

# Appendix 4E

## Preliminary final report Period ending on 30 June 2016

Name of entity

MEDIBIO LIMITED

ABN or equivalent company  
reference

58 008 130 336

The information contained in this report relates to the following years:

Current year ended	30 June 2016
Previous year ended	30 June 2015

Results for announcement to the market

\$'000

<b>Revenue from ordinary activities</b>	na	nil	To	nil
<b>(Loss) from ordinary activities after tax attributable to members</b>	Up	12%	To	(8,882)
<b>Net (loss) for the period attributable to members</b>	Up	12%	To	(8,882)
<b>Basic loss per share (cents per share)</b>	Down	47%	To	(9.02)
<b>Diluted loss per share (cents per share)</b>	Down	47%	To	(9.02)
<b>Dividends</b>	Amount per security		Franked amount per security	
<u>Financial year ended 30 June 2016</u>				
Final dividend	-			-
Interim dividend	-			-
<u>Financial year ended 30 June 2015</u>				
Final dividend	-			-
Interim dividend	-			-

### Dividend payments

Date the final 2016 dividend is payable

N/A

Record date to determine entitlements to the dividend

N/A

Date final dividend was declared

N/A

### Total dividend per security (interim *plus* final)

	Current year	Previous year
Ordinary securities	-	-

## Total dividends paid on all securities

	Current year \$'000	Previous year \$'000
Ordinary securities	-	-
<b>Total</b>		-

## Net Tangible Assets

	Current year	Previous year
Net tangible assets per ordinary security	( 17.3 cents)	( 9.39 cents)

## Annual meeting

The annual meeting will be held as follows:

Place

TBA

Date

TBA

Time

TBA

Approximate date the annual report will be available

TBA

This report is based on accounts that are unaudited.



Date: 31 August 2016

Print name: Robert Lees  
Company Secretary

# REVIEW AND RESULTS OF OPERATIONS

Key highlights include:

- First validation of Medibio's depression classification algorithm using independent clinical data achieved an accuracy of 83% for distinguishing individuals with Major depressive disorder (MDD) from non-depressed individuals subsequent to year end
- Successful pre-submission meeting with the US United States Food and Drug Administration (FDA) for Medibio's depression classification algorithm
- First commercial agreements executed and first revenue achieved from Medibio's Corporate Stress Product
- First validation of the Corporate Stress Product, achieving 86% agreement with psychological measures and successful identification of "at-risk" cases not picked up by conventional psychological screening
- Entered into an MOU with Medtronic - a subsidiary of Medtronic plc. (NYSE: MDT) to explore business opportunities and synergies across both companies
- Acquired key patents covering the use of 24-hour heart rate data and circadian heart rate (CHR) technology for the diagnosis of psychiatric conditions
- Lodged PCT applications over two provisional patents which, if granted, will provide an additional 20 years of exclusivity for the diagnosis of mental health disorders and stress using CHR

Medibio Limited ("Medibio", "MEB" or "the Company") and its controlled entities ("the group") generated a loss after tax of \$8,882,348 (2015: loss of \$7,921,702). The loss is primarily a result of the company maintaining a conservative accounting policy of expensing all current R&D expenditure as it is incurred.

The Company raised \$3.1M in September 2015 enabling acceleration of a number of studies and initiatives including; PTSD, Anxiety Disorder and commercialisation of the Corporate Stress Product.

The company received \$1,738,631 from the Australian Taxation Office under the Research and Development Tax Incentive Program over the year. The cash refund is related to expenditure on eligible Australian R&D activities conducted during the 2014/15 financial year.

The highly distinguished US medical expert and Eli Lilly Director Franklyn Prendergast (M.D., PhD) joined the Medibio Board in January 2016

## Review of Operations

The year was a watershed for the company. It started with the development of our Corporate Stress Product and was followed with the execution of first commercial agreements and the receipt of revenue from this product. The year culminated with the first validation of Medibio's proposition that psychiatric conditions differentially affect the autonomic system resulting in condition specific heart rate morphology and sleep patterns using independent clinical data.

Key operational milestones achieved over the past 12 months include:

- Completed the development and testing of its Corporate Stress Product - a world first, cloud-based scalable product including real-time ECG Data Streaming and Algorithm Processing with results back to the Medibio App in real time
- First agreement for this Corporate Stress Product executed with an Australian foundation customer (10,000+ employees- with potential to roll out across entire workforce) and first revenue achieved.
- Launched Corporate Wellness Partner Program with agreements signed with two partners, Vital Conversations and WellNovation, and discussions progressing well with a number of other potential partners.
- Successful completion of commercial pilot with Vital Conversations and internal Pilot with a second large Australian Corporate Wellness provider
- Successful integration of the Apple Watch® and FITBIT® into Medibio's Corporate Stress Product in partnership with Swinburne Software Innovation Lab
- Four leading US universities provided 10,000 physiological data files to Medibio to undertake joint research and development into various mental health conditions which has allowed Medibio to rapidly advance its technology

- Development of a new sleep staging algorithm which, using ECG data only, can distinguish between the stages of sleep with diagnostic accuracies of 86-95% compared to current algorithms which perform in the 70%. This opens the US\$4B sleep testing market as a second stand-alone opportunity for Medibio
- Consolidation of a world class team with the appointment of a COO, Head of US/Algorithm development, Clinical/Regulator Director, and Head of wellness sales.

## 1. MEDICAL DIAGNOSTICS

### University of Ottawa Depression Validation Study results

Subsequent to year end Medibio successfully completed validation of its depression classification algorithm using retrospective data sourced in partnership with The University of Ottawa. This validation was a significant milestone in the Company's development of a proprietary objective test for the diagnosis of depression. Medibio was able to accurately distinguish between individuals with Major depressive disorder (MDD) and non-depressed controls with a classification accuracy of 83%. This compares favourably to the noted diagnostic concordance between experienced psychiatrists <sup>(1)</sup> (70%) and that of primary care providers (GP equivalent in the US) <sup>(2)</sup> (33-50%), where nearly half of the diagnoses of MDD are made.

The classification algorithm leverages objective biomarkers computed from overnight heart rate recordings and sleep annotations to distinguish between the clinical groups. The clinical assessment was performed by two experienced psychiatrists from the University of Ottawa. The Validation study was completed with 326 patients from The University of Ottawa with the algorithm trained on 228 patients (114 MDD and 114 controls) and a data set of 98 individuals (54 MDD and 44 controls) used for blind assessment.

The University of Ottawa has now released all remaining data, from approximately 1300 patients, to Medibio to expand the study and improve diagnostic accuracy. Medibio's technology exploits advanced machine learning. This means the algorithm employed to classify subjects according to the biomarkers examined in tests increases its accuracy through iterations. The addition of data from 1300 new patients into Medibio's depression classification algorithm should lead to an improvement in diagnostic accuracy from its machine learning algorithms. The immediate effort will also focus on incorporating additional diagnostic features including those derived from sleep stage classification based on Medibio's ability to use ECG data to accurately define sleep stages. Following this Medibio intends to expand and validate its diagnostic algorithm for depression to identify the different presentations of depression which would increase the clinical utility of its offering. Results will be reported as they come to hand.

#### Table of Results

	Sensitivity	Specificity	Accuracy
<b>Blind assessment using (54 MDD &amp; 44 controls)</b>	83%	82%	83%

(1) *Psychiatry (Edgmont). 2006 Jan; Vol 3(1): 41-50*

(2) *Depression in Primary Care Vol 1: US Department of Health*

### Successful pre-submission meeting with the US FDA

The Company had a positive pre-submission meeting on its proposed diagnostic for depression in March this year. It confirmed the proposed regulatory pathway of Medibio's depression test. Additionally, the FDA confirmed the Company's proposed indications for use, clinical study protocols and data requirements.

