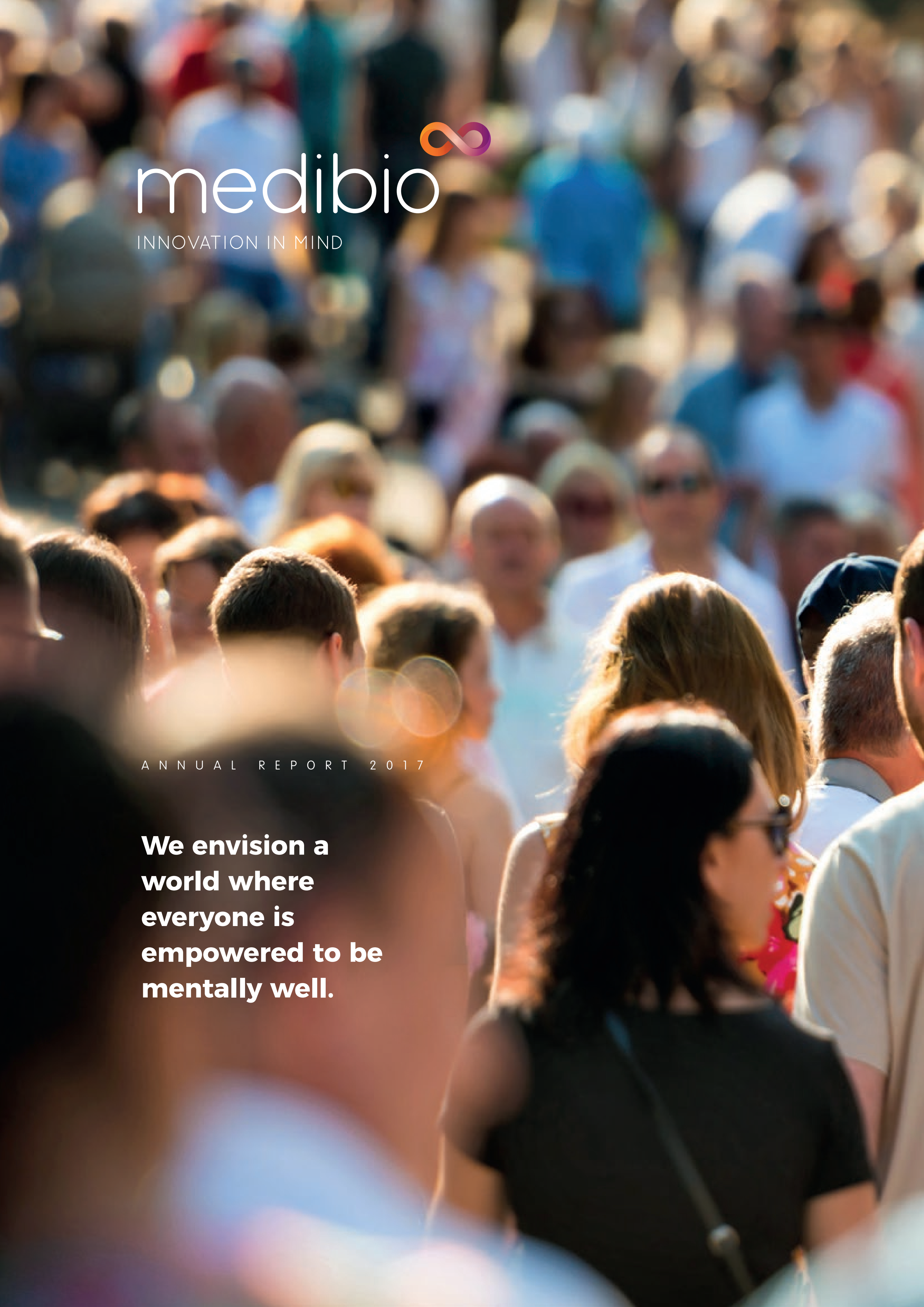
medibio

INNOVATION IN MIND



ANNUAL REPORT 2017

We envision a world where everyone is empowered to be mentally well.

Corporate Information

ABN 58 008 130 336

This annual report covers Medibio Limited as a group comprising Medibio Limited and its subsidiaries. The Group's functional and presentation currency is AUD ($).

