

**ONCOLOGY RESEARCH INTERNATIONAL LIMITED
ABN: 34 067 964 621
AND CONTROLLED ENTITY**

**FINANCIAL REPORT
FOR THE YEAR ENDED**

30 JUNE 2012

ONCOLOGY RESEARCH INTERNATIONAL LIMITED
ABN 34 067 964 621
AND CONTROLLED ENTITY

CONTENTS

	PAGE
Directors' Report	1-5
Auditor's Independence Declaration	6
Statements of Comprehensive Income	7
Statements of Financial Position	8
Statements of Changes in Equity	9
Statements of Cash Flow	10
Notes to the Financial Statements	11-25
Directors' Declaration	26
Auditors' Report	27-28

ONCOLOGY RESEARCH INTERNATIONAL LIMITED
ABN 34 067 964 621
AND CONTROLLED ENTITY

DIRECTORS' REPORT

Your Directors present this report on the company and its controlled entity for the financial year ended June 30, 2012.

DIRECTORS

The names of each person who has been a Director during the year and to the date of this report are:

PROFESSOR JOHN GORDON MCVIE - MD, FRCP, FRCPS, FRCSE, FMedSci, DSc (Hon)

Professor McVie is a Non-executive Director, Chairman of the Board of Oncology Research International Limited and Chairman of ORIL's Scientific Advisory Committee. Professor McVie was formerly Director General of the Cancer Research Campaign in the UK before it merged with the Imperial Cancer Research Foundation to form Cancer Research UK, when he became co-Director General. Professor McVie is a leading world authority in the research and treatment of cancer. He is currently Senior Consultant at the Scientific Directorate within the European Institute of Oncology, Milan, an active clinical oncologist, lead editor of several prestigious oncology journals and advisor to the World Health Organisation.

DR PHILIP ANDREW MARSHALL - BSc (Hons), PhD, FRACI, CChem MAICD

Dr Marshall is an Executive Director and Chief Executive Officer and manages the corporate aspects of the Company, as well as overseeing the scientific and research programs. Dr Marshall has over 30 years' international experience at senior and executive management level in scientific affairs within the pharmaceutical industry. He has considerable experience in bringing pharmaceutical products from concept to commercialization, risk management, international regulatory affairs and compliance to best practice, and in patents. Dr Marshall is a member of the Australian Institute of Company Directors.

DR KENNETH MICHAEL WAYTE - DC

Dr Wayte is an Executive Director, holds a Doctor of Chiropractic and served as secretary of the Australian Chiropractors Association, Western Australia from 1977 to 1980. He was diagnosed with bowel cancer in 1986 and after following a demanding and restrictive vegetarian diet with specific plant-based treatments he recovered. As a result, he founded ORIL in 1993 with the objective of researching plant-based therapies for cancer.

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

COMPANY SECRETARY

Dr Kenneth Michael Wayte held the position of Company Secretary at the end of the financial year.

PRINCIPAL ACTIVITIES

The principal activity of the consolidated group during the financial year is medical research. There have been no significant changes in the nature of these activities during the financial year.

OPERATING RESULTS

The consolidated operating loss of the consolidated group after providing for income tax for the financial year amounted to \$2,769,707 (30 June 2011: Loss \$922,304).

DIVIDENDS PAID OR RECOMMENDED

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

ONCOLOGY RESEARCH INTERNATIONAL LIMITED
ABN 34 067 964 621
AND CONTROLLED ENTITY

DIRECTORS' REPORT

REVIEW OF OPERATIONS

I am pleased to report that FY2011/12 was yet another eventful and productive year at ORIL. During the year we made considerable progress in our lead drug candidate and it is my view that the Company's future has never looked brighter. The business model remains for ORIL to be a developer of small molecule pharmaceuticals with "blockbuster" potential. The target large markets are cancer with current sales >US\$10 billion p.a. The leading drug candidate within the ORIL portfolio is ORIL007 which has a number of key features:

- ✓ Natural (plant) small molecule
- ✓ Novel synthesis with IP position
- ✓ Unique "shock and awe" mode of action
 - Anticancer with similar inhibitory activity over a broad spectrum of cancers including those difficult-to-treat cancers
 - Anti-angiogenic
 - Antifungal
- ✓ Novel formulation
- ✓ Safe with low toxicity profile

The drug development process is a complex and long process and the company has made significant investment in its research and development program towards anticancer therapies. However, ORIL is now well advanced in taking its lead compound into clinical trials. Some of the standout achievements in the past twelve months are:

