for the purpose of raising funds through the issue of securities.

We are informed that BBM is the ultimate holding company of Biomics Biotechnologies Co., Ltd. ("BBC") and this report provides details of patents and applications filed by BBC.

### 1.0 Structure of Report

Section 2.0 provides background information relevant to the understanding of patent rights including international agreements governing patent rights.

Section 3.0 identifies patents and patent applications filed by BBC in English language jurisdictions, referencing a separate report prepared by HaoLiWen Partners.

Section 4.0 outlines the scope and limitations of this Report.

Sections 5.0 presents Wrays' Statement of Independence.

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[www.wrays.com.au](http://www.wrays.com.au)  
[wrays@wrays.com.au](mailto:wrays@wrays.com.au)

## 2.0 Patents – background information

Patents provide protection for new, non-obvious and useful inventions for a limited period. Patents may be granted in respect of new or improved products, compositions and processes in almost all areas of current scientific, commercial and industrial activities. However, it is important to note that not all new or improved products are amenable to patent protection, and that there is considerable variation between jurisdictions in this regard.

Patent rights are typically national rather than trans-national and a patent must be obtained in each country where protection for an invention is required. A fundamental requirement of the patent system is that the invention be 'new' at the time of lodging a patent application. Newness in this sense is judged in relation to what was publicly known or used at the priority date of the patent application. Another requirement is for a distinct inventive advance over what was previously known. This means that valid patent protection cannot be obtained for obvious developments.

Pursuant to the Paris Convention for the Protection of Industrial Property, the filing of an initial patent application in a Paris Convention member state establishes a priority date for the invention in that state *and all other countries that are a party to this Convention*, including countries such as the United States, Canada, New Zealand, Europe and Japan.

Within the one year of filing the initial patent application, in order to obtain protection in other countries, the applicant may file separate national patent applications in each of the countries in which protection is required. Alternatively, the applicant may file a single international application under the provisions of the Patent Cooperation Treaty (generally referred to as a 'PCT' application or an 'International' application) in which it is possible to designate countries or regions in which protection is required. The International application itself does not mature into a worldwide patent, but at the end of the international phase, steps can be taken to file the application into any or all of the countries or regions designated in the original International application.

Regional patent applications, such as a European regional application, may also be filed. A European application may designate any or all countries that are a party to the European Patent Convention. The European patent application is processed centrally and in a single language and, if ultimately successful, can mature into a granted European patent, which must then be validated in each country in which protection is sought, some of which require translation into that country's native language. The term 'European patent' thus actually

constitutes a bundle of national patent rights, each of which can be enforced separately through national Courts.

The registration of a patent right includes a number of steps, the timings of which are widely variable from jurisdiction to jurisdiction, and also may vary greatly across different types of technology applications within one jurisdiction's examination office. In some jurisdictions, after a patent application is filed the application must be examined for substantive patentability before registration. Furthermore, in some jurisdictions the applicant is required to request examination before the application will proceed to examination, whilst in other jurisdictions examination will occur automatically in due course.

In Australia and most other countries, patent rights may be kept in force for a period of 20 years from the date of filing of the complete application on which the patent is granted.

A granted patent enables the patentee to prevent others from performing the invention claimed therein. A granted patent does *not* guarantee that performing the invention described in the patent does not infringe the rights of other patent owners. The scope of the monopoly that prevents others from performing the invention afforded by a granted patent is defined by the claims of the patent. As such, the following analysis of patents and patent applications filed by BBC is focussed on the claims of those patents and patent applications.

In most countries, a patent application is subjected to examination for novelty and obviousness (and other grounds) before a patent is granted. There can be no assurance that any of the patent applications set out below will result in the grant of a patent, or that the scope of protection provided by any granted patent will be identical to the scope of the application as originally filed, or that the granted patent will effectively inhibit competition. Furthermore, due to differences in examination between countries and regions and scope of available protection, the scope of protection provided by a granted patent in one jurisdiction may differ from that provided by a granted patent in another jurisdiction.

Further, it should be noted that the grant of a patent does not guarantee validity of that patent since it may be revoked by a court on the grounds of invalidity at any time during its life. If none of the claims of a granted patent are valid, then the patent is unenforceable. For example, relevant prior disclosures may be discovered that were not raised during examination, which may limit the scope of patent protection sought, perhaps to a very narrow field. In the preparation of this report, we have not assessed the validity of the granted patents or the likelihood that the pending applications will grant with commercially effective patent claims.

### 3.0 Patents and Patent Applications filed by BBC

#### 3.0A Patents and patent applications in the PRC

BBC has filed a number of patent applications, and had a number of patents granted in the People's Republic of China ("the PRC Patents and Applications"). An analysis of the standing and scope of the PRC Patents and Applications is outside the scope of this report. However, we understand that Biomics Biotechnologies Co., Ltd. commissioned a separate report summarising the status of the PRC Patents and Applications from HaoLiWen Partners ("the PRC Patent Report"). A copy of the PRC Patent Report was provided to us on 28 March 2017. A summary of the patents and patent applications listed in the PRC Patent Report is provided as Annexure A. We have not verified the information provided in the PRC Patent Report and summarised in Annexure A regarding ownership and the status of the patents and patent applications.

