



ABN: 58 008 130 336

Appendix 4D and Half-Yearly Report for 31 December 2019

Lodged with the ASX under Listing Rule 4.2A.3

The information provided in this Half-Yearly Report should be read in conjunction with the Company's 2019 Annual Financial Report.

Medibio Limited
Appendix 4D
Half-year report

1. Company details

Name of entity:	Medibio Limited
ABN:	58 008 130 336
Reporting period:	For the half-year ended 31 December 2019
Previous period:	For the half-year ended 31 December 2018

2. Results for announcement to the market

			\$
Revenues from ordinary activities	down	77.0% to	787,178
Loss from ordinary activities after tax attributable to the owners of Medibio Limited	down	40.1% to	(2,389,685)
Loss for the half-year attributable to the owners of Medibio Limited	down	40.1% to	(2,389,685)

Dividends

There were no dividends paid, recommended or declared during the current financial period.

Comments

The loss for the group after providing for income tax amounted to \$2,389,685 (31 December 2018: \$3,987,322).

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>0.12</u>	<u>(1.23)</u>

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

There were no dividends paid, recommended or declared during the current financial period.

Previous period

There were no dividends paid, recommended or declared during the previous financial period.

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

10. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

11. Attachments

Details of attachments (if any):

12. Signed

Signed  _____

Date: 28 February 2020

Claude Solitario, Managing Director

Medibio Limited

ABN 58 008 130 336

Half-Yearly Report - 31 December 2019

Medibio Limited
Corporate directory
31 December 2019

Directors	Mr Claude Solitario (Managing Director) Mr Peter Carlisle (Lead Independent Director) Ms Melanie Leydin (Director)
Joint company secretaries	Ms Melanie Leydin Mr Mathew Watkins
Registered office	Level 4, 100 Albert Road South Melbourne VIC 3205 Telephone: +61 3 9692 7222 Facsimile: +61 3 9077 9233
Share register	Computershare Investor Services Pty Limited Level 3, 60 Carrington Street Sydney, NSW, 2000 Telephone: 1300 850 505
Auditor	William Buck (QLD) Level 21, 307 Queen Street Brisbane QLD 4000 Telephone: +61 7 3229 5100 Facsimile: +61 7 3221 6027
Legal advisors	Gadens Level 25 Bourke Place, 600 Bourke Street Melbourne VIC 3000 Telephone: +61 3 9252 2555 Facsimile: +61 3 9252 2500
Bankers	Westpac Banking Corporation
Stock exchange listing	Medibio Limited securities are listed on the Australian Securities Exchange (ASX code: MEB & MEBOB)
Website	www.medibio.com.au
Global Headquarters	Minneapolis, Minnesota 8696 Eagle Creek Circle Savage, MN 55378 Telephone: 952-222-0551

Medibio Limited
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**Medibio Limited
Directors' report
31 December 2019**

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'group') consisting of Medibio Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2019.

Directors

The following persons were directors of Medibio Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

- Mr Peter Carlisle (Lead Independent Director)
- Mr Claude Solitario (Managing Director) (appointed Managing Director 9 January 2020)
- Ms Melanie Leydin (Director)
- Mr David Kaysen (Managing Director, CEO and Chairman) (resigned 9 January 2020)
- Ms Lisa Wipperman Heine (Non-Executive Director) (appointed 29 August 2019, resigned 22 November 2019)
- Dr. Lisa Ragen Ide (Non-Executive Director) (appointed 29 August 2019, resigned 22 November 2019)
- Ms Liwanag Ojala (Non-Executive Director) (appointed 29 August 2019, resigned 22 November 2019)
- Mr. Michael Phelps (Non-Executive Director) (resigned 29 August 2019)
- Mr. Patrick Kennedy (Non-Executive Director) (resigned 29 August 2019)
- Dr. Franklyn Prendergast (Non-Executive Director) (resigned 29 August 2019)

Principal activities

The principal activity of the Group is conducting clinical research, product development and early stage commercialisation of a mental health technology using objective biomarkers to assist in the screening, diagnosing, monitoring, and management of depression and other mental health conditions.