- Advanced understanding of the **ORIL technology** regarding the unique mode of action on cancer cells and demonstrated consistent broad anticancer activity in nearly 40 cancer cell lines. The cell lines cover the main 4 cancer types: breast, colorectal, NSC lung and prostate, as well as melanoma, ovarian, pancreatic and a selection of 'normal' cells, resistant/parent cells and the National Cancer Institute's 'control' cells. Within cancer types, the cell lines were selected to give a good coverage of expression of the transmembrane receptors EGFR, HER2 and HER3, as well as coverage of resistance to current-anticancer drugs. It was found that ORIL007 shows a remarkable consistency in its inhibitory effect between cancer cell types, which together with the very tight range over which inhibition occurs, suggests a consistent mode of action of ORIL007 against a very wide range of cancers.
- ORIL scientists delivered a poster session in November 2011 on recent ORIL results on the mode of action of ORIL compounds at the American Association of Cancer Researchers, an international conference in San Francisco, and which is widely regarded by industry insiders as one of the premium forums for highlighting advances in oncology drug development. The session raised the global profile of ORIL as having an innovative, next generation treatment for cancer. I have no doubt that additional exposure will assist us in building a case for ORIL007 in the eyes of the international oncology community.
- With its collaborators ORIL has designed and executed a novel method of synthesis for the ORIL family of compounds, including ORIL007, new analogues using a novel key intermediate and that also provides superior selectivity in fewer steps and at a more economical cost. One patent application to protect its discovery has been submitted and another is in draft. This has produced ORIL007 in a form that provides a number of significant advantages, not only for manufacture of the active drug, but for downstream formulation. The process has already been scaled up to provide material of high purity for further pre-clinical investigation and further quantities are planned for the Phase I study in 2013.
- Formulation difficulties which presented a serious obstacle to clinical advancement in previous years have now been overcome using nanotechnology. ORIL007 is poorly water soluble which has presented a challenge to ORIL as only water soluble drugs are conventionally transported across the gastrointestinal membrane for absorption (from oral administration) into the bloodstream. It also presents a challenge for parenteral formulations such as those intended for intravenous administration. ORIL has overcome this by the use of nanotechnology and will be protecting its discovery by patent.

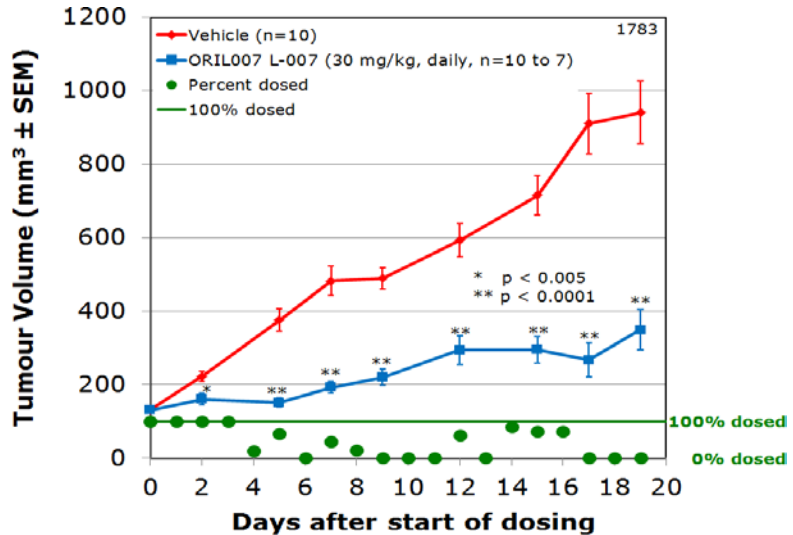
ONCOLOGY RESEARCH INTERNATIONAL LIMITED
ABN 34 067 964 621
AND CONTROLLED ENTITY

DIRECTORS' REPORT

- Pancreatic cancer cells were inoculated subcutaneously into mice and after an initial period of tumour growth ORIL007 was administered intravenously over a period of 19 days. The figure below shows the effective inhibition of growth of the tumours in the mice dosed with the formulation containing ORIL007, compared with dosing with the vehicle (formulation minus the drug).
- The tumour growth for the mice dosed with ORIL007 was significantly lowered ($p < 0.005$ by t-test) by day 2, and more significantly lowered ($p < 0.0001$) from day 5.

- **The results** for this MIA PaCa-2 (pancreatic cancer) study were very encouraging as they **demonstrated that continued daily dosing was not required to ensure a positive and very significant reduction in rate of tumour growth.**

- This observation provides optimism that scheduling studies in this model will establish guidelines for scheduling in the Phase I clinical studies.



In the coming 12 months ORIL's R&D and operations program is:

- Driving to human proof-of-concept of ORIL technology while increasing our understanding of its biology
- Undertaking ORIL007 manufacture under regulatory guidelines for Phase I supply
- Undertaking formulation development and manufacture for Phase I
- Completing the preclinical efficacy and safety program to enable Phase I
- Commence Phase I in Q2 2013 with extension to Phase IB if supported by clinical results
- Initiating planning for Phase II in 2014

The project team is being assembled for the Phase I clinical study and consists of project management, monitoring, biostatistics design and data management groups which have been identified and contracts are either signed or in preparation. Drafting of the clinical protocol and associated documentation has commenced but is at an early stage.

