

Appendix 4E

Preliminary final report Period ending on 30 June 2017

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 2017
Previous year ended	30 June 2016

Results for announcement to the market

\$'000

Revenue from ordinary activities	Up	25%	To	23
(Loss) from ordinary activities after tax attributable to members	Up	42%	To	(8,273)
Net (loss) for the period attributable to members	Up	42%	To	(8,273)
Basic loss per share (cents per share)	Up	23%	To	(7.27)
Diluted loss per share (cents per share)	Up	23%	To	(7.27)
Dividends	Amount per security		Franked amount per security	
<u>Financial year ended 30 June 2017</u>				
Final dividend	-		-	
Interim dividend	-		-	
<u>Financial year ended 30 June 2016</u>				
Final dividend	-		-	
Interim dividend	-		-	

Dividend payments

Date the final 2017 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)

Ordinary securities

Current year	Previous year
-	-

Total dividends paid on all securities

Ordinary securities

Total

Current year \$'000	Previous year \$'000
-	-
	-

Net Tangible Assets

Net tangible assets per ordinary security

Current year	Previous year
2.52 cents	(17.3 cents)

Annual meeting

The annual meeting will be held as follows:

Place

Date

Time

Approximate date the annual report will be available

TBA
TBA
TBA
TBA

This report is based on accounts that are in the process of being audited and an unqualified opinion is expected to be issued



Date: 31 August 2017

Print name: Robert Lees
Company Secretary

REVIEW AND RESULTS OF OPERATIONS

Operating Results for the Year

Medibio Limited ("the Parent", "Medibio" or "the Company") and its controlled entities ("the Group") generated a loss after tax of \$8,272,583 (2016: loss of \$5,824,371).

Key highlights include:

- Addition of a new CEO and Managing Director, Jack Cosentino. Mr. Cosentino brings experience in advancing medical technology from clinical stages through regulatory approvals and into commercialization.
- Addition of Andrew Maxwell, Michael Phelps, Patrick Kennedy, Adam Darkins, and Peter Carlisle as directors of the Company. Each of the new directors bring a strong background, advocacy for Mental Health, and ability to help move the Company forward into the commercialization stage.
- Positive clinical study results validate performance of Medibio's Depression Diagnostic MACH-3 study. MACH-3 was designed as the first prospective assessment of the Medibio-DX depression algorithm under more challenging conditions recommended by the FDA. With the positive results, the Company initiated its FDA confirmatory study for its Depression Diagnostic technology.
- Positive study publication from Emory University, funded by Medibio, demonstrated that post-traumatic stress disorder (PTSD) can be accurately diagnosed using a non-invasive protocol involving heart rate data and machine learning algorithms. The research was based on technology developed at Emory University and licensed by Medibio.
- Research from Royal's Institute of Mental Health Research (University of Ottawa) and the Center for Advanced Research in Sleep Medicine (Université de Montréal) presented positive news on Medibio's technology at the APSS "Sleep 2017" conference. The presentation was based on data from a study designed to assess the validity of Medibio's novel biomarkers based on heart rate changes across the sleep period.
- Second commercial partnership agreement with Vital Conversations to launch Australia's Biggest Mental Health Check-in, which resulted in over 3,100 participants completing the Check-in. The event was the largest ever proactive campaign of its kind to measure, educate, and change mental health. Participants used an online subjective measurement of mental health, along with access to Medibio's objective measure of mental health. 94.8% of participants would recommend the Check-in to others.

The Company raised approximately \$13,500,000 in November 2016, enabling acceleration of a number of clinical studies and initiatives around mental illness, including research of our technology around Major Depressive Disorder, General Anxiety Disorder, and Post Traumatic Stress Disorder.

The company received \$3,074,224 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 2015/16 financial year.

The Company's stock began trading on the U.S. OTC Market Group's OTCQB Venture Market under the ticker symbol "MDBIF" on June 5, 2017.

1. TECHNOLOGY VALIDATION, PUBLICATIONS, AND CLINICAL STUDIES

Initiation of Depression Diagnostic Confirmatory Study

Subsequent to year-end, Medibio initiated the Depression Diagnostic confirmatory study that will serve as the centerpiece of the Company's FDA 510(k) De Novo submission, which is anticipated to be in the second quarter of calendar 2018.