We note that the report references patent applications filed in the PRC *within the preceding 12 month period*. Relevantly the People's Republic of China is a member state of the Paris Convention for the Protection of Industrial Property (entered into force 19 March 1985) and the Patent Co-operation Treaty (entered into force 1 January 1994). This means that, *for these applications only*, it is possible for BBC to file patent applications within the member states of the Paris Convention, or to file an international patent application under the Patent Co-operation Treaty, as discussed in Section 2.0 of the report.

#### 3.0B Patent and patent applications outside the PRC

BBC has also filed a number of patents and applications for patents outside the PRC ("the non-PRC Patents and Applications"). Wrays was supplied with a list of the non-PRC Patents and Applications. The following report details the status and standing of each of the non-PRC Patents and Applications reported to Wrays, together with a summary of the scope of the patent, or potential scope of the pending application, as reflected in the broadest granted or pending claims.

Our analysis of the non-PRC Patents and Applications is broken down by patent family. A patent family is a group of patents that claims a priority date from the same initial patent or group of patents.

**A. Modified oligonucleotide and its preparation and application.**

a. US8563710.

(Application number 13/262,702; Publication number US20120088815).

Derived from: PCT/CN2010/00045.

Priority date: 3 April 2009.

Filed: 30 March 2010.

Expiry: 27 August 2030.

Applicant/Assignee: Biomics Biotechnologies Co., Ltd.

Inventor: Liang, Zicai.

Status: Issued – next renewal due 23 Oct 2017.

Broadest granted claims:

1. A modified oligonucleotide comprising a first nucleic acid fragment and a second nucleic acid fragment, wherein each of said first nucleic acid fragment and said second nucleic acid fragment is 18 to 30 nucleotides in length; said first nucleic acid fragment and said second nucleic acid fragment can form double-stranded region; said first nucleic acid fragment contains at least one contiguous CA or UG sequence, said second nucleic acid fragment contains at least one contiguous CA or UG sequence complementary to the CA or UG sequence in said first nucleic acid fragment, the CA or UG sequence(s) of said first nucleic acid fragment and the CA or UG sequence(s) of said second nucleic acid fragment pair to form CA/UG and/or UG/CA site(s); wherein at least one of the nucleotides in at least one of the CA/UG and/or UG/CA site(s) is a modified nucleotide; wherein all other nucleotides are unmodified nucleotides; and said modified nucleotide(s) providing improved stability of said modified oligonucleotide in mammalian serum compared to stability of an unmodified oligonucleotide.

17. A method for preparing an oligonucleotide that is highly stable in a biological sample and can inhibit the expression of a target gene, comprising: (a) selecting one or more nucleic acid sequences of between 18 and 30 nucleotides in length from the nucleotide sequence of the mRNA resulting from the transcription of the target gene; and (b) synthesizing the selected sequences, wherein one strand comprises a

sequence complementary to selected sequence in (a); and (c) testing one or more oligonucleotides of (b) for their activity to inhibit the expression of the target gene in a biological sample; and (d) selecting one or more oligonucleotides of (c) possessing the activity to inhibit the expression of the target gene in a biological sample; and (e) in the oligonucleotides selected in (d), identifying in the nucleotide sequences of all occurrences of the CA/UG and UG/CA site(s); and (f) synthesizing one or more oligonucleotides selected in (d), wherein at least one nucleotide in the CA/UG and UG/CA site(s) identified in (e) is replaced by a corresponding modified nucleotide; wherein only cytidine nucleotide(s) in all occurrences of the CA/UG or UG/CA site is/are modified, and wherein all the nucleotides are unmodified nucleotides except the nucleotides in said CA/UG and/or UG/CA site(s).

20. A method for preparing an oligonucleotide with nuclease resistance, said method comprising the steps of: (a) identifying in the nucleotide sequence of the oligonucleotide all occurrences of CA/UG and UG/CA site(s); and (b) synthesizing the oligonucleotide, wherein at least one nucleotide in the CA/UG and UG/CA site(s) identified in (a) is replaced by a modified corresponding nucleotide; wherein only cytidine nucleotide(s) in all occurrences of CA/UG or UG/CA site is/are modified, and wherein all the nucleotides are unmodified nucleotides except the nucleotides in said CA/UG and/or UG/CA site(s).

**B. Multi-targets interfering RNA molecules and their applications.**

a. US9115167.

(Application number 13/415,600; Publication number US2012 0232126).

Derived from: (non-PCT).

Priority date: 10 March 2011.

Filed: 8 March 2012.

Expiry: 5 August 2032.

Applicant/Assignee: Biomics Biotechnologies Co., Ltd.

Inventors: Zhu, York Yuan Yuan; Li, TieJun.

Status: Issued – next renewal due 26 August 2019.