Review of operations

The loss for the group after providing for income tax amounted to \$2,389,685 (31 December 2018: \$3,987,322).

The loss for the period reflected the following:

- costs associated with the development of the Company's technology for use of objective biometrics to assist in the screening, diagnosing, monitoring, and management of depression and other mental health conditions;
- operating corporate and administrative overheads.

Operations

Company update

Medibio released a Report to Shareholders on Company Activities and Outlook for 2020 (See ASX Announcement dated 9 December 2019), with the Company entering into a new phase of development.

Clinical Update

Medibio continues the development of its Clinically Depressive Burden algorithm, along with the related software platform, for FDA approval. Our aim is to identify clinical depressive burden in patients with sleep disturbances who undergo a sleep study in a sleep clinic environment. The software platform will include:

- a sleep staging algorithm (referred to below);
- a heart rate variability algorithm; leading to,
- the depressive burden analysis.

**Medibio Limited
Directors' report
31 December 2019**

On October 29th 2019, our Sleep Analysis of Depressive Burden (SADB) study was approved by a USA-based Institutional Review Board (IRB) to start studies that will generate clinical data to support the De Novo submission we are targeting for late 2020. Active enrolments for the study commenced in December.

An early and essential step in this endeavour is the identification of the 5 distinct sleep stages. To this end, during the half year ending 31 December 2019, the Company substantially completed the development of an algorithm that will identify these important sleep stages.

As a result of this work, Medibio's development team has identified a potential regulatory path related exclusively to our sleep-staging algorithm. Although this algorithm is an essential part of the depressive burden analysis, it has commercial value in its own right and will be the subject of a separate 510K FDA application target for the June quarter of 2020. To date, performance of the algorithm is showing overall accuracy in the range of 79%-82%. This is as good as or better than human scorer agreement.

Ilumen™ Commercial Update

In September 2019, the Company signed a six-week licence agreement for ilumen™ with a British multinational mining company. The license agreement allows for one of the company's divisions consisting of approximately 500 employees in Singapore (Singapore), United Kingdom (London), Australia (Brisbane), Chile (Santiago), Brazil (Rio De Janeiro), and South Africa (Johannesburg) to take part in the ilumen™ well-being program that commenced in October 2019. This agreement marked another step forward for Medibio in achieving its global commercialisation strategy of ilumen™.

The program, which commenced in October 2019, was well-received and the results will be formally presented to the Company's executive in the March quarter of 2020. This agreement marked another step forward for Medibio in achieving its global commercialisation strategy for ilumen™.

During the half year, Medibio also signed commercial agreements with Compass Group PLC ("Compass") to begin four pilot programs of its corporate health product, ilumen™. The following commercial trials completed:

- October 2019 - Business & Industry Division in the United Kingdom;
- November 2019 - Offshore & Remote Division in the United Kingdom; and
- December 2019 - Compass Group Australia.

Participation rates, although voluntary, were as high as 79.8%, which far exceeded expectations. All three commercial trials completed to date have provided valuable data to each business unit. The results from these commercial trials have been presented to Compass management periodically.

These commercial trials have provided important insights to both Compass and Medibio as we work towards defining a long-term commercial arrangement with the Compass Group. Medibio is in the process of completing the last of four pilot programs in February 2020.

Corporate and Financial

During the December 2019 half year Medibio undertook a comprehensive review of its internal operations in order to identify cost savings. As a result of this review, the Company relocated its corporate, financial and administrative activities from the US to Australia, which included the global commercialisation activities for ilumen™. The restructure involved a significant downsizing of the Minneapolis office, which now focuses exclusively on the development of our regulated products and related FDA program. The cost savings identified are being applied predominantly to the commercialisation of ilumen™ and the FDA program.

As part of the downsizing of the Minneapolis office, Mr David Kaysen stepped down as CEO, Managing Director and Chairman, and the Board of the Directors was reduced from seven directors (including Mr Kaysen) to three directors.