At the meeting, the FDA confirmed (based on the information provided in Medibio's pre-submission dossier):

- The Medibio Depression Algorithm is eligible for the de novo (1) regulatory pathway
- The FDA expressed no significant concerns with the proposed indications for use
- Medibio's proposed Level of Concern (2) for its Depression Algorithm is acceptable to the FDA.

Medibio was pleased with the high level of engagement from the FDA and the collaborative nature of the meeting. The confirmation of the regulatory pathway is an important milestone for the Company.

- (1) de novo Pathway - The de novo pathway was designed for innovative medical devices (ie, those without predicate devices) where controls provide a reasonable assurance of safety and effectiveness. The de novo process leads to a Class I, or in Medibio's case, a Class II classification. It has a 120-day review cycle compared with a 90-day review period for a 510(k).

- (2) Level of Concern - the FDA recommends submissions state the Level of Concern determined for a Software Device. The Level of Concern is based on how the operation of the software associated with device function affects the patient or operator. The extent of the documentation required in an FDA a pre-market submission depends on the device's Level of Concern.

### 10,000 new data sets provided by leading North American institutions

Four leading US and North American universities provided Medibio with 10,000 new physiological data sets to undertake joint research and development into various mental health conditions. The data sets dramatically increased Medibio's research and development capabilities and will allow expand potential commercial offerings for its proprietary Digital Mental Health Platform (DMHP). Johns Hopkins School of Medicine, Emory University, Washington University and The Royal's Institute of Mental Health Research, affiliated with the University of Ottawa, supplied the bulk of the new data.

From this repository of clinical and physiological data Medibio can generate proxy-clinical trial outcomes and meta-data analyses from more than 15,000 patients retrospectively. The significant increase in the volume of available data will also allow the Company to refine advanced machine learning techniques to accelerate the optimisation of Medibio's algorithms at the core of its DMHP. The ability to utilise independently acquired data and corresponding psychiatric diagnoses will also add credibility to the Company's findings and its technology within the medical community.

This data set has already borne fruit with the successful validation of Medibio's depression diagnostic algorithm in conjunction with Ottawa University and the development of a Sleep Staging algorithm. Medibio is continuing to build a broad base of collaborators to significantly increase its data assets. In combination with its advanced machine learning analytics cloud solution, this will allow the Company to extract new insights regarding the link between mental health and circadian heart-rate architecture.

### Development and Validation of New Sleep Staging Algorithm

Medibio completed development and validation of a new sleep staging algorithm with outstanding results achieved. Using ECG data only, Medibio was able to accurately distinguish between all stages of sleep with diagnostic accuracies of 86-95%. The best published historical results have been in the 70% range for all stages of sleep.

Under the project, Medibio used advanced machine learning techniques on a randomly selected set of 55,000 hours of overnight ECG files (with corresponding sleep staging information from Johns Hopkins) to develop an algorithm to use ECG data only to place the individual into one of the five sleep stages. This algorithm was validated using an additional 13,000 hours of randomly selected files. The sleep stages derived from the new ECG algorithm being validated against the sleep staging data from traditional PSG/EEG methods.

#### 5 min interval sleep stage classification

Sleep Stage	Training sample size	Test sample size	Test Accuracy	Test F1-score
0	331,108	141,904	0.86	0.86
1	17,675	7,575	0.95	0.95
2	214,292	91,840	0.90	0.89
3	15,775	6,761	0.95	0.95
4	534	230	0.99	0.99
5	82,831	35,499	0.93	0.93

The prospect of automatic sleep stage classification with using cardiorespiratory signals has attracted increasing attention in medical research with numerous attempts being made to find a method to accurately sleep score using ECG data. In contrast to the traditional manual scoring based on polysomnography, ECG data can be measured using unobtrusive techniques promising the application for personal and continuous home sleep monitoring.

Medibio’s existing algorithms for mental health will be improved by allowing the company to investigate new analytical metrics specific to sleep stages. In addition, the ability to accurately distinguish between sleep stages using only ECG data has significant commercial potential in its own right. The Global Sleep Testing Services Market has been estimated at US\$4.1B increasing to US\$8.1B by 2021.

## CORPORATE STRESS

During the year the Company completed the development and testing of its world first, cloud-based scalable Digital Mental Health Platform. The platform includes real-time ECG Data Streaming, Algorithm Processing and Data Analytics. The Company successfully tested end-to-end automation including streaming of live data from a range of ECG monitors via the front end App on a range of smart phones, to its cloud-based proprietary Algorithms and Data Analytics solution and near real-time results back to the front-endApp.

Medibio’s corporate stress product is the first objective test to measure the level of stress and its impact on health and wellbeing. During the year Medibio expanded the original 3 stress category rating system to 6 categories. The expansion to 6 categories was done in conjunction with Medibio’s wellness channel partners as it allows them to better target interventions and provides a finer grained tool to objectively measure change in stress over time.

Normal	– No indication of stress	}	45-60% of population
Slight	– Minor markers of stress, ongoing monitoring		
Mild	– Specific indications, action to prevent escalation	}	25-35% of population
Moderate	– Multiple signs of stress, action recommended		
Severe	– Signs of significant stress, action required	}	15-20% of population
Very Severe	– Signs of extreme stress, immediate action required		

### First Commercial Agreement Signed with major Australian Corporation

Following completion of development its corporate stress evaluation product, the Company signed its first commercial service agreement with a major Australian corporation with in excess of 10,000 employees. The service agreement covers the application of two Phases within the overall stress evaluation and intervention program and will initially be conducted on a pilot population of employees. Phase 1 will involve an objective measurement of employee stress symptoms through the use of Medibio’s Circadian Heart Rate (CHR) pattern technology.

Phase 2 will involve the development of an online mental health training program/app. This intervention will be specifically designed for the corporation’s workforce, and aimed to reduce stress and improve coping skills based upon workplace data and information provided by employees. Stress levels will be assessed twice in Phase 2, at baseline and following the completion of the intervention. Phase 2 will thus provide an objective assessment of changes to stress levels following this purpose-built intervention.

Medibio will generate revenue of \$100 per participant from each Phase of the program. Following completion of Phase 2 of the Commercial Pilot, contingent on Pilot results, it is anticipated that Medibio’s Corporate Stress product will be rolled out across the organisation’s entire staff base.

### Launch of Corporate Wellness Partner Program

The Company launched its Corporate Wellness Partner Program with the execution of a Commercial Service Agreement to provide its Corporate Stress Product to mental wellness provider Vital Conversations. As part of this Corporate Wellness Partner program the company also entered into an agreement with WellNovation Ltd.

Vital Conversations provides proactive psychological health services to some of the largest corporates in Western Australia as well as the public and not for profit sectors. It will offer Medibio’s Corporate Stress product to its existing executive and private customers and will also seek to roll out the Company’s Corporate Stress product to Corporate and Public sector clients on a pilot basis.

Under the service agreement, Vital Conversations will be responsible for the acquisition of the ECG monitors, any other hardware and the implementation of the test to its client base, while Medibio will provide data analytics and reporting and will be paid on a per-test basis.

WellNovation is a healthcare development company focused on bringing innovative healthcare technologies to Saudi Arabia and the Gulf Cooperation Council (GCC). Under the MOU, Medibio and WellNovation will collaborate to introduce Medibio's innovative mental health diagnostics to WellNovation's existing network in Saudi Arabia and the Gulf region. The initial focus will be on the introduction of Medibio's Corporate Stress product to the state-owned enterprise and military clients of WellNovation.