Broadest granted claims:

1. An interfering RNA (iRNA) molecule comprising a double-stranded RNA molecule having the sequences: TABLE-US-00011

Sense strand: (SEQ ID NO: 1)

5'GACUUGGCCAGUGUUUCUCAUGCGUCGGGAUGACUGAGUACCUGA A-3',

Antisense strand: (SEQ ID NO: 2)

5'-UUCAGGUACUCAGUCAUCCGCAGCACACAGAAACACUGGGCCAAGU C-3',

wherein each of said sense strand and antisense strand comprising: (i) at least 30 nucleotides; and (ii) a region of a non-complementary loop structure, wherein said sense strand comprises a first segment and a second segment that are complementary to a third segment and a fourth segment of said antisense strand, respectively, wherein said first and second segments target at least two RNAs of different genes, wherein the region on the sense strand and the region on the antisense strand are not complementary to each other, wherein said region on the sense strand is between said first segment and said second segment, and wherein the iRNA does not induce an interferon-response when introduced into a cell.

- b. US14/805,746.

(Publication number US 20160053267).

Derived from: This is a divisional application from US9115167, described immediately above.

Priority date: 10 March 2011.

Filed: 22 July 2015.

Expiry if granted: 8 March 2032.

Applicant/Assignee: Biomics Biotechnologies Co., Ltd.

Inventors: Zhu, York Yuan Yuan; Li, TieJun.

Status: Filed (pending application; under examination,- Office Action issued by USPTO 1 Feb 2017).

Broadest pending claims:

1. An interfering RNA (iRNA) molecule, comprising: a sense strand and an antisense strand annealed to said sense strand, wherein each of said sense strand and

antisense strand comprising: (i) at least 30 nucleotides; and (ii) a self-complementary hairpin structure, wherein said sense strand comprises a first segment and a second segment that are complementary to a third segment and a fourth segment of said antisense strand, respectively, wherein said first and second segments target at least two RNAs of different genes, or target at least two portions of an RNA of a single gene, and wherein the iRNA does not induce an interferon-response when introduced into a cell.

**C. Double-stranded RNA molecules with stability in mammalian body fluid, preparation and application thereof.**

a. US8846895.

(Application number 13/582,936, Publication number US2013 065940).

Derived from: PCT/CN2011/000356.

Priority date: 29 March 2010.

Filed: 29 March 2011.

Expiry: 29 March 2031.

Applicant/Assignee: Biomics Biotechnologies Co., Ltd.

Inventors: Du, Quan; Liang, Zicai.

Status: Issued – next renewal due 01 Oct 2018.

Broadest granted claims:

1. An isolated, synthesized small interfering RNA molecule, wherein the RNA molecule has at least one of the following sequence properties: the content of CA/UG and/or UG/CA sequence is not greater than 3%; and the content of the combination of UA/UA and (CA/UG and/or UG/CA) sequence is not greater than 10%.

**D. Application of Highly Conserved Domain sequences from Viral genome as Template to Design Therapeutic siRNAs.**

a. US9284560.

(Application number US13/388,979, Publication number US2013 0210894).

Derived from: PCT/US2011/52193.

Priority date: 20 September 2010.

Filed: 29 March 2011.

Expiry: 29 March 2031.

Applicant/Assignee: Biomics Technologies Co., Ltd.

Inventors: Zhu, York YuanYuan; Chen, Li; Li, Tiejun; Lu, Yixiang; Sun, Yuncheng; Wang, Jinkang.

Status: Issued – next renewal due 16 March 2020.

Broadest granted claims:

1. An siRNA for modulating a Toll-like Receptor (TLR), comprising a nucleotide sequence that is 14-25 nucleotides in length and at least 90% identical to a fragment of a highly conserved domain of a viral genome sequence of a picornavirus, wherein the siRNA has a GC content of at least 40% and comprises a double-stranded RNA, wherein the double-stranded RNA is either blunt ended or has a length of 14 to 25 nucleotides, and wherein said highly conserved domain sequence is located in nucleotides from 241 to 263 of SEQ ID NO: 1.