MACH-3 Clinical Study Results

Medibio successfully completed performance validation in the Depression Diagnostic MACH-3 study. MACH-3 was designed as the first prospective assessment of the Medibio-DX depression algorithm under more challenging conditions recommended by the FDA. These conditions are aligned with product deployment in the primary care setting, an important market in the U.S. where a tremendous need exists for improving the diagnosis of depression. The principal investigators for the study were Dr. Naresh Punjabi

(Professor, Johns Hopkins Medicine) and Dr. Francis Mondimore (Director, Mood Disorders Clinic, Johns Hopkins Medicine). The study successfully concluded, with results based on data from 44 additional subjects. Overall accuracy of 82%, specificity of 84%, and sensitivity of 78% under targeted use conditions represents an outstanding study outcome, far exceeding current clinical diagnostic performance in the primary care setting, where more than half of depression is diagnosed and treated with accuracy ranging from 30-50%. Repeatability of the Medibio-DX results was also excellent, with 76% intra-subject observed agreement between independent Depression Diagnostic classifications derived from first and second circadian heart rate recordings in the same subject (kappa 0.54). This agreement compares very favourably to inter-psychiatrist agreement surrounding the diagnosis of depression. As a case in point, field tests of the latest Diagnostic Statistical Manual (DSM)-V criteria for depression – the cornerstone of current diagnosis – kappa was only 0.28.

Objective Diagnosis of PTSD

Research conducted by Emory University (Atlanta, GA), which was funded by Medibio, demonstrated that post-traumatic stress disorder (PTSD) can be accurately diagnosed using a non-invasive protocol involving heart rate data and machine learning algorithms. The research was based on technology developed at Emory University and licensed by Medibio. The research was described in a paper titled “*Classification of post-traumatic stress disorder from heart rate variability metrics with heart rate-based window segmentation*,” which was published in the June issue of **Physiological Measurement**. Emory researchers Geri Clifford, DPhil, MSc, MA, and Amit Shah, MD, MSCR, achieved an accuracy of 80% (+/- 1%) for objectively diagnosing subjects with PTSD and differentiating them from those without PTSD using 24-hour heart rate data and machine learning algorithms. The research approach used features extracted from quiescent segments, or periods with lowest heart rate, rather than features calculated from the entire 24 hours of ECG heart rate data. Medibio’s collaboration with Emory was aimed at expanding the use of the technology beyond depression to classifying PTSD. Under a license agreement, Medibio has the exclusive option and worldwide rights to commercialize new discoveries based on the PTSD diagnostic and monitoring technology developed by Clifford and Shah. The license agreement extends and further solidifies Medibio’s intellectual property position and enables the Company to service the vast veterans affairs and military clinical markets. The research was conducted in collaboration with the Department of Veterans Affairs, using its twins database. It is part of a broader ongoing initiative between Emory University and Medibio.

University of Ottawa Depression Validation Study results presented at “Sleep 2017” conference

Researchers from the Royal’s Institute of Mental Health Research (University of Ottawa) and the Center for Advanced Research in Sleep Medicine (Université de Montréal) made a presentation titled “*HEART RATE SLEEP PROFILE A NEW BIOMARKER FOR DEPRESSION?*” on 7 June 2017 at Sleep 2017, the 31st annual meeting of the Associated Professional Sleep Societies (APSS), in Boston, MA. The presentation detailed a study designed to assess the validity of Medibio’s novel biomarkers based on heart rate changes across the sleep period to discriminate between individuals with depression and healthy controls. The work was partly funded by Medibio under its research collaboration with the University of Ottawa’s Institute of Mental Health Research. The presentation outlines work completed to April 2017 when the abstract was submitted. The abstract presented that retrospective ECG data was collated in 993 adults: 545 with unipolar depressive syndromes referred to a specialized sleep clinic (74% females, mean +/-SD: 45 +/- 16 years old), and 448 healthy controls (55% females, mean +/-SD: 40 +/- 18 years old). Electrocardiography started before bedtime and extended beyond sleep offset. Sleep-based heart rate profiles were defined by a classification algorithm using a panel of temporal and frequency domain variables designed to distinguish between depression and control cases. The algorithm classified individuals with depressive syndrome and healthy controls with a mean accuracy of 86%. More specifically, 82% of the depression cases were correctly identified by the algorithm (i.e. sensitivity) and, of the cases not classified as depression by the algorithm, 88% were from the control group (i.e. specificity).

Australia’s Biggest Mental Health Check-in

Medibio entered into a second commercial agreement with Vital Conversations to launch Australia’s Biggest Mental Health Check-in, which resulted in over 3,100 participants completing the Check-in. The event was the largest ever proactive campaign of its kind to measure, educate, and change mental health. Participants used a comprehensive online subjective assessment of mental health combined with Medibio’s objective measure of mental health. 94.8% of participants would recommend the Check-in to others. The partnership is focused on reducing the \$11 billion annual cost to Australian workplaces. Australia’s Biggest

Mental Health Check-in aims to deliver a large scale corporate wellness initiative utilising wearable technology and online psychological health software. The Check-in has been launched commercially to large corporate customers that have a pool of more than 45,000 employees across Australia and internationally. This is a four-fold increase in volume on the 2016 Check-in, making it the world's largest scale corporate wellness initiative utilizing wearable technology and online psychological health software.