### **Successful commercial pilot studies**

Medibio's first commercial pilot study commenced with corporate wellness partner, Vital Conversations, during the quarter with 66 employees of one of its clients undertaking a stress assessment with Medibio's Corporate Stress Product. Vitals' client for the commercial pilot is a leading international professional services company with more than 5,000 employees in Australia. As well as objectively measuring the impact of stress on the participants, the pilot study aimed to measure: usability; employee acceptance and satisfaction; the delivery of Medibio's corporate stress product in a workplace setting; and ability to scale. The study allowed the product to be fine-tuned for commercial launch.

The results were extremely encouraging validating Medibio's Corporate Stress product. The 'normal' to 'mild' scan results comprised approximately 63% of the pilot population. These results demonstrated an 86% agreement with traditional self-report stress measures at this low risk end of the wellness continuum, where self-report bias is not generally an issue. At the high risk end, this pilot successfully demonstrated one of the core competencies of Medibio's objective Workplace Stress Test. That is, the ability to identify "at-risk" employees where the traditional subjective measures often fail due to misleading self-reports. Feedback from the participants in the pilot study and Vital Conversations was positive. Vital Conversations reported that, 2 participants who returned 'severe' stress results regarded their participation in the pilot as "life changing" and "a wake-up call".

The company has also undertaken a successful internal pilot with a second potential wellness partner. This potential partner has in excess of 15,000 staff in Australia and is one of the leading Corporate Wellness providers in Australia. The pilot involved 30 key staff from the potential partner and was conducted over a period of 3 weeks with once scan undertaken weekly. The aim of the trial was to provide feedback on any changes recommended prior to a commercial rollout of the product. These recommendations are currently being incorporated with the next steps a commercial pilot involving one of this potential partner's external clients prior to a decision on a larger scale rollout.

Medibio is in active dialogue with a number of potential wellness partners and customers both in Australia and internationally.

### **Swinburne Software Labs partnership - trial success with Apple Watch® and FITBIT® for Medibio's Stress app**

Medibio partnered with Swinburne Software Innovation Lab (SSIL) to evaluate the market-leading wrist-based wearable devices as an alternative to ECG monitors in Medibio's Corporate Stress Product. SSIL confirmed the *Apple Watch* and *Fitbit Surge* met all performance requirements, with both devices' heart rate data providing a high level of accuracy for Medibio's stress diagnostics and analytics.

In addition to validating the quality of data generated by the *Apple Watch* and *Fitbit Surge*, SSIL successfully:

- Completed the work required to collect the data seamlessly from the *Apple Watch* and *Fitbit Surge* in Medibio's cloud-based Digital Mental Health Platform (DMHP);
- Assisted in the calibration of Medibio's stress algorithm to utilise optical pulse rate data, from wearables in addition to ECG data, for stress analysis;
- Benchmarked the heart-rate data quality of the *Apple Watch* and *Fitbit Surge* against a leading medical-grade ECG monitor; and, consequently,

The trial’s success with SSIL paves the way for Medibio to integrate these wearables into its Corporate Stress offering and significantly expands the market opportunity for Medibio’s stress analytics in the corporate and consumer space. This will capitalize on the growing trend of wearables being offered to employees as part of the Corporate Wellness package. It also opens the way for the release of a Consumer Stress App.

## INTELLECTUAL PROPERTY

During the year Medibio acquired (from Heartlink Limited) the Australian, New Zealand and Israeli patents it held under exclusive license on the ‘method for diagnosing psychiatric disorders’. The method covers the use of 24-hour heart rate data and circadian heart rate (CHR) technology for the diagnosis of psychiatric conditions and the determination of the effectiveness of treatment.

The acquisition is in line with Medibio’s intellectual property (IP) strategy of creating and protecting a dominant, defensible position in the use of CHR technology in the areas of stress and mental health.

The table below summarises Medibio’s current patent coverage.

Country	Patent #	Status	Title
Australia	720226	Granted	Method for diagnosing psychiatric disorders
Israel	132186	Granted	Method for diagnosing psychiatric disorders
New Zealand	337833	Granted	Method for diagnosing psychiatric disorders by analysis of heart rate
USA	6245021	Granted	Method for diagnosing psychiatric disorders
Canada	228553	Granted	Method for diagnosing psychiatric disorders
USA	pending	Application	Method and System for Monitoring Stress Conditions
USA	pending	Application	Method and System for assessing Mental State

The company also lodged a PCT applications for it provisional patents during the year. These provisional patents include:

- The provisional application titled “Method and System for assessing Mental State”, was filed in the US under provisional application serial no. 62/175,796. This patent covers discoveries made over the past 18 months and will, if granted, complement and extend the existing patent suite covering mental health diagnosis held by Medibio; and
- The provisional application titled “Method and System for Monitoring Stress Conditions”, has been filed in the US under provisional application serial no. 62/175,826. This patent covers Medibio’s objective test to measure the level of stress and its impact on health and wellbeing.

The applications, once granted, will provide 20 years of exclusivity for the diagnosis of mental health disorders using CHR technology and assure the company’s monopoly rights in the US.



# Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2016

	Note	CONSOLIDATED	
		2016	2015
		\$	\$
Sales		18,500	-
Other income	5	1,888,905	261,933
<b>Revenue</b>		<b>1,907,405</b>	<b>261,933</b>
Amortisation & Depreciation		(1,261,825)	(516,461)
Employee costs	5	(3,577,281)	(492,435)
Finance costs	5	(313,455)	(160,622)
Impairment of investments		-	(4,306,033)
Research and development expenses		(3,787,315)	(210,664)
Other expenses	5	(1,849,877)	(2,497,420)
<b>Loss before income tax</b>		<b>(8,882,348)</b>	<b>(7,921,702)</b>
Income tax benefit	6	-	-
<b>Loss attributable to members of Medibio Limited</b>		<b>(8,882,348)</b>	<b>(7,921,702)</b>
<b>Other comprehensive income</b>			
<b>Total other comprehensive income for the period net of tax</b>		-	-
<b>Total comprehensive income attributable to members of Medibio Limited</b>		<b>(8,882,348)</b>	<b>(7,921,702)</b>
Basic earnings per share (cents per share)	7	(9.17)	(16.995)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

# Consolidated Statement of Financial Position

## AS AT 30 JUNE 2016

	Note	CONSOLIDATED	
		2016	2015
		\$	\$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	8	1,039,944	944,301
Trade and other receivables	9	263,181	232,985
Prepayments		77,373	9,091
<b>Total Current Assets</b>		<b>1,380,498</b>	<b>1,186,377</b>
<b>Non-current Assets</b>			
Intangibles assets	10	14,167,583	13,998,137
<b>Total Non-current Assets</b>		<b>14,167,583</b>	<b>13,998,137</b>
<b>TOTAL ASSETS</b>		<b>15,548,081</b>	<b>15,184,514</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	13	5,668,770	2,380,280
Borrowings	14	395,000	197,500
Other liabilities		64,843	-
<b>Total Current Liabilities</b>		<b>6,128,613</b>	<b>2,577,780</b>
<b>Non-current Liabilities</b>			
Borrowings	14	3,298,153	3,693,153
<b>Total Non-current Liabilities</b>		<b>3,298,153</b>	<b>3,495,653</b>
<b>TOTAL LIABILITIES</b>		<b>9,426,766</b>	<b>6,073,433</b>
<b>NET ASSETS</b>		<b>6,121,315</b>	<b>9,111,081</b>
<b>EQUITY</b>			
Issued capital	16 (a)	56,441,221	51,093,889
Reserves		1,024,850	479,600
Accumulated losses		(51,344,756)	(42,264,408)
<b>TOTAL EQUITY</b>		<b>6,121,315</b>	<b>9,111,081</b>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