The target date for human research ethics committee (HREC) submission is the 1st quarter of 2013 and subject to ethics and regulatory approval, commencement of the study should be the 2nd quarter of 2013.

I would like to conclude with thanks for the tireless effort of our talented team, supported by our scientific advisors and collaborators. As a team we are extremely grateful for the support of our shareholders who share our vision in bringing more effective medicines to sufferers of cancer and other serious conditions.

ONCOLOGY RESEARCH INTERNATIONAL LIMITED
ABN 34 067 964 621
AND CONTROLLED ENTITY

DIRECTORS' REPORT

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There have been no significant changes in the state of affairs of the consolidated group during the financial year.

AFTER BALANCE DATE EVENTS

Subsequent to report date, the Company entered into agreements to sell properties located in Findon SA in July 2012 and September 2012.

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

FUTURE DEVELOPMENTS

Likely developments in the operations of the consolidated group and the expected results of those operations in future financial years have been discussed where appropriate in relation to the consolidated group's medical research prospects in the Review of Operations contained in this report.

There are no further likely developments of which the directors are aware which could be expected to affect the result of the consolidated group's operations in future years.

ENVIRONMENTAL ISSUES

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

INDEMNIFYING OFFICER OR AUDITOR

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

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

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

SHARE OPTIONS ISSUED

As at the date of this report, the unissued ordinary shares of Oncology Research International under option are as follows:

Grant Date	Date of Expiry	Exercise Price	Number under Option
14 May 2004	23 February 2016	\$0.50	300,000
7 December 2007	23 February 2016	\$0.75	3,250,000
16 October 2008	23 February 2016	\$0.75	100,000
9 December 2010 to 27 May 2011	31 December 2015	\$0.50	5,513,250
2 May 2012	2 May 2017	\$1.00	100,000
			<u>9,263,250</u>

No person entitled to exercise the option had or has any right by virtue of the option to participate in any share issue of any other body corporate.

ONCOLOGY RESEARCH INTERNATIONAL LIMITED
ABN 34 067 964 621
AND CONTROLLED ENTITY

DIRECTORS' REPORT

For details of options issued to directors and key management personnel as remuneration refer Note 13 Key Management Personnel Compensation.

MEETINGS OF DIRECTORS

During the financial year, 27 meetings of directors were held, attendance of Directors at those meetings were:

	Meetings Attended	Meetings Eligible to Attend
J G McVie	27	27
P A Marshall	27	27
K M Wayte	27	27

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under s307C of the Corporations Act 2011 is included in page 6 of this financial report and forms part of this Directors' report.

Signed in accordance with a resolution of the Board of Directors.



P A MARSHALL
DIRECTOR



K M WAYTE
DIRECTOR

Dated this 5th day of November 2012

Grant Thornton Audit Pty Ltd
ACN 130 913 594

10 Kings Park Road
West Perth WA 6005
PO Box 570
West Perth WA 6872

T +61 8 9480 2000
F +61 8 9322 7787
E info.wa@au.gt.com
W www.grantthornton.com.au


**Auditor's Independence Declaration
To the Directors of Oncology Research International Limited**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Oncology Research International Limited for the year ended 30 June 2012, I declare that, to the best of my knowledge and belief, there have been:

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



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



J W Vibert
Partner - Audit & Assurance

Perth, 5 November 2012

ONCOLOGY RESEARCH INTERNATIONAL LIMITED
ABN 34 067 964 621
AND CONTROLLED ENTITY

STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2012

	NOTE	Consolidated Group	
		2012	2011
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	5	1,277,913	3,023,096
Trade and other receivables	6	66,825	62,196
Assets held for sale	9	650,000	-
TOTAL CURRENT ASSETS		<u>1,994,738</u>	<u>3,085,292</u>
NON-CURRENT ASSETS			
Property, plant & equipment	7	1,369	2,358
Investment Property	8	-	1,530,142
TOTAL NON-CURRENT ASSETS		<u>1,369</u>	<u>1,532,500</u>
TOTAL ASSETS		<u>1,996,107</u>	<u>4,617,792</u>
CURRENT LIABILITIES			
Trade and other payables	10	267,570	149,548
TOTAL CURRENT LIABILITIES		<u>267,570</u>	<u>149,548</u>
TOTAL LIABILITIES		<u>267,570</u>	<u>149,548</u>
NET ASSETS		<u>1,728,537</u>	<u>4,468,244</u>
EQUITY			
Contributed Equity	11	12,648,597	12,645,597
Reserves	12	237,540	210,540
Accumulated losses		<u>(11,157,600)</u>	<u>(8,387,893)</u>
TOTAL EQUITY		<u>1,728,537</u>	<u>4,468,244</u>

The accompanying notes form part of these financial statements.