Mr Claude Solitario was appointed as Managing Director to succeed Mr Kaysen. Mr Solitario is a founder and major shareholder of the Company. His background, experience and knowledge of the Company and its intellectual property will prove invaluable in ensuring that Medibio maintains and builds on the momentum of its FDA program and the commercialisation of ilumen™.

During July 2019, the Company announced a strongly supported raise of \$4,709,955 by way of a placement and fully underwritten Share Purchase Plan ('SPP').

Highlights of the announcement include:

Medibio Limited
Directors' report
31 December 2019

- Commitments received for \$3.5 million placement at \$0.01 per fully paid ordinary share;
- SPP on the same terms, underwritten for \$1,209,955;
- Placement completed over two tranches;
- Investors under the placement and Eligible shareholders under the SPP were offered 1 free attaching option for each new share subscribed for, exercisable at \$0.03 until an expiry date of 1 December 2021 and for which the Company sought quotation on the ASX which was subsequently granted;
- Existing holders of convertible notes have agreed to early conversion of their notes for fully paid ordinary shares at a conversion price equal to the issue price under the Placement. Each noteholder was offered 1 free option for each Share issued; and
- Issue of securities under Tranche two of the Placement, the SPP and the free attaching options upon the conversion of notes were all subject to shareholder approval, which was received at an Extraordinary General Meeting ('EGM') held on 19 August 2019.

The Placement was lead managed by CPS Capital Group Pty Limited ('CPS'). Under the lead manager mandate, CPS (or its nominees) were offered to subscribe for up to 90,000,000 options which will be calculated on a pro-rata basis proportionate to the amount of Placement securities issued to investors that are procured by CPS and was subject to shareholder approval which was granted at the EGM held on 19 August 2019.

Significant changes in the state of affairs

On 19 July 2019, the Group completed Placement to sophisticated investors as announced on 10 July 2019 issuing a total of 35,000,000 fully paid ordinary shares at \$0.01 (1 cent) raising \$350,000 (before costs).

On 29 August 2019, the Group completed a Share Purchase Plan and a Placement to sophisticated investors issuing 120,995,500 and 315,000,000 fully paid ordinary share respectively. Upon completion of the two offers a total of \$4,359,955 (before costs) was raised. These two transactions were approved by shareholders on 19 August 2019. For each share subscribed to as part of the two offers one free attaching quoted option was granted exercisable at \$0.03 (3 cents) per option expiring on 1 December 2021.

Also on 29 August 2019, the Group issued 275,333,040 fully paid ordinary shares following early conversion of 137,666,520 convertible notes. For each share issued upon conversion of the convertible notes one free attaching quoted option was granted exercisable at \$0.03 (3 cents) per option expiring on 1 December 2021.

On 30 August 2019, the Group issued 90,000,000 quoted options to CPS Capital Group Pty Ltd for services provided as Lead Manager for the capital raisings completed. The options are exercisable at \$0.03 (3 cents) per option expiring on 1 December 2021.

On 26 September 2019, Group announced that following a thorough review of the circumstances around the purported issue of the partly paid shares and having obtained legal advice, the Board has concluded that the partly paid shares were not validly issued and has requested agreement from the respective holders to rectify the Company's register of members accordingly. The holders of a significant majority of the partly paid shares have agreed to the Board's request. As a result the 4,650,000 partly paid shares were eliminated from the Group's capital table and the outstanding receivable and liability on the balance sheet at 30 June 2019 has been removed.

There were no other significant changes in the state of affairs of the group during the financial half-year.

Matters subsequent to the end of the financial half-year

No matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect the group's operations, the results of those operations, or the group's state of affairs in future financial years.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

Medibio Limited
Directors' report
31 December 2019

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Claude Solitario
Managing Director

28 February 2020

The Directors
Medibio Limited
Level 4 100 Albert Road
South Melbourne VIC 3205

Auditor's Independence Declaration

As lead auditor for the review of Medibio Limited for the half-year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Medibio Limited and the entities it controlled during the period.