# Consolidated Statement of Changes in Equity

## FOR THE YEAR ENDED 30 JUNE 2016

	Issued Capital	Accumulated Losses	Share Based Payments Reserve	Total Equity
	\$	\$	\$	\$
<b>At 1 July 2014</b>	<b>37,250,977</b>	<b>(34,540,706)</b>	<b>-</b>	<b>2,710,271</b>
<b>Comprehensive income</b>				
Loss for the period	-	(7,921,702)	-	(7,921,702)
<b>Other comprehensive income</b>	-	-	-	-
<b>Total comprehensive income</b>	-	(7,921,702)	-	(7,921,702)
<b>Transactions with owners</b>				
Shares issued	14,393,862	-	-	14,393,862
Share options issued	-	-	479,600	479,600
Share issued costs	(550,950)	-	-	(550,950)
<b>Total transactions with owners</b>	<b>13,842,912</b>	<b>-</b>	<b>479,600</b>	<b>14,322,512</b>
<b>At 30 June 2015</b>	<b>51,093,889</b>	<b>(42,462,408)</b>	<b>479,600</b>	<b>9,111,081</b>
<b>At 1 July 2015</b>	<b>51,093,889</b>	<b>(42,462,408)</b>	<b>479,600</b>	<b>9,111,081</b>
<b>Comprehensive income</b>				
Loss for the period	-	(8,882,348)	-	(8,882,348)
<b>Other comprehensive income</b>	-	-	-	-
<b>Total comprehensive income</b>	-	(8,882,348)	-	(8,882,348)
<b>Transactions with owners</b>				
Shares issued	5,551,406	-	-	13,843,362
Share options issued	545,250	-	545,250	545,250
Share issue costs	(204,074)	-	-	(204,074)
<b>Total transactions with owners</b>	<b>5,347,332</b>	<b>-</b>	<b>-</b>	<b>5,892,582</b>
<b>At 30 June 2016</b>	<b>56,441,221</b>	<b>(51,344,756)</b>	<b>1,024,850</b>	<b>6,121,315</b>

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

# Consolidated Statement of Cash Flows

## FOR THE YEAR ENDED 30 JUNE 2016

	Note	CONSOLIDATED 2016 \$	2015 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		18,500	-
R&D Grant rebate received		1,738,631	255,120
Payment to suppliers and employees		(5,520,671)	(1,770,203)
<b>Net cash flows used in operating activities</b>	8	<b>(3,763,540)</b>	<b>(1,515,083)</b>
<b>Cash flows from investing activities</b>			
Interest received		25,306	6,813
Payments for intangible assets		(1,200,000)	(1,087,181)
Payments for acquisitions		-	(10,000)
<b>Net cash flows used in investing activities</b>		<b>(1,174,694)</b>	<b>(1,090,368)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issues of shares and options		5,551,406	3,432,000
Transaction costs of issue of shares		(204,074)	(550,950)
Proceeds from issue of convertible notes		-	685,000
Interest paid		(313,455)	(112,940)
<b>Net cash flows from financing activities</b>		<b>5,033,877</b>	<b>3,453,110</b>
Net (decrease)/increase in cash and cash equivalents		95,643	847,659 393
Cash and cash equivalents at beginning of the year		944,301	96,249
<b>Cash and cash equivalents at end of the year</b>	8	<b>1,039,944</b>	<b>944,301</b>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

# Notes to the Financial Statements

## FOR THE YEAR ENDED 30 JUNE 2016

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### 1. CORPORATE INFORMATION

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

The financial statements cover the consolidated entity of Medibio Limited and its controlled entities.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Basis of preparation

These financial statements are general-purpose financial statements which have been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial statements have also been prepared on a historical cost basis, except for derivative financial instruments and available-for-sale investments, which have been measured at fair value.

The financial statements have been prepared on a going concern basis.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. The following is a summary of the material accounting policies adopted by the consolidated entity in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

The financial statements are presented in Australian dollars and all values are rounded to the nearest dollar unless otherwise stated.

#### (b) New accounting standards for Application in Future Periods

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods and which the consolidated entity has decided not to early adopt.

#### (c) Basis of consolidation

The consolidated financial statements comprise the financial statements of Medibio Limited and its controlled entities as at 30 June each year (the consolidated entity).

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

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

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

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

# Notes to the Financial Statements (continued)

## FOR THE YEAR ENDED 30 JUNE 2016

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (d) Foreign currency translation

##### i. Functional and presentation currency

Both the functional and presentation currency of Medibio Limited and its subsidiaries is Australian dollars (A\$). Each entity in the Group determines its own functional currency using the currency of the primary economic environment in which the entity operates and items included in the financial statements of each entity are measured using that functional currency.

##### ii. Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the end of the reporting period. All exchange differences are taken to profit and loss when incurred.

#### (e) Segment reporting

Operating segments are identified and segment information is disclosed on the basis of internal reports that are regularly provided to, or reviewed by, the group's chief operating decision maker which, for the Group, is the board of directors. In this regard, such information is provided using different measures to those used in preparing the Income Statement, Statement of Comprehensive Income and Statement of Financial Position. Reconciliations of such management information to the statutory information contained in the annual financial statements have been included.

As a result of the adoption of the revised AASB 8, certain cash generating units have been redefined having regard to the requirements in AASB 136: Impairment of Assets.

#### (f) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

##### (i) Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

##### (ii) Interest income

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

##### (iii) Rendering of services

Revenue is recognised immediately when performance of the service has been completed.

##### (iv) Licence fee

Revenue is recognised when control of the goods has passed to the buyer or performance of the service has occurred.

All revenue is stated net of the amount of GST.

# Notes to the Financial Statements (continued)

## FOR THE YEAR ENDED 30 JUNE 2016

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (g) Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

When the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

#### (h) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction and 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 user sale.

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

#### (i) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Lease incentives are recognised as a liability and amortised on a straight line basis in the income statement as an integral part of the total lease expense over the life of the lease term.

#### (j) Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

#### (k) Trade and other receivables

Trade receivables, which generally have 30 day terms are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts.

# Notes to the Financial Statements (continued)

## FOR THE YEAR ENDED 30 JUNE 2016

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (l) Investments and other financial assets

##### Recognition and De-recognition

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place. Financial assets are derecognised when the right to receive cash flows from the financial assets have expired or been transferred.

##### i. Loans and receivables

Loans and receivables including loan notes and loans to KMP are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income when the loans and receivables are derecognised or impaired. These are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period, which are classified as non-current.

##### ii. Available-for-sale securities

Available-for-sale investments are those non-derivative financial assets, principally equity securities that are designated as available-for-sale or are not suitable to be classified as any of the three preceding categories. After initial recognition available-for-sale securities are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in the Statement of Profit or Loss and Other Comprehensive Income.

The fair value of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business at the end of the reporting period. For investments with no active market, fair values are determined using valuation techniques. Such techniques include: using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible and keeping judgemental inputs to a minimum.

##### iii. Impairment

At the end of each reporting period, the consolidated entity assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the income statement.

#### (m) Investment in associate

The Group's investment in its associate is accounted for using the equity method of accounting in the consolidated financial statements. The associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, the investment in the associate is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The income statement reflects the Group's share of the results of operations of the associate.

Where there has been a change recognised directly in the associate's equity, the Group recognises its share of any changes directly in equity and discloses this in the statement of comprehensive income.



# Notes to the Financial Statements (continued)

## FOR THE YEAR ENDED 30 JUNE 2016

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (m) Investment in associate (Continued)

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables and loans, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The reporting dates of the associate and the Group are identical and the associate's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

#### (n) Income tax

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

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period.

Deferred income tax is provided on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference cannot be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of deferred tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused deferred tax assets and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period. Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss. Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Research and development tax offset claims are recognised as a tax benefit when it is probable that the economic benefits will flow into the entity and the amount can be reliably measured.

# Notes to the Financial Statements (continued)

## FOR THE YEAR ENDED 30 JUNE 2016

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (n) Income tax (continued)

Medibio Limited and the controlled entities in the tax consolidated Group continue to account for their own current and deferred tax amounts. The Group has applied the Group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated Group.