2. NEW MANAGEMENT TEAM AND BOARD OF DIRECTORS

Medibio strengthened the management team with the addition of a new management team, including Jack Cosentino as CEO and Managing Director, and significant additions to the Company's Directors. Mr. Cosentino, a medical technology veteran, was appointed CEO and Managing Director effective 16 February 2017. His extensive experience and background will help to transform Medibio and achieve key milestones around product development, clinical trials, CE Mark and FDA clearance, and commercialization of the Company's technology. Mr. Cosentino also added key management resources to the team that bring relevant medical technology experience to help the Company achieve key milestones.

The Board of Directors has also experienced a significant transformation. The Company added key directors that have the experience, background, influence, and recognition to help the Company achieve milestones and commercialize the technology. The following directors have been added in 2017:

- Andrew Maxwell, appointed 1 February 2017, adds financial and executive management experience in the medical technology industry and Australian corporate governance.
- Michael Phelps, appointed 5 June 2017, adds a strong advocacy for Mental Health, community influence, and experience in key commercialization functions of branding and marketing.
- Peter Carlisle, appointed 5 June 2017 as an alternate for Michael Phelps, adds additional commercialization expertise and experience in brand-building, public relations, and marketing.
- Patrick Kennedy, appointed 4 July 2017, brings another strong voice of advocacy for Mental Health, community influence, and experience in government and insurance payor relations.
- Adam Darkins, appointed 19 July 2017, adds expertise and experience as a physician, building care delivery systems to scale, government relations, and corporate governance.

3. INTELLECTUAL PROPERTY

During the year Medibio further solidified its intellectual property position through the filing of new foundational patents titled "Mental State Indicator" and "Medication Monitoring System." Medibio also secured a world-wide exclusive license to a patent from Emory University titled "Using Electrocardiogram to Classify PTSD." The filings and license are in line with Medibio's intellectual property (IP) strategy and protecting a dominant, defensible broad position in the use of physiologic biomarkers to characterize mental state.

The following table summarises Medibio's current patent coverage.

COUNTRY	OFFICIAL NO.	TITLE	CASE STATUS
Patent Cooperation Treaty	PCT/AU98/00252	Method for diagnosing psychiatric disorders	Granted
Australia	720226	Method for diagnosing psychiatric disorders	Granted
Canada	2284553	Method for diagnosing psychiatric disorders	Granted
Israel	132186	Method for diagnosing psychiatric disorders	Granted
New Zealand	337833	Method for diagnosing psychiatric disorders	Granted
United States	6245021	Method for diagnosing psychiatric disorders	Granted
United States	62/175796	Method and system for assessing mental state	Continued as PCT
Argentina	20160103733	Method and System for Monitoring Stress Conditions	Application Filed
Patent Cooperation Treaty	PCT/AU2016/050491	Method and System for Monitoring Stress Conditions	Application Filed
United States	15/403549	Method and System for Monitoring Stress Conditions	Application Filed
Argentina	20160103732	Method and system for assessing mental state	Application Filed
Patent Cooperation Treaty	PCT/AU2016/050490	Method and System for Assessing Mental State	Application Filed
United States	15/403494	Method and System for Assessing Mental State	Response to Exam Report Filed at IPO
United States	62/518389	Mental State Indicator	Application Filed
United States	62/534526	Medication Monitoring System	Application Filed
United States	62/433066	Using ECG to Classify PTSD	World-wide exclusive license from Emory University

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 2017

	Note	CONSOLIDATED	
		2017 \$	2016 \$
Sales		23,100	18,500
Other income	4	3,133,465	1,786,532
Revenue		3,156,565	1,805,032
Amortisation & Depreciation		(1,726,758)	(1,261,825)
Employee costs	4	(1,958,364)	(810,532)
Finance costs	4	(266,659)	(313,455)
Research and development expenses		(4,320,934)	(1,853,268)
Other expenses	4	(3,156,433)	(3,390,323)
Loss before income tax		(8,272,583)	(5,824,371)
Income tax benefit	5	-	-
Loss attributable to members of Medibio Limited		(8,272,583)	(5,824,371)
Other comprehensive income			
Total other comprehensive income for the period net of tax			
Total comprehensive income attributable to members of Medibio Limited		(8,272,583)	(5,824,371)
Basic earnings per share (cents per share)	7	(6.293)	(5.916)