William Buck

William Buck (Qld)
ABN 21 559 713 106

M. Monaghan

M J Monaghan
Director

Brisbane 28 February 2020

ACCOUNTANTS & ADVISORS

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Medibio Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2019

		Consolidated	
	Note	31 December 2019	31 December 2018
		\$	\$
Revenue			
Sales	4	79,791	268,935
Other income	5	707,387	3,146,835
Expenses			
Cost of sales		(137,338)	(143,297)
Employee costs	6	(1,345,270)	(3,663,601)
Research & development		(370,740)	(135,837)
Finance costs		(24,064)	(5,550)
Depreciation and amortisation expense		(74,595)	(71)
Other expenses		(1,224,856)	(3,454,736)
Loss before income tax expense		(2,389,685)	(3,987,322)
Income tax expense		-	-
Loss after income tax expense for the half-year attributable to the owners of Medibio Limited		(2,389,685)	(3,987,322)
Other comprehensive loss			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		(16,241)	(30,823)
Other comprehensive loss for the half-year		(16,241)	(30,823)
Total comprehensive loss for the half-year attributable to the owners of Medibio Limited		<u>(2,405,926)</u>	<u>(4,018,145)</u>
		Cents	Cents
Basic earnings per share	11	(0.31)	(1.97)
Diluted earnings per share	11	(0.31)	(1.97)

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

Medibio Limited
Statement of financial position
As at 31 December 2019

	Consolidated	
	31 December	30 June
Note	2019	2019
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	2,204,447	1,333,090
Trade and other receivables	711,154	14,875
Other current assets	78,929	184,054
Total current assets	<u>2,994,530</u>	<u>1,532,019</u>
Non-current assets		
Other assets	78,131	107,228
Right-of-use assets	145,710	-
Intangibles	7	12,155,217
Total non-current assets	<u>12,379,058</u>	<u>11,771,479</u>
Total assets	<u>15,373,588</u>	<u>13,303,498</u>
Liabilities		
Current liabilities		
Trade and other payables	1,609,303	1,808,382
Convertible Notes	-	2,753,331
Lease liabilities	98,907	-
Employee liabilities	248,180	137,315
Total current liabilities	<u>1,956,390</u>	<u>4,699,028</u>
Non-current liabilities		
Lease liabilities	37,389	-
Total non-current liabilities	<u>37,389</u>	<u>-</u>
Total liabilities	<u>1,993,779</u>	<u>4,699,028</u>
Net assets	<u>13,379,809</u>	<u>8,604,470</u>
Equity		
Issued capital	8	91,142,898
Reserves		5,137,122
Accumulated losses		(82,900,211)
Total equity		<u>8,604,470</u>

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

Medibio Limited
Statement of changes in equity
For the half-year ended 31 December 2019

Consolidated	Issued capital \$	Foreign Currency Translation Reserve \$	Share Based Payments Reserves \$	Accumulated Losses \$	Total equity \$
Balance at 1 July 2018	83,642,250	(132,274)	4,388,774	(73,912,262)	13,986,488
Loss after income tax expense for the half-year	-	-	-	(3,987,322)	(3,987,322)
Other comprehensive loss for the half-year	-	(30,823)	-	-	(30,823)
Total comprehensive loss for the half-year	-	(30,823)	-	(3,987,322)	(4,018,145)
<i>Transactions with owners in their capacity as owners:</i>					
Foreign currency movements	-	-	40,666	-	40,666
Balance at 31 December 2018	<u>83,642,250</u>	<u>(163,097)</u>	<u>4,429,440</u>	<u>(77,899,584)</u>	<u>10,009,009</u>

Consolidated	Issued capital \$	Foreign Currency Translation Reserve \$	Share Based Payments Reserve \$	Accumulated Losses \$	Total equity \$
Balance at 1 July 2019	84,424,838	(142,176)	4,821,109	(80,499,301)	8,604,470
Adjustment upon adoption of AASB 16 (note 2)	-	-	-	(11,225)	(11,225)
Balance at 1 July 2019 - restated	84,424,838	(142,176)	4,821,109	(80,510,526)	8,593,245
Loss after income tax expense for the half-year	-	-	-	(2,389,685)	(2,389,685)
Other comprehensive loss for the half-year	-	(16,241)	-	-	(16,241)
Total comprehensive loss for the half-year	-	(16,241)	-	(2,389,685)	(2,405,926)
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs (note 8)	6,718,060	-	-	-	6,718,060
Share-based payments (note 12)	-	-	474,430	-	474,430
Balance at 31 December 2019	<u>91,142,898</u>	<u>(158,417)</u>	<u>5,295,539</u>	<u>(82,900,211)</u>	<u>13,379,809</u>