#### (o) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable. Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

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

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

#### (p) Intangible assets

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is charged to the statement of profit or loss and other comprehensive income in the year in which expenditure is incurred.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed at the end of each reporting period to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

##### *Research and development costs*

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any finite life expenditure so capitalised is amortised over the period of expected benefits from the related project. The carrying value of an intangible asset arising from development expenditure is tested for impairment annually when the asset is not yet available for use, or more frequently when an indication of impairment arises during the reporting period.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit and loss when the asset is derecognised.

# Notes to the Financial Statements (continued)

## FOR THE YEAR ENDED 30 JUNE 2016

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (p) Intangible assets (continued)

Impairment of non-financial assets other than goodwill

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

#### (q) Trade and other payables

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the reporting period that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of the goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

#### (r) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

#### (s) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit or loss and other comprehensive income net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

# Notes to the Financial Statements (continued)

## FOR THE YEAR ENDED 30 JUNE 2016

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (t) Employee benefits

*Wages, salaries, annual leave and sick leave*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees services up to the reporting date and are measured at the amount expected to be paid when the liabilities are settled.

*Long service leave*

A liability for long service leave is recognised, and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates attaching, as at the end of the reporting period, to national government guaranteed securities with terms to maturity that match, as closely as possible, the estimated future cash outflows.

As of the 30 June 2015, the Group did not have any employees with service to necessitate a provision for annual leave or long service leave.

#### (u) Share-based payment transactions

*Equity settled transactions*

The Group provides benefits to its employees and directors in the form of share-based payments, whereby employees and directors render services in exchange for shares or rights over shares (equity-settled transactions).

#### (v) Contributed equity

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

#### (w) Earnings per share

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

Diluted EPS is calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

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

# Notes to the Financial Statements (continued)

## FOR THE YEAR ENDED 30 JUNE 2016

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (x) Business combinations

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exceptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

All transaction costs incurred in relation to the business combination are expensed to the Statement of Profit or Loss and Other Comprehensive Income.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

#### (y) Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and assumes that the transaction will take place either in the principle market or in the absence of a principle market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, and used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

# Notes to the Financial Statements (continued)

## FOR THE YEAR ENDED 30 JUNE 2016

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### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In applying the Group's accounting policies management continually evaluates judgments, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group. All judgments, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgments, estimates and assumptions. Significant judgments, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

*Significant accounting judgment*

#### **Impairment of assets and investments**

The Group determines whether non-current assets (excluding goodwill and indefinite useful life intangible assets) should be tested for impairment based on identified impairment triggers. At the end of each reporting period management assesses the impairment triggers based on their knowledge and judgement. Where an impairment trigger is identified, an estimate of the recoverable amount is required.

# Notes to the Financial Statements (continued)

## FOR THE YEAR ENDED 30 JUNE 2016

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### 4. SEGMENT REPORTING

#### Segment Information

##### Identification of reportable segments

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

The Group is managed primarily on the basis of product category and service offerings since the diversification of the Group's operations inherently have notably different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar with respect to the following:

- the products sold and/or services provided by the segment;
- the manufacturing process;
- the type or class of customer for the products or service;
- the distribution method; and
- external regulatory requirements.

##### Types of products and services by segment

(i) Mining and Gas Exploration

This market segment includes the income and expenditures pertaining to the investment opportunity through Frontier Oil Corporation. This asset is available for sale and fully impaired in these accounts.

(ii) Human Diagnostics

This market segment includes the income and expenditures pertaining to the investment opportunity through Invatec Health Pty Ltd and Medibio's development of the Stress Algorithm.

# Notes to the Financial Statements (continued)

## FOR THE YEAR ENDED 30 JUNE 2016

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### 4. SEGMENT REPORTING (continued)

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

##### *Accounting policies adopted*

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

##### *Inter-segment transactions*

For the reporting period there have not been any inter-segment sales.

Salaries for research and development employees have been allocated to market segments on the basis of time sheets that support claims for the research and development tax offset credit. Corporate employee costs such as directors' fees, salaries and superannuation are allocated to market segments on the basis of direct expenses and research and development salaries as a percentage of total expenses for the Group.

Inter-segment loans payable and receivable are initially recognised at the consideration received net of transaction costs.

##### *Segment assets*

In the majority of instances, segment assets are clearly identifiable on the basis of their nature (i.e. prepayments, inventories, sundry debtors). Corporate fixed assets such as computer equipment and furniture and fittings have not been allocated to market segments.

##### *Segment liabilities*

Liabilities are allocated to segments where there is direct nexus between the liability incurred and the operations of the segment. Segment liabilities include trade and other payables.

##### *Unallocated Items*

The following items of revenue, expense, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Cash and term deposits;
- Interest received;
- Income tax expense or credit;
- Fixed assets;
- Borrowings;
- Unallocated share application funds; and
- Other payables.



# Notes to the Financial Statements (continued)

## FOR THE YEAR ENDED 30 JUNE 2016

### 4. SEGMENT REPORTING (continued)

#### (i) Segment performance

	Mining and Gas	Invatec Health	Total
Twelve months ended 30 June 2016	\$	\$	\$
<b>Revenue</b>			
External sales	-	18,500	18,500
R&D Grant	-	1,738,631	1,738,631
<b>Total segment revenue</b>	-	1,757,131	1,757,131
Inter-segment elimination	-	-	-
Unallocated revenue			150,274
<b>Total consolidated revenue</b>			<b>1,907,405</b>

	Mining and Gas	Invatec Health	Total
Twelve months ended 30 June 2016	\$	\$	\$
<b>Segment net profit/(loss)before tax</b>			
<i>Reconciliation of segment result to group net loss before tax</i>	-	(5,860,547)	(5,860,547)
Amounts not included in segment result but reviewed by the Board:			
• Depreciation			(1,261,825)
Unallocated items:			
• Interest received			25,306
• Other corporate costs			(1,785,282)
<b>Net loss before tax</b>			<b>(8,882,348)</b>

# Notes to the Financial Statements (continued)

## FOR THE YEAR ENDED 30 JUNE 2016

### 4. SEGMENT REPORTING (continued)

Twelve months ended 30 June 2015	Mining and Gas	Invatec Health	Total
Revenue	\$	\$	\$
External sales	-	-	-
R & D Grant	-	255,120	255,120
Total segment revenue	-	255,120	255,120
Inter-segment elimination	-	-	-
Unallocated revenue			6,813
<b>Total consolidated revenue</b>			<b>261,933</b>

Twelve months ended 30 June 2015	Mining and Gas	Invatec Health	Total
Segment net profit /(loss) before tax	\$	\$	\$
<i>Reconciliation of segment result to group net loss before tax</i>	(3,861,034)	(2,244,216)	(6,105,250)
Amounts not included in segment result but reviewed by the Board:			
• Depreciation			(516,461)
Unallocated items:			
• Interest received			6,813
• Other corporate costs			(1,306,804)
<b>Net loss before tax</b>			<b>(7,921,702)</b>

# Notes to the Financial Statements (continued)

## FOR THE YEAR ENDED 30 JUNE 2016

### 4. SEGMENT REPORTING (continued)

#### (ii) Segment assets

30 June 2016

	Mining and Gas	Invatec Health	Total
	\$	\$	\$
Segment assets	-	14,609,224	14,609,224
Unallocated assets			
• Cash			1,039,944
• Other			-
<b>Total assets</b>			<b>15,548,082</b>

30 June 2015

	\$	\$	\$
Segment assets	-	14,231,122	14,231,122
Unallocated assets			
• Cash			944,301
• Other			9,091
<b>Total assets</b>			<b>15,184,514</b>

#### (iii) Segment Liabilities

30 June 2016

	\$	\$	\$
Segment liabilities	-	9,136,455	9,136,455
Unallocated liabilities			-
<b>Total liabilities</b>			<b>9,136,455</b>

30 June 2015

	\$	\$	\$
Segment liabilities	-	6,073,433	6,073,433
Unallocated liabilities			-
<b>Total liabilities</b>			<b>6,073,433</b>

# Notes to the Financial Statements (continued)

## FOR THE YEAR ENDED 30 JUNE 2016

### 4. SEGMENT REPORTING (continued)

#### (i) Revenue by geographical region

##### Australia

Revenue for the 2016 year included the R&D Grant rebate of \$1,738,631 and bank interest of \$25,306.