ONCOLOGY RESEARCH INTERNATIONAL LIMITED
ABN 34 067 964 621
AND CONTROLLED ENTITY

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2012

	Contributed Equity \$	Accumulated Losses \$	Reserves \$	Total \$
Consolidated group				
Balance at 1 July 2010	7,057,347	(7,465,589)	210,540	(197,702)
Total comprehensive income for the year				
Loss attributable to members of parent entity	-	(922,304)	-	(922,304)
Transactions with equity holders in their capacity as equity holders				
Shares issued during the year	5,588,250	-	-	5,588,250
Balance at 30 June 2011	<u>12,645,597</u>	<u>(8,387,893)</u>	<u>210,540</u>	<u>4,468,244</u>
Total comprehensive income for the year				
Loss attributable to members of parent entity	-	(2,769,707)	-	(2,769,707)
Transactions with equity holders in their capacity as equity holders				
Shares issued during the year	3,000	-	-	3,000
Options issued during the year	-	-	27,000	27,000
Balance at 30 June 2012	<u>12,648,597</u>	<u>(11,157,600)</u>	<u>237,540</u>	<u>1,728,537</u>

The accompanying notes form part of these financial statements.

ONCOLOGY RESEARCH INTERNATIONAL LIMITED
ABN 34 067 964 621
AND CONTROLLED ENTITY

STATEMENTS OF CASH FLOW
FOR THE YEAR ENDED 30 JUNE 2012

	NOTE	Consolidated Group	
		2012	2011
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		139,199	24,467
Goods & Services tax refund		108,781	74,237
Research & Development Tax Offset Refund		191,023	104,308
Payments to suppliers		<u>(2,209,315)</u>	<u>(1,243,259)</u>
Net cash (used in) operating activities		<u>(1,770,312)</u>	<u>(1,040,247)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Plant and Equipment		-	(1,284)
Purchase of Land & Buildings		(1,818)	(86,142)
Rent received		46,110	823
Rent expenses		<u>(22,163)</u>	<u>(574)</u>
Net cash provided by (used in) investing activities		<u>22,129</u>	<u>(87,177)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		<u>3,000</u>	<u>4,144,250</u>
Net cash provided by financing activities		<u>3,000</u>	<u>4,144,250</u>
Net increase/(decrease) in cash held		(1,745,183)	3,016,826
Cash at the beginning of the financial year		<u>3,023,096</u>	<u>6,270</u>
Cash at the end of the financial year	5	<u><u>1,277,913</u></u>	<u><u>3,023,096</u></u>

The accompanying notes form part of these financial statements.

ONCOLOGY RESEARCH INTERNATIONAL LIMITED
ABN 34 067 964 621
AND CONTROLLED ENTITY

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2012

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This financial report includes the consolidated financial statements and notes of Oncology Research International Ltd and controlled entity (Consolidated Group).

The financial statements were authorised for issue by the directors on 5th of November 2012.

Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements (including Australian Accounting Interpretations), other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. Oncology Research International Ltd is a for-profit entity for the purpose of preparing the financial statements.

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

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Accounting Policies

(a) Principles of Consolidation

A controlled entity is any entity over which Oncology Research International Ltd has the power to govern the financial and operating policies so as to obtain benefits from its activities. In assessing the power to govern, the existence and effect of holdings actual and potential voting rights are considered.

Details of the controlled entity are contained in Note 17 to the financial report. The controlled entity has a June financial year end.

As at reporting date, the assets and liabilities of the controlled entity have been incorporated into the consolidated financial statements as well as their results for the year then ended.

All inter-group balances and transactions between entities in the consolidated group, including any unrealised profits or losses, have been eliminated on consolidation.

(b) Property, Plant and Equipment

Plant and equipment

Plant and equipment are measured on the cost basis.

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight line basis over their useful lives to the consolidated group commencing from the time the asset is held ready for use.

ONCOLOGY RESEARCH INTERNATIONAL LIMITED
ABN 34 067 964 621
AND CONTROLLED ENTITY

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2012

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Property, Plant and Equipment (Continued)

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

Class of Fixed Assets	Useful Life
Plant and equipment	5 to 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet 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 and losses are included in the income statement.

(c) Income Tax

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

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

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

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

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

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

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

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income tax legislation and the anticipation that the consolidated group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

ONCOLOGY RESEARCH INTERNATIONAL LIMITED
ABN 34 067 964 621
AND CONTROLLED ENTITY

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2012

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Income Tax (continued)

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

Tax Consolidation

Oncology Research International Ltd and its wholly owned Australian subsidiary have formed an income tax consolidated group from 1 July 2003 under tax consolidation legislation. Oncology Research International Ltd is responsible for recognising the current and deferred tax liabilities for the tax consolidated group.

(d) Impairment of Non Financial Assets

At each reporting date, the group reviews the carrying value 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 higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for intangible assets with indefinite lives.

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.