For reference, SEQ ID No: 1 is provided as follows:

```
1 ttaaacagc tctggggtg ttccacccc agaggccac gtggcgcta gtactccgt
61 acccggtag cctgtacgc ctgtttata ctcccttcc caagtaact tagaagaaat
121 aaactaatgt tcaacaggag ggggtacaaa ccagtaccac cacgaacaca cacttctgt
181 tccccggtga agttgcatag actgtacca cggttgaaag cgatgaatcc gttaccgct
241 tagtacttc gagaagccta gtatcatctt ggaatctcg atcggttgcg atcagcactc
301 taccocagat gtagctggg tcgatgagtc tggacacccc acaccggcga cgggtgtcca
361 ggctgcgtg gcggcctacc catggctagc accatgggac gctagttgtg aacaaggtgc
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421 gaagagccta ttgagctacc tgagagtct cggcccctg aatcgggcta atcccaacca  
481 cggagcaaat gctcacaatc cagtgagtgg ttgtcgtaa tgcgcaagtc tgggcgga  
541 ccgactactt tggcgctccg tgttccttt tattttatt atggctgctt atggtgacaa  
601 tctgagattg ttatcatata gctattggat tagccatccg gtga.

**E. Lipidosome preparation, preparation method and application thereof.**

a. US14/436,060.

(Publication number US2015 0272886).

Derived from: PCT/CN2013/072236.

Priority date: 16 October 2012.

Filed: 06 March 2013.

Expiry if granted: 06 March 2033.

Applicant/Assignee: Biomics Biotechnologies Co., Ltd.

Inventors: Chen, Jianxin; Peng, Wei; Li, Tiejun.

Status: Filed (pending application; under examination, Office Action issued by USPTO 23 Dec 2016).

Broadest pending claims:

1. A liposome formulation comprising complementary cationic lipid pairs, phospholipids, and long-circulating lipids.

b. AU2013380825.

Derived from: PCT/CN2013/072236.

Priority date: 16 October 2012.

Filed: 06 March 2013.

Expiry if granted: 06 March 2033.

Applicant/Assignee: Biomics Biotechnologies Co., Ltd.

Inventors: Chen, Jianxin; Peng, Wei; Li, Tiejun.

Status: Filed (pending application; examination requested) - next renewal due 6 March 2017.

Broadest pending claims:

1. A liposome formulation comprising complementary cationic lipid pairs, phospholipids, and long circulating lipids.

c. CA2888286.

Title: Liposome Formulation, Its preparation and Application.

Derived from: PCT/CN2013/072236.

Priority date: 16 October 2012.

Filed: 06 March 2013.

Expiry if granted: 06 March 2033.

Applicant/Assignee: Biomics Biotechnologies Co., Ltd.

Inventors: Chen, Jianxin; Peng, Wei; Li, Tiejun.

Status: Filed (pending application; examination not yet requested) - next renewal due 06 March 2017.

Broadest pending claims:

1. A liposome formulation comprising complementary cationic lipid pairs, phospholipids, and long-circulating lipids.

**F. Long interfering nucleic acid duplexes targeting multiple RNA targets.**

a. US14/826,818.

(Publication number US2016 0040170).

Derived from: (non-PCT).

Priority date: 5 September 2007.

Filed: 14 August 2015.

Expiry if granted: 5 September 2027.

Applicant/Assignee: Biomics Biotechnologies Co., Ltd.

Inventors: Liang; Dong; Sweedler; David; Cui; Kunyuan

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Status: Filed (pending application; under examination, Office Action issued by USPTO 06 Jan 2017).

Broadest pending claims:

1. An interfering nucleic acid (iNA) duplex comprised of a sense strand of nucleotides having a 5' end and a 3' end annealed onto an antisense strand of nucleotides having a 5' end and a 3' end wherein the antisense strand has at least two segments, wherein one segment of the antisense strand can target a first RNA and another segment of the antisense strand can target a second RNA, or one segment of the antisense strand can target a first portion of an RNA and another segment of the antisense strand can target a second portion of said RNA, and wherein the iNA does not induce an interferon-response when transfected into a cell.

19. A pharmaceutical composition comprised of an iNA duplex having a sense strand of nucleotides having a 5' end and a 3' end annealed onto two or more antisense strands of nucleotides each strand having a 5' end and a 3' end wherein one antisense strand can target a first mRNA and one antisense strand can target a second mRNA, or one antisense strand can target one site on an mRNA and one antisense strand can target another site on said mRNA and wherein the iNA does not induce an interferon-response when transfected into a cell, and a pharmaceutically acceptable excipient.