For the 2015 year, revenue included the R&D Grant of \$255,120 and bank interest of \$6,813.

#### (ii) Assets by geographical region

All assets reside in one geographical region being Australia.

	CONSOLIDATED	
	2016 \$	2015 \$
<b>5. REVENUES AND EXPENSES</b>		
<b>(a) Other Income</b>		
Bank interest received and receivable	25,306	6,813
Reversal of accruals	136,934	-
R&D grant received	1,738,631	255,120
	<b>1,888,905</b>	<b>261,933</b>
<b>(b) Finance costs</b>		
Interest charges payable under convertible notes	(313,455)	(160,622)
	<b>(313,455)</b>	<b>(160,622)</b>
<b>(c) Employee benefits expense</b>		
Wages and salaries	(276,252)	(82,192)
Directors fees	(809,778)	(399,781)
Superannuation	(22,222)	(10,462)
	<b>(1,086,030)</b>	<b>(492,435)</b>
<b>(d) Other expenses</b>		
Consulting and advisory expenses	(2,491,251)	(1,309,896)
Legal fees	(42,325)	(165,541)
Listing fees	(61,907)	(63,605)
Share registry charges	(78,888)	(86,795)
Sales and marketing	(333,666)	(85,290)
Other administration expenses	(1,334,619)	(858,116)
	<b>(4,342,657)</b>	<b>(2,569,228)</b>

# Notes to the Financial Statements (continued)

## FOR THE YEAR ENDED 30 JUNE 2016

	CONSOLIDATED	
	2016 \$	2015 \$
<b>6. INCOME TAX</b>		
<b>Numerical reconciliation between aggregate tax expense recognised in the income statement and tax expense calculated per the statutory income tax rate</b>		
A reconciliation between tax expense and the product of accounting loss before income tax multiplied by the Group's applicable income tax rate is as follows:		
Accounting loss before tax	(8,882,348)	(7,921,702)
At the statutory tax rate of 30% (2015: 30%)	(2,664,704)	(2,376,511)
Tax effect of temporary differences and current year loss not brought to account	(2,664,704)	(2,376,511)
Aggregate income tax benefit	2,664,704	2,376,511
Deferred tax asset arising from tax losses not brought to account at the end of the reporting period as realisation is not regarded as probable	-	-
	-	251,400

The potential deferred tax asset will only be obtained if:

- (i) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- (ii) the conditions for deductibility imposed by tax legislation continue to be complied with; and
- (iii) no changes in tax legislation adversely affect the consolidated entity in realising the benefit.

As a result of the March 2015 acquisition and reconstruction of Medibio Limited, the Group's tax losses arising in Australia of \$23,211,110 at 30 June 2014 have not been carried forward. The parent is unable to satisfy the requirements of either the continuity of ownership test (COT) or alternatively the same business test (SBT).

At 30 June 2015, there is no recognised or unrecognised deferred tax liability (2015: nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries, as the Group has no liability for additional taxation should such amounts be remitted.

### Tax consolidation

Effective 1 July 2003, for the purposes of income taxation, Medibio Limited (formerly BioProspect Limited) and its 100% owned subsidiaries have formed a tax consolidated group. Members of the group have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly-owned subsidiaries on a pro-rata basis. In addition the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations.

### Tax accounting by members of the tax consolidated group

Members of the tax consolidated group have entered into a tax funding arrangement. The tax funding arrangement provides for the allocation of current taxes to members of the tax consolidated group in accordance with the available fractions belonging to each subsidiary, which is directly linked to prior year losses that have been accumulated. In the event of the company generating future taxable profits, the tax losses will be absorbed according to the available fractions within the group.

The allocation of taxes under the tax funding agreement is recognised as an increase/decrease in the subsidiaries' intercompany accounts with the tax consolidated group head company, Medibio Limited. The group has applied the stand alone approach in determining the appropriate amount of current taxes to allocate to members of the tax consolidated group.

# Notes to the Financial Statements (continued)

## FOR THE YEAR ENDED 30 JUNE 2016

### 7. EARNINGS PER SHARE

	COMPANY	
	2016 \$	2015 \$
Net loss attributable to equity holders of the company from continuing operations	(8,882,348)	(7,921,702)
	Number of Shares	Number of Shares
Weighted average number of ordinary shares used in calculating basic earnings per share:	98,445,508	46,611,766

The consolidated entity currently does not have options on issue. Options could potentially dilute basic earnings per share in the future.

	CONSOLIDATED	
	2016 \$	2015 \$
<b>8. CASH AND CASH EQUIVALENTS</b>		
Cash at bank and in hand	78,599	210,204
Short-term deposits	961,345	734,097
	<u>1,039,944</u>	<u>944,301</u>

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for varying periods of between one month and six months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

	CONSOLIDATED	
	2016 \$	2015 \$
<b>Reconciliation of loss after tax to net cash flows from operations:</b>		
<b>Net loss</b>	(8,882,348)	(7,921,702)
<b>Adjustments for:</b>		
Amortisation and Depreciation	1,261,825	516,461
Interest received	(25,306)	(6,813)
Interest paid convertible notes	313,455	160,622
Impairment of investments	-	4,306,033
Impairment of receivables	-	100,000
Share based payments	545,250	524,600
Increase in intangibles	(1,431,271)	-
<b>Changes in assets and liabilities</b>		
(Increase)/ decrease in trade and other receivables	(98,479)	(336,680)
(Decrease) / increase in trade and other payables	3,288,490	1,142,396
(Decrease) / increase in employee entitlements	28,516	28,516
<b>Net cash used in operating activities</b>	<u>(4,963,540)</u>	<u>(1,515,083)</u>

# Notes to the Financial Statements (continued)

## FOR THE YEAR ENDED 30 JUNE 2016

### 8. CASH AND CASH EQUIVALENTS

#### Non cash financing and investing activities

	CONSOLIDATED	
	2016 \$	2015 \$
25,000 shares issued to B McNaught	7,500	-
166,667 shares issued to F Prendergast	50,000	-
10,417 shares issued to C Indermaur	4,167	-
75,000 shares issued to M Player	30,000	-
150,000 shares issued to S Mathieson	50,000	-
350,000 shares issued to S Stapelberg	115,000	-
1,000,000 shares issued to Brooke Starbuck Corporate Advice	350,000	-
130,000 shares issued to Andrew Mortimer	44,000	-
203,235 shares issued to Matthew Flax	68,237	-
4,000,000 shares issued to Heartlink Limited for acquisition of Patents	1,200,000	-
75,000 shares issued to Duncan Groenewald	15,000	-
105,000 shares issued to Colorado Investments Pty Ltd	21,000	-
6,000,000 options issued to Foster Stockbrokers Pty Ltd	545,250	-
150,000 shares issued to C Indermaur	-	45,000
493,100 shares issued to S Pearce	-	147,930
250,000 options ex at \$0.30 issued to J Campbell	-	43,600
1,000,000 options ex at \$0.30 issued to SEK Investments Limited	-	174,400
1,500,000 options ex at \$0.30 issued to Ausepen Pty Ltd	-	261,600
	<b>2,500,154</b>	<b>672,530</b>

The value placed on the issue of the shares was equal to the prevailing share price of Medibio as at the date of issue.