Directors

C Indermaur	Non-executive Chairman
J Cosentino	Managing Director & CEO
A Darkins	Non-executive Director & Deputy Chairman
K Knauer	Non-executive Director
F Prendergast	Non-executive Director
A Maxwell	Non-executive Director
M Phelps	Non-executive Director
P Carlisle	Non-executive Director
P Kennedy	Non-executive Director

Company Secretary
R Lees

Registered Office
Suite 302, 17 Clarence Street
Sydney NSW 2000
Telephone: +61 2 9299 9580

Legal Advisers
HopgoodGanim
Level 8, Waterfront Place, 1 Eagle Street
Brisbane QLD 4000

Bankers
Westpac Banking Corporation

Auditors
William Buck (Qld)
Level 21, 307 Queen Street
Brisbane QLD 4000

Home Exchange
ASX Limited
20 Bridge Street
Sydney NSW 2000

Internet Address
www.Medibio.com.au

Share Registry
Computershare Investor Services Pty Limited
117 Victoria Street
West End, QLD 4101
Telephone: 1300 850 505
Facsimile: (03) 9473 2500

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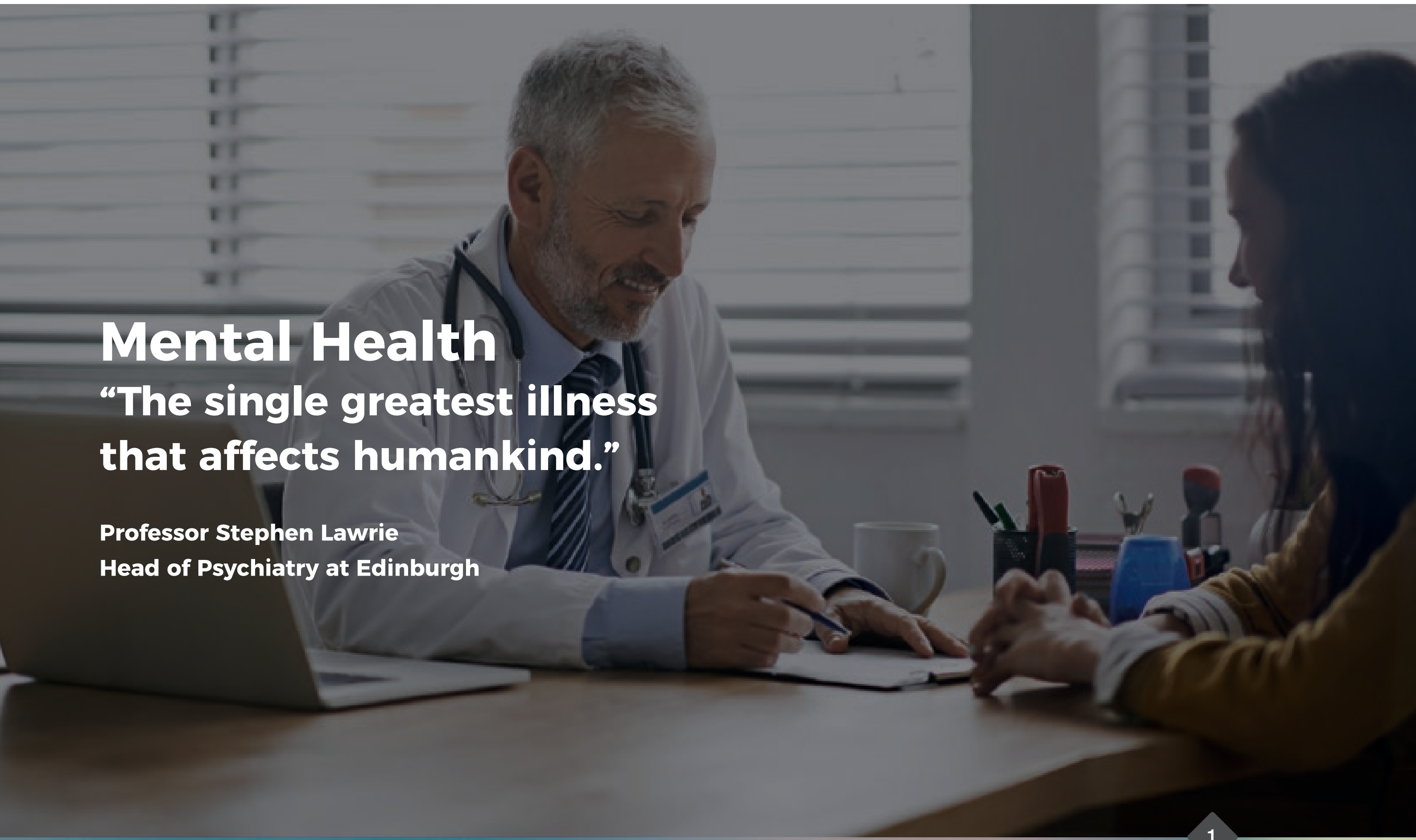