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 2017

	Note	CONSOLIDATED 2017 \$	2016 \$
ASSETS			
Current Assets			
Cash and cash equivalents	7	5,010,052	1,039,944
Trade and other receivables	8	144,938	263,181
Prepayments		2,134,875	2,620,256
Total Current Assets		7,289,865	3,923,381
Non-current Assets			
Intangibles assets	9	11,884,855	13,997,693
Total Non-Current Assets		11,884,855	13,997,693
TOTAL ASSETS		19,174,720	17,921,074
LIABILITIES			
Current Liabilities			
Trade and other payables	12	4,601,873	5,668,770
Borrowings	13	132,500	395,000
Other liabilities		104,278	64,843
Total Current Liabilities		4,838,651	6,128,613
Non-current Liabilities			
Borrowings	13	-	3,298,153
Total Non-Current Liabilities		-	3,298,153
TOTAL LIABILITIES		4,838,651	9,426,766
NET ASSETS		14,336,069	8,494,308
EQUITY			
Issued capital	14	68,921,195	55,756,237
Reserves		1,974,236	1,024,850
Accumulated losses		(56,559,362)	(48,286,779)
TOTAL EQUITY		14,336,069	8,494,308

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 2017

	Issued Capital	Accumulated Losses	Share Based Payments Reserve	Total Equity
	\$	\$	\$	\$
At 1 July 2015	51,093,889	(42,462,408)	479,600	9,111,081
Comprehensive income				
Loss for the period	-	(5,824,371)	-	(5,824,371)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	(5,824,371)	-	(8,824,371)
Transactions with owners				
Shares issued	5,411,672	-	-	5,411,672
Share options issued	-	-	545,250	545,250
Share issued costs	(749,324)	-	-	(749,324)
Total transactions with owners	5,347,332	-	-	5,207,598
At 30 June 2016	55,756,237	(48,286,779)	1,024,850	8,494,308
At 1 July 2016	55,756,237	(48,286,779)	1,024,850	8,494,308
Comprehensive income				
Loss for the period	-	(8,272,583)	-	(8,272,583)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	(8,272,583)	-	(8,272,583)
Transactions with owners				
Shares issued	15,396,380	-	-	15,396,380
Share options issued	-	-	949,386	949,386
Share issue costs	(2,231,422)	-	-	(2,231,422)
Total transactions with owners	13,164,958	-	949,386	14,114,344
At 30 June 2017	68,921,195	(56,559,362)	1,974,236	14,336,069

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 2017

	Note	CONSOLIDATED	
		2017	2016
		\$	\$
Cash flows from operating activities			
Receipts from customers		23,100	18,500
R&D Grant rebate received		3,099,224	1,738,631
Payment to suppliers and employees		(8,468,584)	(4,458,093)
Net cash flows used in operating activities	8	(5,346,200)	(2,700,962)
Cash flows from investing activities			
Interest received		34,241	25,306
Payments for intangible assets		-	(61,381)
Net cash flows provided by (used in) investing activities		34,241	(36,075)
Cash flows from financing activities			
Proceeds from issues of shares and options		14,391,415	3,416,769
Transaction costs of issue of shares		(1,282,036)	(204,074)
Repayment of borrowings		(3,560,653)	-
Interest paid		(266,659)	(380,015)
Net cash flows from financing activities		9,282,067	2,832,680
Net increase in cash and cash equivalents		3,970,108	95,643
Cash and cash equivalents at beginning of the year		1,039,944	944,301
Cash and cash equivalents at end of the year	8	5,010,052	1,039,944

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 2017

1. CORPORATE INFORMATION

Medibio Limited 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 2017

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.

(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.

All revenue is stated net of the amount of GST.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2017

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) 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.

(j) 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 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) 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.

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 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) 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 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) 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.

(n) 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.

(o) 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.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Intangible assets (continued)

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.

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.

(p) 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.

(q) 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.

(r) 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 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) 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.

(t) 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).

(u) 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.

(v) 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 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) 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.

(x) 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.

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

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2017

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

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.

Capitalisation of Development Costs

The Group capitalises development costs when it is probable that the project will be a success: the Group is able to use or sell the asset, has sufficient resources; the intent to complete the development and costs can be measured reliably. This involves significant judgement.

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 Company 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.

Revenue by geographical region

Australia

Revenue for the 2017 year included the R&D Grant rebate of \$3,074,224 and bank interest of \$34,241. For the 2016 year, revenue included the R&D Grant of \$1,738,631 and bank interest of \$25,306.