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

Medibio Limited
Statement of cash flows
For the half-year ended 31 December 2019

	Consolidated	
	31 December	31 December
Note	2019	2018
	\$	\$
Cash flows from operating activities		
Receipts from customers	85,536	419,402
R&D grant/rebate received	-	3,146,835
Payments to suppliers and employees	<u>(2,829,259)</u>	<u>(8,107,110)</u>
Net cash used in operating activities	<u>(2,743,723)</u>	<u>(4,540,873)</u>
Cash flows from investing activities		
Purchase of intangible assets	(471,266)	18,231
Interest received	<u>7,253</u>	<u>-</u>
Net cash from/(used in) investing activities	<u>(464,013)</u>	<u>18,231</u>
Cash flows from financing activities		
Proceeds from issue of shares/convertible notes	8 4,710,855	550,248
Share issue transaction costs	(478,631)	-
Repayment of lease liabilities	<u>(104,725)</u>	<u>-</u>
Net cash from financing activities	<u>4,127,499</u>	<u>550,248</u>
Net increase/(decrease) in cash and cash equivalents	919,763	(3,972,394)
Cash and cash equivalents at the beginning of the financial half-year	1,333,090	6,123,187
Effects of exchange rate changes on cash and cash equivalents	<u>(48,406)</u>	<u>-</u>
Cash and cash equivalents at the end of the financial half-year	<u><u>2,204,447</u></u>	<u><u>2,150,793</u></u>

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

Medibio Limited
Notes to the financial statements
31 December 2019

Note 1. General information

The financial statements cover Medibio Limited as a group consisting of Medibio Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is Medibio Limited's functional and presentation currency.

Medibio Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 4, 100 Albert Road
 South Melbourne VIC 3205
 Telephone: +61 3 9692 7222
 Facsimile: +61 3 9077 9233

A description of the nature of the group's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 28 February 2020.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2019 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

The following Accounting Standards and Interpretations are most relevant to the group:

AASB 16 Leases

The consolidated entity has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

Impact of adoption

AASB 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. The impact of adoption on opening accumulated losses as at 1 July 2019 was as follows:

Medibio Limited
Notes to the financial statements
31 December 2019

Note 2. Significant accounting policies (continued)

Right-of-use assets as at 1 July 2019	220,305
Lease liabilities - current - as at 1 July 2019	(155,113)
Lease liabilities - non-current - as at 1 July 2019	(76,417)
Reduction in opening accumulated losses as at 1 July 2019	<u>(11,225)</u>
Gross lease commitments as at 30 June 2019	373,315
Short term leases not recognised	(107,313)
Discount to present value at weighted average incremental borrowing rate 5.24%	<u>(34,472)</u>
Lease liability as 1 July 2019	<u><u>231,530</u></u>

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated or amortised on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Going concern

As at 31 December 2019, the Group had a net asset position of \$13,379,809 (30 June 2019: \$8,604,470). However, as at 31 December 2019 it had:

- Incurred a comprehensive loss for the period of \$2,405,926 (31 December 2018: \$4,018,145)
- Net cash outflows from operations of \$2,743,723 (31 December 2018: \$4,540,873)
- Cash at bank of \$2,204,447 (30 June 2019: \$1,333,090)
- Current assets exceed current liabilities by \$1,038,140 (30 June 2019: current liabilities exceed current assets by \$3,167,010)

Medibio Limited
Notes to the financial statements
31 December 2019

Note 2. Significant accounting policies (continued)

The Group's ability to continue as a going concern is dependent upon the generation of cash from operations, the sufficiency of current cash reserves to meet existing obligations, the ability to reschedule planned research and development activity, raising of further equity and receipt of grant funding and research and development tax incentives.