(e) Non-current assets classified as held for sale

Oncology Research International Ltd intends to sell properties previously held as an investment. The properties intended to be sold have been reclassified as held for sale and measured at the lower of their carrying amounts immediately prior to the classification as held for sale and their fair value less costs to sell.

(f) Intangibles

Research and Development

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

Developments costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

(g) Revenue

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument.

Rental income is recognised as it is received.

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

ONCOLOGY RESEARCH INTERNATIONAL LIMITED
ABN 34 067 964 621
AND CONTROLLED ENTITY

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2012

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the 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 GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(i) Foreign Currency Transactions and Balances

Functional and presentation currency

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

Transactions

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Exchange rate differences arising on translation are recognised in the income statement.

(j) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

(k) Financial instruments

Recognition

Financial instruments, incorporating financial assets and financial liabilities, are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

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 stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

ONCOLOGY RESEARCH INTERNATIONAL LIMITED
ABN 34 067 964 621
AND CONTROLLED ENTITY

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2012

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial instruments (continued)

Fair value

Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the group assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the income statement.

(l) Share-based payments

The Company provides benefits to key management personnel (including directors) and research contractors of the Company in the form of share-based payment transactions, whereby services are rendered in exchange for options over shares ('equity-settled transactions').

The fair value of the equity to which the key management personnel become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account.

(m) Investment Property

Investment property, comprising residential units, is held to generate short term rental yields. All tenant leases are on an arm's length basis. Investment property will be realised as required to meet the company's expenditure commitments. Investment property is carried at cost less where applicable, any impairment losses.

(n) Comparative Figures

Where required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(o) Adoption of new and revised accounting standards and interpretations

Adoption of improvements to AASBs 2011 -11

The AASB has issued AASB 1054 Australian Additional Disclosures and 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project and made several minor amendments to a number of AASBs. These standards eliminate a large portion of the differences between the Australian and New Zealand accounting standards and IFRS and retain only additional disclosures considered necessary. These changes also simplify some current disclosures for Australian entities and remove others.

ONCOLOGY RESEARCH INTERNATIONAL LIMITED
ABN 34 067 964 621
AND CONTROLLED ENTITY

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2012

Consolidated Group

	2012	2011
	\$	\$
2. REVENUE		
Operating activities		
- Rent received	46,110	823
- Interest received	117,192	53,724
- Research & Development Tax Offset Refund	191,023	104,308
Total Revenue	354,325	158,855
3. LOSS FOR THE YEAR		
Expenses		
- Research & development costs	1,589,057	556,710
4. INCOME TAX		
The prima facie tax payable (benefit) on the profit/(loss) from ordinary activities before income tax is reconciled to the income tax expense or benefit as follows:		
Prima facie income tax payable (benefit) on profit/(loss) from ordinary activities before income tax at 30%	(830,912)	(276,691)
Tax effect of differences:		
Non assessable items:		
- Research & Development Tax Offset Refund	(57,307)	(31,292)
Non allowable items:		
- Provision for doubtful debts – loan to controlled entity	-	-
- Research & Development Tax Offset Claim	538,596	153,826
- Share based expenses	8,100	-
- Other non allowable items	264,958	335
Decrease (Increase) in Deferred Tax Asset	(14,390)	(8,890)
Deferred Tax Assets not brought to account at 30%	90,955	162,712
Income tax benefit attributable to profit/(loss) from ordinary activities before income tax	-	-
Potential tax benefit at 30% of unused tax losses for which no Deferred Tax Asset has been recognised	1,453,262	1,362,308

ONCOLOGY RESEARCH INTERNATIONAL LIMITED
ABN 34 067 964 621
AND CONTROLLED ENTITY

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2012

	Note	Consolidated Group	
		2012	2011
		\$	\$
5. CASH AND CASH EQUIVALENTS			
Cash at bank and in hand		1,277,913	3,023,096
		<u>1,277,913</u>	<u>3,023,096</u>
Reconciliation of Cash			
Cash at the end of the financial year as shown in the Cash Flow Statement is reconciled to items in the balance sheet as follows:			
Cash and cash equivalents		1,277,913	3,023,096
		<u>1,277,913</u>	<u>3,023,096</u>
6. TRADE AND OTHER RECEIVABLES			
Current			
Other receivables		7,305	29,741
Prepayments		18,550	-
Goods & Services Tax Receivable		40,970	32,455
		<u>66,825</u>	<u>62,196</u>
7. PROPERTY, PLANT & EQUIPMENT			
Plant & equipment, at cost		9,829	9,829
Accumulated depreciation		(8,460)	(7,471)
		<u>1,369</u>	<u>2,358</u>
(a) Movements in Carrying Amounts			
Movement in the carrying amounts for each class of property, plant and equipment between the beginning and end of the current financial year.			
Plant and Equipment			
Balance at beginning of year		2,358	2,050
Additions		-	1,283
Depreciation Expense		(989)	(975)
Carrying amount at the end of the year		<u>1,369</u>	<u>2,358</u>
8. INVESTMENT PROPERTY			
Balance at beginning of year		1,530,142	-
Additions		1,818	1,530,142
Revaluation to recoverable value		(881,960)	-
Reclassification to assets held for sale (Refer to Note 9)		(650,000)	-
Balance at the end of the year		<u>-</u>	<u>1,530,142</u>