Assets by geographical region

Substantially all assets reside in one geographical region being Australia.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2017

5. REVENUES AND EXPENSES

	CONSOLIDATED	
	2017	2016
	\$	\$
(a) Revenue		
Sales	23,100	18,500
Bank interest received and receivable	34,241	25,306
Currency gains	-	22,595
Research grant	25,000	-
R&D grant received	3,074,224	1,738,631
	3,156,565	1,805,032
(b) Finance costs		
Interest charges payable under convertible notes	(266,659)	(313,455)
	(266,659)	(313,455)
(c) Employee benefits expense		
Wages and salaries	(1,688,149)	(242,914)
Directors fees	(203,051)	(545,133)
Superannuation	(67,164)	(22,222)
	(1,958,364)	(810,532)
(d) Other expenses		
Consulting and advisory expenses	(1,725,468)	(2,037,951)
Legal fees	(87,244)	(42,325)
Listing fees	(156,537)	(61,907)
Share registry charges	(14,123)	(78,888)
Sales and marketing	(234,864)	(193,932)
Other administration expenses	(938,197)	(975,320)
	(3,156,433)	(3,390,324)

6. INCOME TAX

	CONSOLIDATED	
	2017	2016
	\$	\$
Numerical reconciliation between aggregate tax expense recognised in the income statement and tax expense calculated per the statutory income tax rate		
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	(8,272,583)	(5,824,371)
At the statutory tax rate of 27.5% (2016: 30.0%)	(2,481,775)	(1,747,311)
Tax effect of temporary differences and current year loss not brought to account	2,481,775	1,747,311
Aggregate income tax benefit	-	-
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	-	43,351

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2017

6. INCOME TAX (continued)

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.

At 30 June 2017, there is no recognised or unrecognised deferred tax liability (2016: 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 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.

7. EARNINGS PER SHARE

	Company	
	2017 \$	2016 \$
Net loss attributable to equity holders of the company from continuing operations	(8,272,583)	(5,824,371)
	Number of Shares	Number of Shares
Weighted average number of ordinary shares used in calculating basic earnings per share:	112,911,403	98,445,508

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2017

8. CASH AND CASH EQUIVALENTS

	CONSOLIDATED	
	2017	2016
	\$	\$
Cash at bank and in hand	988,498	78,599
Short-term deposits	4,021,554	961,345
	<u>5,010,052</u>	<u>1,039,944</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	
	2017	2016
	\$	\$
Reconciliation of loss after tax to net cash flows from operations:		
Net loss	(8,272,583)	(5,824,371)
Adjustments for:		
Amortisation	1,726,758	1,261,825
Interest received	(34,241)	(25,306)
Interest paid convertible notes	266,659	313,455
Intangibles derecognised	386,080	-
Share based payments	1,004,965	754,904
Changes in assets and liabilities		
(Increase)/ decrease in trade and other receivables	118,243	9,804
(Increase)/ decrease in other current assets	485,381	(2,544,606)
(Decrease) / increase in trade and other payables	(1,066,897)	3,288,490
(Decrease) / increase in employee entitlements	39,435	64,843
Net cash used in operating activities	<u>(5,346,200)</u>	<u>(2,700,962)</u>

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2017

8. CASH AND CASH EQUIVALENTS (continued)

Non-cash financing and investing activities

	CONSOLIDATED	
	2017 \$	2016 \$
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
1,800,000 shares issued to Cove Capital Pty Ltd	600,000	-
7,023 shares issued to T Jolly	2,510	-
129,630 shares issued to F Prendergast	38,889	-
55,460 shares issued to C Indermaur	18,745	-
187,189 shares issued to Samma Vayama Pty Ltd	59,995	-
45,088 shares issued to M Flax	13,526	-
125,000 shares issued to S Stapelberg	50,000	-
50,000 shares issued to Y Sher	15,000	-
58,334 shares issued to S Lee	17,500	-
121,212 shares issued to Mike McKay Corporation Pty Ltd	40,000	-
125,000 shares issued to D Groenewald	50,000	-
175,000 shares issued to P Althaus	70,000	-
37,667 shares issued to Colorado Investments Pty Ltd	11,300	-
58,333 shares issued to S Amjad	17,500	-
1,500,000 Options ex at \$0.40 issued to Cove Capital	265,267	-
3,500,000 Options ex at \$0.48 issued to Cove Capital	684,119	-
	1,954,351	2,500,154

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

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2017

9. TRADE AND OTHER RECEIVABLES

	CONSOLIDATED	
	2017	2016
	\$	\$
Trade debtors	25,410	-
Share proceeds receivable	-	40,000
Other debtors	119,528	223,181
	<u>144,938</u>	<u>263,181</u>

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.

10. OTHER CURRENT ASSETS

	CONSOLIDATED	
	2017	2016
	\$	\$
Prepayments	14,831	77,371
Costs incurred in relation to future research and development	2,120,044	2,542,882
	<u>2,134,875</u>	<u>2,620,256</u>

11. OTHER FINANCIAL ASSET – AVAILABLE FOR SALE FINANCIAL ASSETS

		CONSOLIDATED	
	Notes	2017	2016
		\$	\$
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		<u>3,863,792)</u>	<u>(3,863,792)</u>
		<u>-</u>	<u>-</u>

(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 fully impaired the investment at 30 June 2015.