21. A method for down-regulating an mRNA in a mammal comprising administering an iNA to said mammal wherein said iNA duplex has a sense strand of nucleotides having a 5' end and a 3' end annealed onto two or more antisense strands of nucleotides each strand having a 5' end and a 3' end wherein one antisense strand can target a first segment of said mRNA and a second antisense strand can target a second segment of said mRNA, and wherein the iNA does not induce an interferon-response when transfected into a cell.

The expiry date of still pending patent applications has been estimated based on the latest possible filing date under the Paris Convention. This estimate does not make allowances for any patent term adjustments or extensions (such as pharmaceutical patent term extensions which might be available).

This Report is based on information generated by searches undertaken on 3 August 2016 (claim content) and 6 January 2017 (case status) and Wrays is not aware of any material changes expected to occur to the status of matters discussed below, except for normal changes in the course of standard patent prosecution.

#### **4.0 Limitations of this Report**

- A. This Report is not to be construed as a legal opinion as to the registrability, status or validity of the PRC Patents and Applications, or the non-PRC Patents and Applications.
  
- B. A patent for an invention may only be granted to the inventor(s) or to a person who has entitlement to the invention by way of assignment, employment contract or other means. Wrays has not been instructed to undertake, and has not undertaken, an investigation as to the means by which BBC has obtained title to the inventions described in any of the patents or patent applications named thereon. Wrays has not been instructed to undertake, and has not undertaken, an investigation as to whether the inventors named on each patent or patent application constitute all the inventors entitled to be so named. As such, this report does not provide any indication that BBC has valid title to the patents and patent applications listed herein. In the course of undertaking the investigations necessary within the scope of this report, Wrays identified nothing that calls into question the validity of BBC's title to the patents and patent applications listed herein.
  
- C. This Report does not provide any indication that the subject inventions may be commercially exploited in any jurisdiction without risk of infringement of existing patents to other parties. It is important to note that the granting of a patent does not guarantee that the patentee has freedom to operate the invention claimed in the patent. It may be that working of a patented invention is prevented by the existence of another patent. In the preparation of this report, we have not assessed whether or not the commercialisation of the inventions described in the PRC Patents and Applications or the non-PRC Patents and Applications will infringe third party patent rights.

- D. Wrays has confirmed the status and/or standing by way of on-line records presented by the Patent Offices of the relevant jurisdictions. All searches are subject to the accuracy and scope of the records searched as well as to the indexing and classification of those records.
- E. In most countries, patent applications undergo an independent search and examination by the local Patent Office, the results of which are not binding in other jurisdictions. Similarly, international PCT search and examination reports are not binding on national patent applications during subsequent examination in the national phase. Such reports should therefore be regarded as indicative only and not determinative of patentability. It should also be appreciated that the grant of a patent in one country provides no guarantee that patents will grant in other jurisdictions.
- F. This Report is not to be construed as representing that the claims of any of the applications within either the PRC Patents and Applications, or the non-PRC Patents and Applications, will be granted in their current form. It is often necessary during the examination of a patent application to define the invention more specifically by amendment of the claims, so as to distinguish relevant prior art. As a result of this process, there may be variations in the claims between countries, reflecting in part the different examination procedures and threshold requirements for patentability, according to national laws. Whilst this is a relatively standard procedure, in certain circumstances, such amendments may affect the scope and hence the commercial significance of the resultant patent protection.