ONCOLOGY RESEARCH INTERNATIONAL LIMITED
ABN 34 067 964 621
AND CONTROLLED ENTITY

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2012

Consolidated Group

2012 **2011**
\$ **\$**

9. ASSETS HELD FOR SALE

Current

Assets held for sale	650,000	-
----------------------	---------	---

The Company acquired investment property in 2011 of two units located in Findon, SA. In June 2012, the Company decided to sell the units and hired a real estate agent to list the property.

Subsequent to report date, the Company entered into agreements to sell the properties in July 2012 and September 2012. The property was previously held at cost; however, as of reporting date, the properties have been reduced to the fair market value of \$650,000 and the Company has therefore recognised an impairment loss of \$881,960 during the 2012 financial year.

10. TRADE AND OTHER PAYABLES

Current

Trade payables	267,570	149,548
----------------	---------	---------

11. CONTRIBUTED EQUITY

33,760,010 (2011: 33,757,010)

Fully paid ordinary shares	12,648,597	12,645,597
----------------------------	------------	------------

Ordinary shares

At the beginning of the reporting period	33,757,010	22,655,510
Shares issued during the year	3,000	11,101,500
At reporting date	33,760,010	33,757,010

The company issued an OIS dated 25 November 2010 and Supplementary OIS dated 27 January 2011 for the issue of 5,000,000 fully paid ordinary shares at an issue price of:

- \$0.50 per ordinary share until 31 March 2011 payable in full on application
- \$1.00 per ordinary share post 31 March 2011 payable in full on application

Under the OIS issued 25 November 2010 for each two ordinary shares subscribed for until 31 March 2011 an accompanying free option to acquire a fully paid ordinary share exercisable at \$0.50 at anytime up to 31 December 2015 was issued.

During the year, the company raised \$3,000 through the issue of 3,000 ordinary shares at \$1.00 per share under the OIS dated 25 November 2010. The OIS dated 25 November 2010 closed on 24 December 2011.

The company issued an Offer Information Statement (OIS) dated 16 December 2011 for the issue of 2,000,000 fully paid ordinary shares at \$1.00 per share payable in full on application. This OIS closed on 8 October 2012. No funds were raised under the OIS dated 16 December 2011.

ONCOLOGY RESEARCH INTERNATIONAL LIMITED
ABN 34 067 964 621
AND CONTROLLED ENTITY

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2012

11. CONTRIBUTED EQUITY (continued)

Options

At balance date, share options existed which if exercised would result in the issue of 9,263,250 (2011: 9,163,250) fully paid ordinary shares as follows:

Grant Date	Date of Expiry	Exercise Price	Number under Option
14 May 2004	23 February 2016	\$0.50	300,000
7 December 2007	23 February 2016	\$0.75	3,250,000
16 October 2008	23 February 2016	\$0.75	100,000
9 December 2010 to 27 May 2011	31 December 2015	\$0.50	5,513,250
2 May 2012	2 May 2017	\$1.00	100,000
			<u>9,263,250</u>

The options are exercisable before the expiry date at the discretion of the option holder.

For information relating to share options issued to key management personnel during the financial year refer to Note 13 Key Management Personnel Compensation.

12. RESERVES

Option Reserve

The Option Reserve is used to recognise fair value of options issued to key management personnel (including directors), their associates and research contractors. Details of the movement in reserves are shown on the face of the statement of changes in equity.

ONCOLOGY RESEARCH INTERNATIONAL LIMITED
ABN 34 067 964 621
AND CONTROLLED ENTITY

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2012

13. KEY MANAGEMENT PERSONNEL COMPENSATION (continued)

Directors' fees totalling \$20,000 excluding GST (2011: \$10,000) and consulting fees totalling \$120,000 excluding GST (2011: \$120,000) were paid to Altnamus Pty Ltd, an entity associated with Dr K M Wayte. The balance owing to Altnamus Pty Ltd by the consolidated group at 30 June 2012 was \$15,000 excluding GST.

Story Pharmaceuticals Pty Ltd, an entity associated with Dr M J Story provided consulting services to the consolidated group totalling \$150,000 excluding GST (2011: \$135,000 excluding GST). The balance owing to Story Pharmaceuticals Pty Ltd by the consolidated group at 30 June 2012 was \$12,500 excluding GST.

Note 2:

The share based payments to the key management personnel include options issued to associated individuals and entities.

Other transactions and balances with key management personnel are disclosed in Note 14.