(ii) Listed Shares

As at 30 June 2017, Medibio holds 47,544 Solagran Limited shares. Solagran Limited was delisted from the ASX on 31 December 2015 and the investment has been fully impaired. This is the residual balance from a development agreement to commercialise CGNC terminated in 2010.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2017

12. INTANGIBLES	CONSOLIDATED	
	2017 \$	2016 \$
Licence		
<i>Heartlink</i>		
At cost	300,000	300,000
Amortization	(300,000)	(300,000)
Net carrying amount	-	-
Development costs		
At cost	3,183,184	3,121,802
Additions	-	61,382
Derecognised	(386,081)	-
Accumulated amortisation	(14,786)	-
Net carrying amount	2,782,317	3,183,184
Patents		
At cost	4,498,153	3,298,153
Additions	-	1,200,000
Amortisation	(3,190,258)	(1,478,286)
Net carrying amount	1,307,895	3,019,867
Data Files		
At cost	7,794,643	7,794,643
Net carrying amount	7,794,643	7,794,643
Goodwill		
At cost	444,999	444,999
Impairment	(444,999)	(444,999)
Net carrying amount	-	-
Reconciliation of carrying amount		
Net carrying amount at beginning of year	13,998,137	13,998,137
Additions	1,431,271	1,261,381
Derecognised	(386,081)	-
Accumulated amortisation	(1,726,758)	(1,261,825)
Net carrying amount	11,884,855	13,997,693

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 is complementary to the processes being developed by Invatec. These Patents were acquired for \$1,200,000 by the issue of 4 million shares to Heartlink Limited.

Development Costs

Initial algorithm and diagnostic system development costs have been capitalised. Current developments costs are being expensed as incurred.

Patents

In 2015, the company acquired 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 technologies. These are being amortised over the remaining life of the patents.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2017

13. TRADE AND OTHER PAYABLES - CURRENT		Consolidated	
	Note	2017 \$	2016 \$
Trade payables	(i)	939,820	516,757
Other creditors and accruals	(ii)	3,297,052	5,152,013
		4,236,872	5,668,770
Related party payables	(iii)	365,000	-
		4,601,872	5,668,770

Terms and conditions relating to the above financial instruments

- Trade creditors are non-interest bearing and normally settled on 30-day terms.
- Other creditors are non-interest bearing and have repayment terms between 30 and 330 days.
- Unpaid invoices to a Director related entity.

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

14. BORROWINGS		Consolidated	
		2017 \$	2016 \$
Borrowings - Current	Invatec Shareholders loan	132,500	395,000
Borrowings – Non-Current	Promissory Note	-	3,298,153
		132,500	3,693,153
	Total Borrowings	132,500	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 had targeted to support the commercialisation strategy of Medibio's proprietary depression and mental health diagnostic technologies.

The term of the note was 3 years with 8% interest payable semi-annually with Medibio able to extend the period to 5 years incurring an additional 2% interest. On 30 January 2017, Medibio elected to repay the Promissory Notes together with interest due.

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, payable 26 months after completion (due 2 May 2017) of the acquisition. During the year \$262,500 was repaid, with the balance outstanding at 30 June 2017 being \$132,500. The carrying value is considered a reasonable approximation to the fair value of the loan.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2017

15. ISSUED CAPITAL		Consolidated	
		2017	2016
		\$	\$
(a) Issued and paid up capital			
Ordinary shares issued and fully paid		68,921,195	55,756,237
(b) Movements in shares on issue			
		Number of shares	\$
		2017	2016
Beginning of the financial year		105,446,807	89,802,932
Issued during the year:			
Issue of Shares	(i)	-	688,333
Issue of Shares to investors	(ii)	-	7,730,087
Issue of Shares to investors	(iii)	-	502,641
Contractor/consultant payments	(iv)	-	1,743,628
Patent acquisition/consultant payments	(v)	-	4,000,000
Contractor/consultant payments	(vi)	-	479,186
Option exercise	(vii)	-	500,000
Option exercise	(viii)	863,342	-
Option exercise	(ix)	4,000,000	-
Option exercise	(x)	500,000	-
Option exercise	(xi)	833,334	-
issue of Shares to investors	(xii)	33,750,200	-
Contractor/consultant payments	(xiii)	2,974,936	-
Option exercise	(xiv)	100,000	-
Option exercise	(xv)	250,000	-
Less share issue costs		-	-
End of the financial year		148,718,419	89,802,932
		68,921,195	55,756,237