#### **5.0 Statement of Independence**

Wrays, established in 1920, is an Australian intellectual property law firm, proudly representing a significant number of Australian and international businesses. Neither Wrays nor any of its Directors has any entitlement to any securities in Biomics Biopharma Ltd, or has any other interest in the promotion of Biomics Biopharma Ltd. Furthermore, the payment of fees to Wrays for the preparation of this Report is not contingent upon the outcome of Biomics Biopharma Ltd decision to purchase Biomics Biotechnologies Co., Ltd.

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We have given our consent to the issue of the Prospectus with this Report appearing therein.

Yours sincerely

WRAYS

A handwritten signature in black ink, appearing to read 'Todd Shand', with a long horizontal flourish extending to the right.

Todd Shand

Principal

## ANNEXURE A

### Summary of Chinese Patents and Patent Applications from the PRC Patent Report of HaoLiWen Partners

The PRC Patent Report was provided to Wrays on 28 March 2017; the ownership and status of patents and applications as outlined in PRC Patent Report of HaoLiWen Partners has not been independently checked by Wrays.

#### Registered Patents

No.	Name	Patent No.	Patentee	Application Date
1	RNA EXTRACTION SOLUTION AND ITS MANUFACTURING AND APPLICATION	01113523.9	Biomics Biotechnologies Co., Ltd.	2001/4/10
2	A COMPLEMENTARY MANUFACTURING DNA	01113524.7	Biomics Biotechnologies Co., Ltd.	2001/4/10
3	SIRNA FULL-SITES LIBRARY CONSTRUCTED BY HIGHTHROUGH PCR-BASED METHOD	200710024217.6	Biomics Biotechnologies Co., Ltd.	2007/7/23
4	A METHOD OF CONSTRUCTING AND MANUFACTURING OF RESTRICTION ENZYME ECOP15I	200810019839.4	Biomics Biotechnologies Co., Ltd.	2008/3/19
5	A NOVEL MODIFIED INTERFERING RNA AND ITS PREPARATION	200910081144.3	Biomics Biotechnologies Co., Ltd.	2009/4/3
6	A NOVEL MODIFIED INTERFERING RNA AND ITS PREPARATION	200910081145.8	Biomics Biotechnologies Co., Ltd.	2009/4/3
7	SIRNA MOLECULE INHIBITING SURVIVIN GENE AND ITS APPLICATION	200910054374.0	Biomics Biotechnologies Co., Ltd.	2009/7/3
8	SIRNA MOLECULE INTERFERING SURVIVIN GEN AND ITS APPLICATION	200910054393.3	Biomics Biotechnologies Co., Ltd.	2009/7/3
9	SIRNA MOLECULE TARGETING SURVIVIN GENE AND ITS APPLICATION	200910054394.8	Biomics Biotechnologies Co., Ltd.	2009/7/3
10	MULTI-TARGETS INTERFERING RNA MOLECULES AND THEIR APPLICATIONS	201010521988.8	Biomics Biotechnologies Co., Ltd.	2010/10/28

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No.	Name	Patent No.	Patentee	Application Date
11	TISSUE FACTOR GENE TARGETED SMALL INTERFERING RNA AND ITS APPLICATION	201110094733.2	Biomics Biotechnologies Co., Ltd.	2011/4/15
12	NUCLEIC ACID EXAMINATION METHOD AND ITS APPLICATION	201110378436.0	Biomics Biotechnologies Co., Ltd.	2011/11/24
13	A MODIFIED SMALL INTERFERING RNA MOLECULE AND ITS PREPARATION	201310052144.7	Biomics Biotechnologies Co., Ltd.	2009/4/3
14	A MODIFIED SMALL INTERFERING RNA MOLECULE AND ITS PREPARATION	201310053471.4	Biomics Biotechnologies Co., Ltd.	2009/4/3
15	THE APPLICATION OF HIGHLY CONSERVED DOMAIN SEQUENCES FROM VIRAL GENOME AS TEMPLATE TO DESIGN THERAPEUTIC SLIRNAS	201180050847.5	Biomics Biotechnologies Co., Ltd.	2011/9/19

### Patent Applications

No.	Title	Application No.	Applicant	Application Date	Status
1	DOUBLE-STRANDED RNA MOLECULES WITH STABILITY IN MAMMALIAN BODY FLUID, PREPARATION AND APPLICATION THEREOF	201010253909.X	Biomics Biotechnologies Co., Ltd.	2010/8/16	Request for re-examination filed
2	SIRNA MOLECULE INHIBITING BCL-2 GENE AND ITS APPLICATION	201010521935.6	Biomics Biotechnologies Co., Ltd.	2010/10/28	Request for re-examination filed
3	A TYPE OF CELL STAINING KIT AND ITS USE	201210392692.X	Biomics Biotechnologies Co., Ltd.	2012/10/16	Request for re-examination filed
4	A NOVEL MANUFACTURING METHOD OF SCALABLE LONG RNA THEREAPEUTICS	201310053753.4	Biomics Biotechnologies Co., Ltd.	2013/2/19	Examination has been requested
5	ANTI-DOTA CHIMERIC ANTIGEN RECEPTOR MODIFIED T CELLS AND ITS ANTI-TUMOR APPLICATION	201410069724.1	Biomics Biotechnologies Co., Ltd.	2014/2/28	Examination has been requested
6	METHODS OF THE ISOLATION AND ESTABLISHMENT OF PRIMARY EPITHELIAL CELLS AND / OR INTERSTITIAL CELLS FROM THE PROSTATE GLAND TISSUE	201410176073.6	Biomics Biotechnologies Co., Ltd.	2014/4/28	Filed; request for examination due