	CONSOLIDATED	
	2016 \$	2015 \$
<b>9. TRADE AND OTHER RECEIVABLES</b>		
Trade debtors	-	-
Other debtors	260,212	232,985
	<b>260,212</b>	<b>232,985</b>

#### Terms and conditions

- (i) Trade debtors are non-interest bearing and generally on 30 day terms. A provision for impairment is made when there is objective evidence that a trade receivable is impaired.
- (ii) Sundry debtors and other receivables are non-interest bearing and have repayment terms of 30 days. A provision for impairment is made when there is objective evidence that a sundry debtor or other receivable is impaired.
- (iii) None of the trade and other receivables are contractually overdue.

Due to the short-term nature of these receivables their carrying amounts are assumed to approximate their fair value.

# Notes to the Financial Statements (continued)

## FOR THE YEAR ENDED 30 JUNE 2016

### 10. OTHER FINANCIAL ASSET – AVAILABLE FOR SALE FINANCIAL ASSETS

	Notes	CONSOLIDATED	
		2016 \$	2015 \$
Frontier Oil Corporation – at directors valuation	(i)	3,861,034	3,861,034
Australian listed shares at fair value	(ii)	2,758	2,758
Impairment		(3,863,792)	(3,863,792)
Invatec Health Pty Ltd		-	-
		-	-

#### (i) Frontier Oil Corporation

The company acquired 430,000,000 shares in Frontier Oil Corporation ('FOC') for a total investment cost of \$5,188,265 during the year ended 30 June 2013. In September 2013, the Company sold 110,000,000 of its 430,000,000 shares held in FOC for net funds of \$1,690,425.

The investment is carried at original cost less disposals. This is an investment in an unlisted entity and is therefore difficult to obtain fair value. The directors, have fully impaired the investment.

#### (ii) Listed Shares

As at 30 June 2016, Medibio holds 47,544 Solagran Limited shares. Solagran Limited is in voluntary suspension and the investment has been full impaired. This is the residual balance from a development agreement to commercialise CGNC terminated in 2010.

#### (iii) Invatec Health Pty Ltd

As approved by shareholders on 6 March 2015, Medibio acquired 100% of the issued capital of Invatec by the issue of 25,537,506 post consolidation shares (28.4% of the issued capital of Medibio).



# Notes to the Financial Statements (continued)

## FOR THE YEAR ENDED 30 JUNE 2016

11. INTANGIBLES	CONSOLIDATED	
	2016 \$	2015 \$
<b>Licence</b>		
<b>Heartlink</b>		
At cost	300,000	300,000
Additions		
Amortization	(300,000)	(150,000)
Impairment	-	-
Net carrying amount	-	150,000
<b>Development costs</b>		
At cost	3,121,802	43,750
Additions	231,271	3,078,052
Amortisation	-	-
Impairment	-	-
Net carrying amount	3,353,073	3,121,802
<b>Patents</b>		
At cost	2,931,692	-
Additions	1,200,000	3,298,153
Amortisation	(1,478,286)	(366,461)
Impairment	-	-
Net carrying amount	3,019,867	2,931,692
<b>Data Files</b>		
At cost	7,794,643	-
Additions	-	7,794,643
Impairment	-	-
Net carrying amount	7,794,643	7,794,643
<b>Goodwill</b>		
At cost	444,999	-
Additions	-	444,999
Impairment	(444,999)	(444,999)
Net carrying amount	-	-
<b>Reconciliation of carrying amount</b>		
Net carrying amount at beginning of year	13,998,137	343,750
Additions	1,431,271	14,615,847
Accumulated amortisation	(1,261,825)	(516,461)
Impairment	-	(444,999)
Net carrying amount	14,167,583	13,998,137

### Heartlink Licence

Heartlink Limited is an Australian public unlisted company. It is the registered holder of the Patents of an algorithm associated with the HRV technology. The Patents are held in Australia, Israel and New Zealand. These Patents are in relation to technology that provides a method for diagnosing psychiatric disorders by the analysis of heart rate patterns. This Patented Technology, which is complementary to the processes being developed by Invatec. These Patents were acquired for \$1,200,000 by the issue to Heartlink Limited

### Development Costs

The algorithm and diagnostic system development costs incurred in the year by the development team have been capitalised.

### Patents

The company announced in April 2015, its acquisition of the US and Canadian patents which complete the consolidation of granted intellectual property that the company has targeted to support Medibio's commercialisation strategy for its proprietary depression and mental health diagnostic

## Notes to the Financial Statements (continued)

### FOR THE YEAR ENDED 30 JUNE 2016

12. TRADE AND OTHER PAYABLES- CURRENT	Note	CONSOLIDATED	
		2016	2015
		\$	\$
Trade payables	(i)	516,757	1,541,792
Other creditors and accruals	(ii)	5,152,013	388,308
Accrued interest	(iii)	-	12,211
		5,668,770	1,942,311
Related party payables		-	437,969
		5,668,770	2,380,280

#### Terms and conditions relating to the above financial instruments

- i. Trade creditors are non-interest bearing and normally settled on 30 day terms.
- ii. Other creditors are non-interest bearing and have repayment terms between 30 and 90 days.
- iii. This amount reflects interest accrual on the convertible notes that have been issued as detailed in Note 14. Interest is only payable on the date of maturity of notes.

Due to the short term nature of these payables their carrying value is assumed to approximate their fair value.

### 13. BORROWINGS

Borrowings - Current	Invatec Shareholders loan	395,000	197,500
Borrowings – Non-Current	Promissory Note	3,298,153	3,298,153
	Invatec Shareholders loan	-	197,500
		3,693,153	3,495,653
	Total Borrowings	3,693,153	3,693,153

#### Promissory Note

On 21 April 2015 Medibio announced the acquisition of US and Canadian patents which completed the consolidation of granted intellectual property that the company has targeted to support the commercialisation strategy of Medibio's proprietary depression and mental health diagnostic technologies.

The term of the note is 3 years with 8% interest payable semi-annually. Medibio can extend the period for an additional 2 years incurring an additional 2% interest. The patent owner can elect to be paid in cash or Medibio shares at \$0.31 per share.

#### Invatec Shareholders loan

Under the terms of the acquisition of the Invatec Health Pty Ltd ('Invatec') the outstanding shareholder loans were reduced to \$395,000, with half payable 13 months after completion (due 2 May 2016) of the acquisition and the balance 26 months after completion. The Invatec shareholders have agreed to extend the repayment date for the total loan to 26 months from completion.