14. RELATED PARTY TRANSACTIONS

Number of Shares Held by Key Management Personnel

2012

Key Management Personnel	Balance 1 July 2011	Transfers	Balance 30 June 2012
K M Wayte			
- Directly ordinary shares	2,520,000	-	2,520,000
- Indirectly ordinary shares	1,379,292	(12,000)	1,367,292
	<u>3,899,292</u>	<u>(12,000)</u>	<u>3,887,282</u>
P A Marshall			
- Indirectly ordinary shares	100,000	-	100,000
J G McVie			
- Indirectly ordinary shares	-	-	-
M J Story			
- Indirectly ordinary shares	195,500	-	195,500
	<u>4,194,792</u>	<u>(12,000)</u>	<u>4,182,792</u>

2011

Key Management Personnel	Balance 1 July 2010	Transfers	Balance 30 June 2011
K M Wayte			
- Directly ordinary shares	2,520,000	-	2,520,000
- Indirectly ordinary shares	1,379,292	-	1,379,292
	<u>3,899,292</u>	<u>-</u>	<u>3,899,292</u>
P A Marshall			
- Indirectly ordinary shares	100,000	-	100,000
M J Story			
- Indirectly ordinary shares	195,500	-	195,500
	<u>4,194,792</u>	<u>-</u>	<u>4,194,792</u>

ONCOLOGY RESEARCH INTERNATIONAL LIMITED
ABN 34 067 964 621
AND CONTROLLED ENTITY

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2012

14. RELATED PARTY TRANSACTIONS (continued)

Number of Options Held by Key Management Personnel

2012

Key Management Personnel	Balance 1 July 2011	Granted as Compensation	Transfers/ Ceasing as Director	Balance 30 June 2012
J G McVie				
- Indirectly share options	300,000	-	-	300,000
K M Wayte				
- Indirectly share options	500,000	-	-	500,000
P A Marshall				
- Indirectly share options	220,000	-	-	220,000
M J Story				
- Indirectly share options	700,000	-	-	700,000
	<u>1,720,000</u>	<u>-</u>	<u>-</u>	<u>1,720,000</u>

2011

Key Management Personnel	Balance 1 July 2010	Granted as Compensation	Transfers/ Ceasing as Director	Balance 30 June 2011
J G McVie				
- Indirectly share options	300,000	-	-	300,000
K M Wayte				
- Indirectly share options	500,000	-	-	500,000
P A Marshall				
- Indirectly share options	220,000	-	-	220,000
M J Story				
- Indirectly share options	700,000	-	-	700,000
	<u>1,720,000</u>	<u>-</u>	<u>-</u>	<u>1,720,000</u>

Other transactions with Key Management Personnel

Dr Kenneth Michael Wayte and his associated entity, Altnamus Pty Ltd were reimbursed during the year for administration expenditure incurred by Dr Wayte and Altnamus Pty Ltd in respect of the consolidated group totalling \$1,245 excluding GST (2011: \$1,873 excluding GST.)

Cancer Strategies and Communication Ltd, an entity associated with Professor J Gordon McVie was reimbursed during the year during the year ended 30 June 2012 for travel expenditure incurred by Cancer Strategies and Communication Ltd in respect of the consolidated group totalling \$160 excluding GST (2011: \$10,349 excluding GST)

Pharmchem Technical Services Pty Ltd, an entity associated with Dr Philip Marshall was reimbursed during the year for travel and other expenditure incurred by Pharmchem Technical Services Pty Ltd in respect of the consolidated group totalling \$91,118 excluding GST (2011: \$32,701 excluding GST.)

Story Pharmaceuticals Pty Ltd, an entity associated with Dr Michael Story was reimbursed during the year for travel and other expenditure incurred by Story Pharmaceuticals Pty Ltd in respect of the consolidated group totalling \$22,899 excluding GST (2011: \$1,520 excluding GST)

ONCOLOGY RESEARCH INTERNATIONAL LIMITED
ABN 34 067 964 621
AND CONTROLLED ENTITY

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2012

14. RELATED PARTY TRANSACTIONS (continued)

Details of key management personnel compensation are disclosed separately in note 13. Details of consulting fees paid to key management personnel are disclosed separately in note 13.

15. SHARE – BASED PAYMENTS

The following share based payments existed at 30 June 2012:

	2012		2011	
	Number of options	Weighted Average exercise price	Number of Options	Weighted average exercise price
Outstanding at the beginning of the year	2,420,000	\$0.75	2,420,000	\$0.75
Granted	100,000	\$1.00	-	-
Forfeited	-	-	-	-
Exercised	-	-	-	-
Expired	-	-	-	-
Outstanding at year end	<u>2,520,000</u>	<u>\$0.76</u>	<u>2,420,000</u>	<u>\$0.75</u>
Exercisable at year end	<u>2,520,000</u>	<u>\$0.76</u>	<u>2,420,000</u>	<u>\$0.75</u>

100,000 options have been issued to a research contractor, with an exercise price of \$1.00 and expiring on 2 May 2017. Using the Black Scholes Model the fair value of an option is approximately 27 cents based on the following criteria:

Weighted average exercise price	\$1.00
Weighted average life of the options	60 months
Underlying share prices	\$0.50
Expected volatility	80 – 120%
Risk free interest rate	3.05%

All options granted to key management personnel are ordinary shares in Oncology Research International Ltd, which confer a right of one ordinary share for every option held.