7	THE APPLICATION OF HIGHLY CONSERVED DOMAIN SEQUENCES FROM VIRAL GENOME AS TEMPLATE TO DESIGN THERAPEUTIC SLIRNAS	201510310381.8	Biomics Biotechnologies Co., Ltd.	2011/9/19	Examination has been requested
8	MULTIPLE GENES TARGETED SIRNA AND ITS ANTITUMOR APPLICATION	201410200302.3	Biomics Biotechnologies Co., Ltd.; Nantong University	2014/5/13	Application rejected
9	MULTI-TARGETED SIRNA MOLECULE AND ITS ANTITUMOR APPLICATION	201410200512.2	Biomics Biotechnologies Co., Ltd.; Nantong University	2014/5/13	Application rejected
10	HIGHLY POSITIVE LIPOSOME FORMULATION AND ITS APPLICATION	201610222630.2	Biomics Biotechnologies Co., Ltd.	2016/4/11	Filed; request for examination due
11	A PREPARATION METHOD OF LINEAR DOUBLE-STRANDED ADENO-ASSOCIATED VIRUS GENOME	201610463434.4	Biomics Biotechnologies Co., Ltd.	2016/6/23	Filed; request for examination due

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No.	Title	Application No.	Applicant	Application Date	Status
12	A METHOD FOR PREPARING LINEAR SINGLE-STRANDED DNA IN ESCHERICHIA COLI	201610464596.X	Biomics Biotechnologies Co., Ltd.	2016/6/23	Filed; request for examination due
13	ANTI-ACNECOMPOUNDBASED ON SMALL RNA	201610840261.3	Biomics Biotechnologies Co., Ltd.	2016/9/21	Filed; request for examination due

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**Patents and Patent Applications in the patent family titled 'HBV Treatment'  
(PCT/CN 2011/081386) Co-owned with Benitec Biopharma Ltd.**

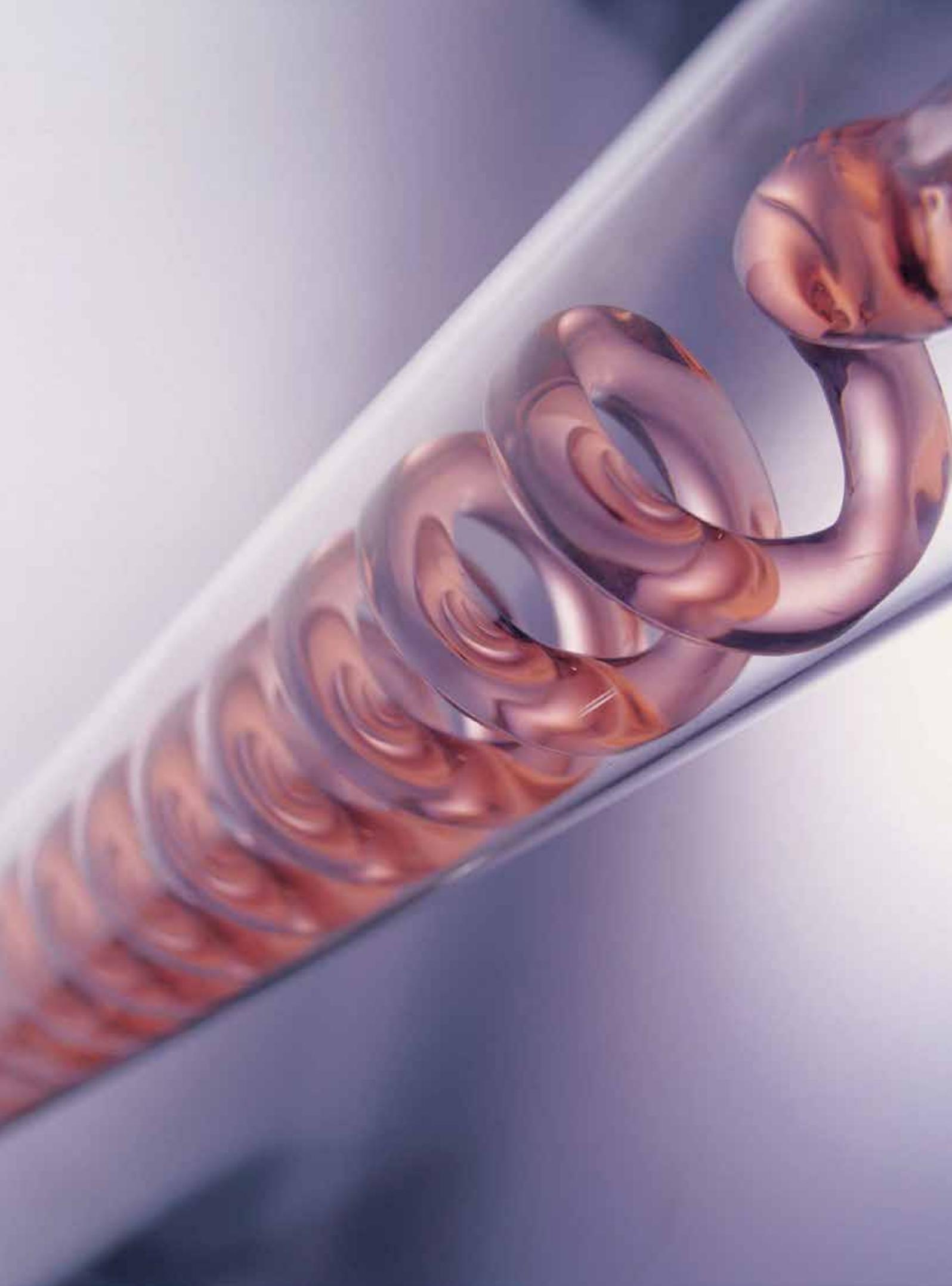
No.	Name	Patent or Appln No.	Patentee or Applicant	Application Date	Status
1	SIRNA MOLECULE TARGETTED HBV AND ITS APPLICATION	201010522005.2	Biomics Biotechnologies Co., Ltd.; Benitec Biopharma Ltd.	2010/10/28	Granted
2	INTERFERING RNA MOLECULE AND ITS APPLICATION	201010521975.0	Biomics Biotechnologies Co., Ltd.; Benitec Biopharma Ltd.	2010/10/28	Granted
3	SIRNA MOLECULE INTERFERING HBV AND IT ANTI-VIRAL APPLICAITON	201010521948.3	Biomics Biotechnologies Co., Ltd.; Benitec Biopharma Ltd.	2010/10/28	Granted
4	SIRNA MOLECULE AND ITS ANTI-VIRAL APPLICATION	201010522003.3	Biomics Biotechnologies Co., Ltd.; Benitec Biopharma Ltd.	2010/10/28	Granted
5	SIRNA MOLECULES AND THEIR APPLICATIONS	201010521990.5	Biomics Biotechnologies Co., Ltd.; Benitec Biopharma Ltd.	2010/10/28	Granted
6	SIRNA MOLECULE FOR THE TREATMENT OF HBV AND ITS PREPARATION AND APPLICAITON	201010521972.7	Biomics Biotechnologies Co., Ltd.; Benitec Biopharma Ltd.	2010/10/28	Granted
7	SIRNA MOLECULE FOR THE TREATMENT OF HBV AND ITS APPLICATION	201010521962.3	Biomics Biotechnologies Co., Ltd.; Benitec Biopharma Ltd.	2010/10/28	Granted
8	HBV TREATMENT	201180062884.8	Biomics Biotechnologies Co., Ltd.; Benitec Biopharma Ltd.	2011/10/27	Examination has been requested

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**28 March 2017**

The PRC Patent Report of HaoLiWen Partners identified that seven registered patents and one patent application in the patent family titled 'HBV Treatment' (PCT/CN 2011/081386) are jointly owned by BBC and Benitec (hereinafter referred to as "jointly owned patents and application").

The PRC Patent Report indicated that under an agreement with Australian ASX-listed biotechnology gene therapy company Benitec Biopharma Limited (ASX: BLT) to identify HBV therapeutic targets, Benitec acquired BBC's patent right of development and operation related to HBV targets identified for its ddRNAi technology. As such, according to the PRC Patent report, although the PRC Patent Report lists BBC as a co-owner or co-applicant on the jointly owned patents and application, those jointly owned patents and application will be transferred to Benitec at Benitec's request under the agreement.



## 12. DIRECTORS' AUTHORISATION

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13 April 2017

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with ASIC and has not withdrawn that consent.

Signed for and on behalf of Biomics Biopharma Limited.

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

**Dr York Zhu**

Executive Chairman, Managing Director