# Notes to the Financial Statements (continued)

## FOR THE YEAR ENDED 30 JUNE 2016

### 14. ISSUED CAPITAL

#### (a) Issued and paid up capital

Ordinary shares issued and fully paid

56,457,888      51,093,889

#### (b) Movements in shares on issue

	Number of shares		\$	\$
	2016	2015	2016	2015
Beginning of the financial year	89,802,932	3,173,189,372	37,250,977	37,250,977
Issued during the year:				
share placements	-	333,333,331	1,000,000	1,000,000
Convertible note – Series B	-	8,333,333	25,000	25,000
	-	3,514,856,036		
Share consolidation 100 to 1	-	(3,479,707,089)	-	-
	-			
Post-consolidation shares on issue		35,148,947		
Issue of Shares	(i) 688,333	-	206,500	-
Issue of Shares to investors	(ii) 7,730,087	-	3,092,034	-
Issue of Shares to investors	(iii) 502,641	-	139,734	-
Contractor/consultant payments	(iv) 1,743,628	-	763,610	-
Patent acquisition/consultant payments	(v) 4,000,000	-	1,200,000	-
Contractor/consultant payments	(vi) 479,186	-	99,526	-
Option exercise	(vii) 500,000	-	50,000	-
Share placements	-	8,256,668	-	2,477,000
Share issues to acquire Invatec	-	25,537,506	-	7,661,250
Convertible note – Series B	-	3,516,665	-	1,055,000
Convertible note – Series A	-	15,000,000	-	1,500,000
Contractor/consultant payments	-	643,100	-	192,930
Share issues to acquire Annapanna	-	1,450,000	-	435,000
Convertible note interest	-	113,388	-	34,016
Option exercise	-	136,658	-	13,666
Less share issue costs	-	-	(204,074)	(550,950)
End of the financial year	105,446,807	89,802,932	56,441,219	51,093,889

#### Notes:

- (i) On 10 July 2015, the Company issued 333,333,333 ordinary shares at an issue price of 0.03 cent per shares. This issue raised \$206,500 (before issue costs).
- (ii) On 8 September 2015 the Company raised \$3,092,035 through the issue of 7,730,087 shares
- (iii) On 4 January 2016 the Company issued 502,641 shares at \$0.278 to a US based investor
- (iv) On 28 January 2016 the company settled \$763,610 of contractor & consultancy costs through the issue of 1,743,628 shares
- (v) On 19 April 2016 the Company acquired Heartlink patents for \$1,200,000 settled by the issue of 4,000,000 ordinary shares.
- (vi) On 19 April 2016 the Company settled \$99,526 settled contractor & consultancy costs through the issue of by the issue of 479,186 ordinary shares.
- (vii) On 22 June 2016 the Company issued 500,000 shares on the exercise of 500,000 10 cent options raising \$50,000

#### (b) Movements in shares on issue

All shares issued above rank equally in all respects with the shares on issue at the beginning of the year.

# Notes to the Financial Statements (continued)

## FOR THE YEAR ENDED 30 JUNE 2016

### 14. ISSUED CAPITAL (continued)

#### (c) Capital management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. The company's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets. There are no externally imposed capital requirements.

#### (d) Share Options

Options over ordinary shares:	2016 No of Options	2015 No of Options
<b>Unlisted Options</b>		
<b>Exercisable on or before 1 April 2017 at 30 cents per share</b>		
Outstanding at beginning of year	6,666,667	-
Issued during the year	-	6,666,667
Lapsed during the year	-	-
Outstanding at end of year	<u>6,666,667</u>	<u>6,666,667</u>
<b>Unlisted Options</b>		
<b>Exercisable on or before 1 April 2018 at 10 cents per share</b>		
Outstanding at beginning of year	14,863,342	-
Issued during the year	-	15,000,000
Exercised during the year	(500,000)	(136,658)
Outstanding at end of year	<u>14,363,342</u>	<u>14,863,342</u>
<b>Unlisted Options</b>		
<b>Exercisable on or before 29 January 2019 at 40 cents per share</b>		
Outstanding at beginning of year	-	-
Issued during the year	3,000,000	-
Lapsed during the year	-	-
Outstanding at end of year	<u>3,000,000</u>	<u>-</u>
<b>Exercisable on or before 29 January 2019 at 60 cents per share</b>		
Outstanding at beginning of year	-	-
Issued during the year	1,500,000	-
Lapsed during the year	-	-
Outstanding at end of year	<u>1,500,000</u>	<u>-</u>
<b>Unlisted Options</b>		
<b>Exercisable on or before 29 January 2019 at 80 cents per share</b>		
Outstanding at beginning of year	-	-
Issued during the year	1,500,000	-
Lapsed during the year	-	-
Outstanding at end of year	<u>1,500,000</u>	<u>-</u>
<b>Total options over unissued ordinary shares</b>	<u><u>27,030,009</u></u>	<u><u>21,530,009</u></u>

#### Movements in share options

- On 22 June 2016 a holder of 10 cent unlisted options exercised 500,000 options
- On 2 April 2015 a holder of 10 cent unlisted options exercised 136,658 options.

#### (e) Terms and conditions of contributed equity

Ordinary shares have the right to receive dividends as declared and, in the event of winding up of the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held, after all other creditors have been paid.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

# Notes to the Financial Statements (continued)

## FOR THE YEAR ENDED 30 JUNE 2016

		CONSOLIDATED	
		2016	2015
		\$	\$
<b>15. AUDITORS' REMUNERATION</b>			
The auditor of Medibio Limited is William Buck (Qld)			
Amounts received or due and receivable for:			
- an audit or review of the financial report of the entity and any other entity in the consolidated entity -			
		38,150	29,851
		38,150	29,851
- other services in relation to the entity and any other entity in the consolidated entity -			
- tax compliance			
		22,711	12,575
- due diligence advice			
		-	-
- AGM attendance			
		760	690
		<b>61,621</b>	<b>42,426</b>

### 16. KEY MANAGEMENT PERSONNEL

		Consolidated	
		2016	2015
		\$	\$
Short-term employee benefits			
		1,794,890	311,061
Post-employment benefits			
		20,797	2,774
Share-based payments			
		234,167	88,600
<b>Total compensation</b>			
		<b>2,049,854</b>	<b>402,435</b>

### 17. RELATED PARTY DISCLOSURES

The consolidated financial statements include the financial statements of Medibio Limited (the ultimate parent company) and the subsidiaries listed in the following table.

Name	Country of Incorporation	Class of Shares	% Equity Interest		Investment *	
			2016	2015	2016	2015
\$						
BioProspect Australia Limited	Australia	Ord	100%	100%	4,024,341	4,024,341
Australian Phytochemicals Limited	Australia	Ord	100%	100%	1,323,464	1,323,464
BioProspect America Pty Ltd	Australia	Ord	100%	100%	2	2
Re Gen Wellness Products Pty Ltd	Australia	Ord	100%	100%	50,000	50,000
Medibio Limited USA	USA - Delaware	Ord	100%	-	1,320	-
Invatec Health Pty Ltd	Australia	Ord	100%	6%	8,151,250	600,000
Annapanna Pty Ltd	Australia	Ord	100%	-	1	-

\* Cost before provisioning. Refer to Note 11 and 13 for further investment disclosures.

# Notes to the Financial Statements (continued)

## FOR THE YEAR ENDED 30 JUNE 2016

### 18. LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Likely future developments in the activities of the consolidated entity are referred to in the Review of Operations. Other than as referred to in that report, further information as to likely developments in operations of the consolidated entity and likely results of those operations would, in the opinion of the Directors, be speculative and not in the best interests of the consolidated entity.

### 19. PARENT ENTITY INFORMATION

	2016 \$	2015 \$
Net loss attributable to members of Medibio Limited	(8,893,220)	(7,374,764)
Change in market value of available for sale financial assets	-	-
<b>Total comprehensive income for the year attributable to members of Medibio Limited</b>	<b>(8,893,220)</b>	<b>(7,374,764)</b>
Current assets	2,372,128	920,651
<b>Total assets</b>	<b>15,224,877</b>	<b>14,470,274</b>
Current liabilities	5,175,515	1,420,273
<b>Total liabilities</b>	<b>8,473,668</b>	<b>4,718,427</b>
Issued Capital	56,441,222	51,093,889
Share based payments reserve	1,024,850	479,600
Available for sale asset revaluation reserve	-	-
Retained earnings	(50,714,863)	(41,821,642)
<b>Total equity</b>	<b>6,751,209</b>	<b>9,751,847</b>
Contingent liabilities	-	5,400,000
Guarantees in relation to debt of subsidiaries	-	-
Capital and other expenditure commitments not provided for in the financial statements	-	-

### 20. EVENTS AFTER THE END OF THE REPORTING PERIOD

There are no other events subsequent to year end which would have a material effect on the Company's financial statements at 30 June 2016.