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 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
- (viii) On 2 September 2016, 863,342 ordinary shares were allotted on the exercise of options expiring 1 April 2018 and exercisable on the payment of \$0.10. The option exercise raised \$86,335.
- (ix) On 6 October 2016, 4,000,000 ordinary shares were allotted on the exercise of options expiring 1 April 2018 and exercisable on the payment of \$0.10. The option exercise raised \$400,000.
- (x) On 24 October 2016, 500,000 ordinary shares were allotted on the exercise of options expiring 1 April 2018 and exercisable on the payment of \$0.10. The option exercise raised \$50,000.
- (xi) On 1 November 2016, 833,333 ordinary shares were allotted on the exercise of options expiring 1 April 2017 and exercisable on the payment of \$0.30. The option exercise raised \$250,000.
- (xii) Between 25 November and 7 December 2016, Medibio issued in 2 tranches, 33,750,200 ordinary shares at \$0.40. The shares were allotted to sophisticated and professional investors to raise \$13,500,080 before issue costs of \$2,231,422.
- (xiii) On 7 December 2016, Medibio issued at total of, 2,974,936 ordinary shares at prices of \$0.20 to \$0.40 – totalling \$1,004,965. The shares were allotted to contractors, employees and professional advisors as payment for services amounting to \$1,004,965.
- (xiv) On 2 February 2017, 100,000 ordinary shares were allotted on the exercise of options expiring 1 April 2017 and exercisable on the payment of \$0.30. The option exercise raised \$30,000.
- (xv) On 24 March 2017, 250,000 ordinary shares were allotted on the exercise of options expiring 1 April 2017 and exercisable on the payment of \$0.30. The option exercise raised \$75,000.

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 2017

15. ISSUED CAPITAL (continued)

(a) Partly paid shares

On 5 April 2017, the Company announced it had entered into binding agreements with the holders of 4,650,000 options exercisable at \$0.30, which expired on 1 April 2017. Under the agreements the company will exchange each unexercised Relevant Option into a partly paid share with a paid-up capital of \$0.01 and unpaid as to \$0.29 per share. The unpaid capital is payable where called upon by the Company in the 12 months from the date of issue of the Partly Paid Shares. The partly paid share has rights to participate in proportion the amount paid up bears to the total issue price for the partly paid shares.

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.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2017

15. ISSUED CAPITAL (continued)

(e) Share Options

Options over ordinary shares:

	2017 No of Options	2016 No of Options
Unlisted Options		
Exercisable on or before 1 April 2017 at 30 cents per share		
Outstanding at beginning of year	6,666,667	6,666,667
Issued during the year	-	-
Exercised during the year	(1,183,334)	-
Lapsed during the year	(833,333)	-
Converted to 29 cent partly paid shares (subject to shareholder approval)	(4,650,000)	-
Outstanding at end of year	-	6,666,667
Exercisable on or before 1 April 2018 at 10 cents per share		
Outstanding at beginning of year	14,863,342	14,863,342
Issued during the year	-	-
Exercised during the year	(5,363,342)	(500,000)
Lapsed during the year	-	-
Outstanding at end of year	9,000,000	14,363,342
Exercisable on or before 30 November 2018 at 40 cents per share		
Outstanding at beginning of year	-	-
Issued during the year	1,500,000	-
Lapsed during the year	-	-
Outstanding at end of year	1,500,000	-
Exercisable on or before 30 November 2019 at 40 cents per share		
Outstanding at beginning of year	-	-
Issued during the year	3,500,000	-
Lapsed during the year	-	-
Outstanding at end of year	3,500,000	-
Exercisable on or before 29 January 2019 at 40 cents per share		
Outstanding at beginning of year	3,000,000	-
Issued during the year	-	3,000,000
Lapsed during the year	-	-
Outstanding at end of year	3,000,000	3,000,000
Exercisable on or before 29 January 2019 at 60 cents per share		
Outstanding at beginning of year	1,500,000	-
Issued during the year	-	1,500,000
Lapsed during the year	-	-
Outstanding at end of year	1,500,000	1,500,000
Exercisable on or before 29 January 2019 at 80 cents per share		
Outstanding at beginning of year	1,500,000	-
Issued during the year	-	1,500,000
Lapsed during the year	-	-
Outstanding at end of year	1,500,000	1,500,000
Total options over unissued ordinary shares	20,000,000	27,030,009

Holders of Options exercisable on or before 1 April 2017 at 30 cents per share were offered (subject to shareholder approval) conversion to 29 cent contributing shares on payment of 1 cent. One option holder elected not to convert and 833,333 options lapsed on 1 April 2017.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2017

15. ISSUED CAPITAL (continued)

Movements in share options

- Between 12 September 2016 and 28 October 2016, 3 option holders exercised 5,363,342 10 cent unlisted options.
- Between 2 November 2016 and 24 March 2017, 3 option holders exercised 1,183,334 30 cent unlisted options.
- On 7 December 2016, the Company issued 1,500,000 options expiring 30 November 2018 and exercisable on payment of \$0.40 and 3,500,000 expiring 30 November 2019 and exercisable on payment of \$0.48.