**Alnylam** means Alnylam Pharmaceuticals, Inc.

**Application Form** means the application form in the form accompanying this Prospectus pursuant to which investors may apply for Shares under the Offer.

**Application Monies** means the amount of money in dollars and cents payable for Shares at \$0.20 each pursuant to this Prospectus.

**ASIC** means Australian Securities and Investments Commission.

**ASX** means ASX Limited ABN 98 008 624 691, or the Australian Securities Exchange, as the context requires.

**ASX Settlement** means ASX Settlement Pty Limited ABN 49 008 504 532.

**ASX Settlement Operating Rules** means the settlement and operating rules of ASX Settlement.

**Benitec** means Benitec Biopharma Limited ACN 068 943 662.

**Benitec Agreement** means the Earn-Out Agreement between Benitec and PRC BIO.

**Biomics Group** or **Group** or **Biomics** means the Company and its Subsidiaries.

**Board** means the board of Directors.

**cccDNA** means covalently closed circular DNA.

**CFDA** means China Food and Drug Administration.



**CHES** means the Clearing House Electronic Subregister System operated by ASX Settlement.

**Closing Date** means the date that the Offer closes which is 5:00pm (WST) on 12 May 2017 or such other time and date as the Board determines.

**Company** means Biomics Biopharma Limited (ACN 613 499 184).

**Constitution** means the constitution of the Company.

**Corporations Act** means the Corporations Act 2001 (Cth).

**CTN** means Clinical Trial Notification.

**dsRNAs** means double-stranded RNA which is a DNA structure that arises during the propagation of some viruses in the cell nucleus.

**Director** means a director of the Company.

**DNA** means deoxyribonucleic acid.

**Entrustment Loan** means the secured entrustment loan dated 19 November 2015 of RMB30,000,000 with Nantong Economic and Technological Development Area New Rural Construction Co., Ltd as the consignor, and Agriculture Bank of China Nantong Economic and Technological Development Area Branch as consignee, and PRC BIO as borrower.

**Exposure Period** means the period of 7 days after the date of lodgement of this prospectus which period may be extended by ASIC by up to a further 7 days pursuant to section 727(3) of the Corporations Act.

**FDA** means the US Food and Drug Administration.

**Full Subscription** means the subscription of 80,000,000 Shares at an issue price of \$0.20 each to raise \$16,000,000 under the Offer.

**FY** means financial year (1 January to 31 December).

**Genecon** means Genecon Biotechnologies Co., Ltd.

**GST** means goods and services tax, being a tax charged on the sale of most goods and services in Australia.

**HBV** means Hepatitis B virus.

**HK BIO** means Biomics Biopharma Limited incorporated in Hong Kong on 21 July 2016.

**HREC** means Human Research Ethics Committee.

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**IND** means Investigational New Drug.

**IP** means intellectual property.

**Lead Manager** or **Platinum Gate** means Platinum Gate Global Markets Proprietary Limited (ACN 605 361 555).

**Listing Rules** means the official listing rules of ASX.

**Minimum Subscription** means the subscription of 65,000,000 Shares at an issue price of \$0.20 each to raise \$13,000,000 under the Offer.

**MultisiRNA** means the molecule described in section 3.5.1.

**Offer** means the offer of up to 80,000,000 Shares under this Prospectus at an issue price of \$0.20 each to raise up to \$16,000,000 before costs, with a Minimum Subscription requirement.

**Opening Date** means the date that the Offer opens which is 9:00am WST on 14 April 2017, subject to any extension of the Exposure Period by ASIC.

**RNA** means ribonucleic acid.

**RNAi** means RNA interference.

**PRC** means the People's Republic of China.

**PRC BIO** means Biomics Biotechnologies Co., Ltd.

**Prospectus** or **Replacement Prospectus** means this prospectus dated 13 April 2017 which replaces the prospectus dated 30 March 2017 issued by the Company.

**Share** means a fully paid ordinary share in the capital of the Company.

**Shareholder** means a holder of one or more Shares.

**Share Registry** means Advanced Share Registry Ltd.

**siRNA** means small interfering RNA.

**Subsidiaries** means HK BIO and PRC BIO or any one or more of those entities, as the context requires.

**Third Party Raising** has the meaning set out in section 8.9.

**United States** or **US** means the United States of America.

**WST** means Western Standard Time, being the time in Perth, Western Australia.





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