The Management Team has assessed the operating and research costs along with future research and development activities in order to establish future funding requirements. Medibio undertook a comprehensive review of internal operations to identify costs savings, these savings are being applied predominantly to the commercialisation of ilumen™ and the FDA program with the hiring of technology vendors who possess the specific skills needed for R&D work, thereby providing more flexibility in how funds are spent.

In July and August 2019, the Group raised \$4,232,244 after share issue costs, as well as converting \$2,753,331 in convertible notes, to issued capital. The directors are confident that the Group is able to raise further equity from its shareholders and sophisticated professional investors if required.

Accordingly, the directors believe the Group will be able to pay its debts as and when they fall due for a period of at least 12 months from the date of the financial statements.

Note 3. Operating segments

The consolidated entity has one operating segment, being the research, development and commercialisation of its Software as a Service product, and one geographical location, being Australia. It maintains a US based subsidiary to support US and Canadian research and development activities.

All revenue earned during December 2019 and December 2018 was sourced from Australia.

All assets reside in two geographical regions being Australia \$12,700,248 (June 2019: \$11,374,791) and USA \$2,673,340 (June 2019: \$1,928,707)

Note 4. Sales

	Consolidated	
	31 December 2019	31 December 2018
	\$	\$
Sales	72,500	250,704
Interest received	7,291	18,231
	<u>79,791</u>	<u>268,935</u>

Note 5. Other income

	Consolidated	
	31 December 2019	31 December 2018
	\$	\$
R&D grant/rebate, net of allowance	674,158	3,146,835
Other revenue	33,229	-
	<u>707,387</u>	<u>3,146,835</u>

Medibio Limited
Notes to the financial statements
31 December 2019

Note 6. Employee costs

	Consolidated	
	31 December 2019	31 December 2018
	\$	\$
Wages and salaries	1,140,840	3,663,601
Share based payment	204,430	-
	<u>1,345,270</u>	<u>3,663,601</u>

Share based payments relate to options issued to employees during the period, refer to note 12 for further details.

Note 7. Non-current assets - intangibles

	Consolidated	
	31 December 2019	30 June 2019
	\$	\$
Goodwill - at cost	444,999	444,999
Goodwill - Acquisition of Vital Conversations Pty Ltd	309,100	309,100
Goodwill - Accumulated impairment losses	(754,099)	(754,099)
	<u>-</u>	<u>-</u>
Development - at cost	3,037,960	3,011,315
Less: Impairment	(232,578)	(232,578)
	<u>2,805,382</u>	<u>2,778,737</u>
ilumen Application Development - at cost	641,495	541,616
MEB-001 Application Development - at cost	913,697	549,255
Data files - at cost	7,794,643	7,794,643
	<u>12,155,217</u>	<u>11,664,251</u>

Note 8. Equity - issued capital

	Consolidated			
	31 December 2019	30 June 2019	31 December 2019	30 June 2019
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>995,130,039</u>	<u>248,801,499</u>	<u>91,142,898</u>	<u>84,424,838</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2019	248,801,499		84,424,838
Issue of shares to sophisticated investors	19 July 2019	35,000,000	\$0.010	350,000
Completion of share purchase plan and placement to sophisticated investors	29 August 2019	435,995,500	\$0.010	4,359,955
Conversion of convertible notes	29 August 2019	275,333,040	\$0.010	2,753,330
Share Issue Costs		-	\$0.000	(745,225)
Balance	31 December 2019	<u>995,130,039</u>		<u>91,142,898</u>

Medibio Limited
Notes to the financial statements
31 December 2019

Note 8. Equity - issued capital (continued)

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

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

Share buy-back

There is no current on-market share buy-back.

Note 9. Equity - dividends

There were no dividends paid, recommended or declared during the current or previous financial half-year.

Note 10. Events after the reporting period

No matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect the group's operations, the results of those operations, or the group's state of affairs in future financial years.