(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.

Ordinary shares have no par value.

16. AUDITORS' REMUNERATION

	Consolidated	
	2017	2016
	\$	\$
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 -	41,727	38,150
	41,727	38,150
- other services in relation to the entity and any other entity in the consolidated entity -		
- tax compliance	10,920	15,400
- Accounts advice	-	5,000
- AGM attendance	-	650
	52,647	59,200

17. KEY MANAGEMENT PERSONNEL

	Consolidated	
	2017	2016
	\$	\$
Short-term employee benefits	1,030,090	1,053,859
Post-employment benefits	20,797	3,420
Share-based payments	87,500	219,167
Total compensation	1,125,570	2,049,854

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2017

18. 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 *	
			2017	2016	2017	2016
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.

19. 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.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2017

20. SHARE BASED PAYMENT PLANS

a. The expense recognised for employee services received during the year is shown below.

	Consolidated	
	2017 \$	2016 \$
Expense arising from equity-settled share-based payment transactions	-	-

b. The cost recognised for consulting services rendered during the year.

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 A Mortimer	-	44,000
203,235 shares issued to M Flax	-	68,237
4,000,000 shares issued to Heartlink Limited for acquisition of Patents	-	1,200,000
75,000 shares issued to D Groenewald	-	15,000
105,000 shares issued to Colorado Investments Pty Ltd	-	21,000
3,000,000 Options ex at \$0.40 issued to Fosters Stockbroking	-	343,800
1,500,000 Options ex at \$0.60 issued to Fosters Stockbroking	-	117,150
1,500,000 Options ex at \$0.80 issued to Fosters Stockbroking	-	84,300
1,800,000 shares issued to Cove Capital Pty Ltd	600,000	-
7,023 shares issued to T Jolly	2,510	-
129,630 shares issued to F Prendergast	38,889	-
55,460 shares issued to C Indermaur	18,745	-
187,189 shares issued to Samma Vayama Pty Ltd	59,995	-
45,088 shares issued to M Flax	13,526	-
125,000 shares issued to S Stapelberg	50,000	-
50,000 shares issued to Y Sher	15,000	-
58,334 shares issued to S Lee	17,500	-
121,212 shares issued to Mike McKay Corporation Pty Ltd	40,000	-
125,000 shares issued to D Groenewald	50,000	-
175,000 shares issued to P Althaus	70,000	-
37,667 shares issued to Colorado Investments Pty Ltd	11,300	-
58,333 shares issued to S Amjad	17,500	-
1,500,000 Options ex at \$0.40 issued to Cove Capital	265,267	-
3,500,000 Options ex at \$0.48 issued to Cove Capital	684,119	-
TOTAL SHARE-BASED PAYMENTS	1,954,351	2,500,154

Option pricing model

The fair value of the equity-settled share options granted is estimated as at the date of grant using a Black-Scholes model taking into account, the terms and conditions upon which the options were granted.

The following table lists the inputs to the model used for the year ended 30 June 2017.

	Black-Scholes	
Dividend yield (%)	0.00%	0.00%
Expected volatility (%)	85%	85%
Risk-free interest rate (%)	1.75%	1.75%
Expected life of options (years)	2	3
Option exercise price (\$)	\$0.40	\$0.48
Weighted average share price at measurement date	\$0.39	\$0.39

The reserve records items recognised as expenses on valuation of options - \$1,974,236 (2016: \$1,024,850).

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2017

21. PARENT ENTITY INFORMATION

	2017 \$	2016 \$
Net loss attributable to members of Medibio Limited	(8,392,819)	(5,665,354)
Change in market value of available for sale financial assets	-	-
Total comprehensive income for the year attributable to members of Medibio Limited	(8,392,819)	(5,665,354)
Current assets	6,331,661	3,907,713
Total assets	19,419,685	17,767,760
Current liabilities	4,406,069	5,175,515
Total liabilities	4,406,069	8,473,668
Issued Capital	68,921,195	55,756,237
Share based payments reserve	1,974,236	1,024,850
Available for sale asset revaluation reserve	-	-
Retained earnings	(55,881,815)	(47,486,996)
Total equity	15,013,616	9,294,091
Contingent liabilities	-	-
Guarantees in relation to debt of subsidiaries	-	-
Capital and other expenditure commitments not provided for in the financial statements	-	-

22. 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 2017.