16. SEGMENT INFORMATION

The consolidated group operates predominantly in the medical research industry within Australia.

ONCOLOGY RESEARCH INTERNATIONAL LIMITED
ABN 34 067 964 621
AND CONTROLLED ENTITY

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2012

17. CONTROLLED ENTITY

ONCOLOGY RESEARCH ASSOCIATES PTY LTD	2012	2011
Country of Incorporation	Australia	Australia
Class of Share	Ordinary	Ordinary
Cost of Parent Company's Investment	\$2,000,000	\$2,000,000
Equity Holding	100%	100%
Contribution to Consolidated Income (Loss) from Ordinary activities before income tax	-	(\$218)

Deed of Cross Guarantee

Oncology Research International Ltd and Oncology Research Associates Pty Ltd are parties to a Deed of Cross Guarantee which was lodged with and approved by the Australian Securities and Investments Commission on 8 December 1995. Under the Deed of Cross Guarantee each of the above named companies guarantees the debts of the other company.

The aggregate assets and liabilities of the above named entities relieved under the deed, and their aggregate net profit/(loss) after tax for the period then ended (after eliminating intercompany investment and other intercompany transactions) are as follows:

	2012	2011
	\$	\$
Assets	-	-
Liabilities	-	-

18. COMMITMENTS AND CONTINGENT LIABILITIES

There was no outstanding commitments or contingent liabilities not provided for in the financial statements of the consolidated group as at 30 June 2012.

ONCOLOGY RESEARCH INTERNATIONAL LIMITED
ABN 34 067 964 621
AND CONTROLLED ENTITY

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2012

19. PARENT ENTITY – ONCOLOGY RESEARCH INTERNATIONAL LIMITED

	2012	2011
	\$	\$
Parent entity		
Assets		
Current assets	1,994,738	3,085,292
Non-current assets	1,369	1,532,500
Total assets	1,996,107	4,617,792
Liabilities		
Current liabilities	267,570	149,548
Total liabilities	267,570	149,548
Equity		
Issued capital	12,648,597	12,645,597
Reserves	237,540	210,540
Retained earnings	(11,157,600)	(8,387,893)
Financial performance		
Loss for the year	2,769,707	922,304
Other comprehensive income	-	-
Total comprehensive income	2,769,707	922,304

20. EVENTS SUBSEQUENT TO REPORTING DATE

As outlined in note 9, subsequent to report date, the Company entered into agreements in July 2012 and September 2012 to sell properties previously held for investment.

No other matters or circumstances have arisen since the end of the financial year which significantly affect or may significantly affect the operations of the consolidated group, the results of those operations or the state of affairs of the consolidated group in subsequent financial years.

21. COMPANY DETAILS

The registered office of the company is Level 6 256 St Georges Terrace Perth WA 6000.

The principal place of business is 6 Zollner Close Connolly WA 6027.

**ONCOLOGY RESEARCH INTERNATIONAL LIMITED
AND CONTROLLED ENTITY
ABN 34 067 964 621
AND CONTROLLED ENTITY

DIRECTORS' DECLARATION**


The directors of the company declare that:-

1. the financial statements and notes, as set out on pages 7 to 25 are in accordance with the Corporations Act 2001 and:
 - (a) comply with Australian Accounting Standards Reduced Disclosure Regime and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the financial position as at 30 June 2012 and of the performance for the year ended on that date of the company and consolidated group;
2. in the director's opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.


The company and a wholly owned subsidiary, Oncology Research Associates Pty Ltd, have entered into a deed of cross guarantee as described in Note 17 under which the company and its subsidiary guarantee the debts of each other.

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

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

Director 

P A Marshall

Director 

K M Wayte

Dated this 5th November 2012

Grant Thornton Audit Pty Ltd
ACN 130 913 594

10 Kings Park Road
West Perth WA 6005
PO Box 570
West Perth WA 6872

T +61 8 9480 2000
F +61 8 9322 7787
E info.wa@au.gt.com
W www.grantthornton.com.au

Independent Auditor's Report To the Members of Oncology Research International Limited

We have audited the accompanying financial report of Oncology Research International Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal controls as the Directors determine are necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

Auditor's opinion

In our opinion:

- a. the financial report of Oncology Research International Limited is in accordance with the Corporations Act 2001, including giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
- b. complying with Australian Accounting Standards - Reduced Disclosure Requirements and the Corporations Regulations 2001



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



J W Vibert
Partner - Audit & Assurance

Perth, 5 November 2012