Note 11. Earnings per share

	Consolidated	
	31 December 2019	31 December 2018
	\$	\$
Loss after income tax attributable to the owners of Medibio Limited	<u>(2,389,685)</u>	<u>(3,987,322)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>759,560,950</u>	<u>202,628,271</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>759,560,950</u>	<u>202,628,271</u>
	Cents	Cents
Basic earnings per share	(0.31)	(1.97)
Diluted earnings per share	(0.31)	(1.97)

Medibio Limited
Notes to the financial statements
31 December 2019

Note 12. Share-based payments

Set out below are summaries of options granted under share based compensation arrangements:

31 December
2019

Grant date	Expiry date	Exercise price	Balance at the start of the half-year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the half-year
05/11/2016	30/11/2019	\$0.480	3,500,000	-	-	(3,500,000)	-
11/09/2017	11/10/2022	\$0.450	2,000,000	-	-	-	2,000,000
30/11/2017	30/11/2019	\$0.400	3,000,000	-	-	(3,000,000)	-
30/11/2017	30/11/2020	\$0.400	3,000,000	-	-	-	3,000,000
06/06/2018	18/06/2022	\$0.440	3,637,113	-	-	-	3,637,113
21/06/2018	18/06/2023	\$0.450	8,875,000	-	-	(7,525,000)	1,350,000
21/06/2018	11/10/2020	\$0.800	3,000,000	-	-	-	3,000,000
15/05/2019	13/06/2023	\$0.010	14,500,000	-	-	-	14,500,000
19/07/2019	14/06/2023	\$0.010	-	15,000,000	-	-	15,000,000
19/08/2019	19/08/2023	\$0.020	-	2,600,000	-	-	2,600,000
19/08/2019	19/08/2024	\$0.015	-	15,000,000	-	-	15,000,000
19/08/2019	19/08/2024	\$0.015	-	4,000,000	-	-	4,000,000
22/11/2019	20/12/2023	\$0.011	-	8,800,000	-	-	8,800,000
			<u>41,512,113</u>	<u>45,400,000</u>	<u>-</u>	<u>(14,025,000)</u>	<u>72,887,113</u>

Grant date	Expiry date	Share price at grant date	Exercise price	Volatility %	Fair value	Risk free rate %
19/07/2019	14/06/2023	0.020	0.010	127.00%	0.01717	0.95%
19/08/2019	19/08/2023	0.015	0.020	127.00%	0.01155	0.69%
19/08/2019	19/08/2024	0.015	0.015	127.00%	0.01273	0.69%
22/11/2019	20/12/2023	0.008	0.011	127.00%	0.00563	0.82%

On 29 August 2019, the consolidated entity issued 90 million quoted options with an exercise price of 3 cents. The options expire 1 December 2021 and were issued for the purpose of services rendered in relation to the August 2019 capital raising initiatives. The fair value of these options upon issue was \$270,000, which is based on the price on grant date for these quoted options, which has been capitalised as share raising costs.

Medibio Limited
Directors' declaration
31 December 2019

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the group's financial position as at 31 December 2019 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



Claude Solitario
Managing Director

28 February 2020

Medibio Limited

Independent auditor's review report to members

Report on the Review of the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Medibio Limited (the company) and the entities it controlled at the half-year's end or from time to time during the half year (the consolidated entity), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Medibio Limited is not in accordance with the Corporations Act 2001 including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half year ended on that date; and
- b) complying with Australian Accounting Standard 134 Interim Financial Reporting and the Corporations Regulations 2001.

Material Uncertainty related to Going Concern

We draw attention to Note 2 in the financial report, which indicates that the consolidated entity incurred a loss of \$2,405,926 (31 December 2018: \$4,018,145) and had net cash outflows from operations of \$2,743,723 (31 December 2018: \$4,540,873) during the half year ended 31 December 2019. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the consolidated entity's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Responsibilities of the Directors' for the Half-Year Financial Report

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

ACCOUNTANTS & ADVISORS

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Auditor's Responsibilities for the Review of the Half-Year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including:

- giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and
- complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

As the auditor of Medibio Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Medibio Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

William Buck

William Buck (Qld)

ABN: 21 559 713 106

M. Monaghan

M J Monaghan

Brisbane 28 February 2020

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