Mental Health
"The single greatest illness that affects humankind."
Professor Stephen Lawrie
Head of Psychiatry at Edinburgh

Chairman's Letter to Shareholders

Dear fellow shareholders,

2016-17 was a significant and exciting year of transition for Medibio Limited. We started laying the foundation for a multi-year strategy to put us on a path toward long-term, profitable growth that creates lasting shareholder value and ultimately changes the way mental healthcare is delivered.

Over the course of the last year, we've implemented a number of changes that we believe will set us up for future success. We addressed the composition of our team, reviewed our vision, and commenced introducing rigorous business processes. We are currently establishing the framework we need to commercialise our technology on a large scale.

We made several key additions to both our Board and our senior management team, beginning with new CEO/Managing Director Jack Cosentino, who joined us midway through our fiscal year and takes over directing business strategy and day-to-day operations. Jack has already begun building out his management team and implementing our new strategy and vision for the future.

We are fortunate to have been able to attract to our Board several high-profile directors who have a strong interest in mental health and see the potential of our product. These include world champion athlete and mental health advocate Michael Phelps; noted healthcare icon Dr. Frank Prendergast; former U.S. Congressman and mental health advocate Patrick Kennedy; brand-management and marketing expert Peter Carlisle; former biotech CEO Andrew Maxwell; and respected telehealth expert and incoming Deputy Chairman Dr. Adam Darkins. Each new board member is already making an impact to help elevate our business profile while still maintaining long-term continuity of the Board.

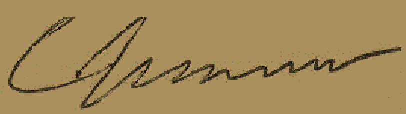
Our new vision aligns with our mission: changing the way mental healthcare is delivered. We're transitioning from being a clinical evidence builder and we're now committed to being an end-to-end holistic provider for mental illness and creating new models for mental health that focus on wellness. By objectifying screening, diagnosis, treatment, and management to specifically address the rapidly growing needs of the population affected by mental illness, business growth will be driven both organically and inorganically and will help transform mental healthcare delivery worldwide.

Our new approach to how we do business incorporates a defined journey to commercialisation, including new strategic partnerships that allow us to deliver pre-screening and screening solutions to market in the near-term, as well as clearing a path to secure regulatory approval for future diagnostic and treatment monitoring solutions that are both scalable and cost-efficient.

With over 350 million people worldwide suffering from depression alone[1], we are uniquely positioned to impact mental illness and change the way mental healthcare is delivered.

It's an exciting time to be a part of Medibio Limited. On behalf of our Board and senior management team, I thank you for your continued support and look forward to our future successes together.

Best regards,



Chris Indermaur
Chairman

FINAL REFERENCES USED FOR CHAIRMAN'S LETTER:

[1] *World Health Organization.* (2012). Depression: A Global Crisis – World Mental Health Day, October 10, 2012. Retrieved on 09/05/17 from | http://www.who.int/mental_health/management/depression/wfmh_paper_depression_wmhd_2012.pdf

“Medibio is a Mental Health Technology company focused on developing standard, objective measures for screening, diagnosing, monitoring and management of mental health conditions.”

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CEO / Managing Director's - Letter to Shareholders

Dear shareholders,

As we begin our journey toward re-envisioning how mental healthcare is delivered, I'd like to take this opportunity to thank our previous CEO/ Managing Director Kris Knauer for his leadership and contributions that have helped set us up for future growth and positioned Medibio Limited at the epicenter of the mental health and wellness conversation. Kris has been indispensable during our transition and he continues to be a loyal investor and a strong advocate for Medibio.

NEW TEAM

I'd also like to welcome our influential and well-respected board members: Michael Phelps, Dr. Frank Prendergast, Patrick Kennedy, Peter Carlisle, Andrew Maxwell, and incoming Deputy Chairman Dr. Adam Darkins. Each brings a wealth of experience and is a dedicated mental health advocate committed to improving the lives of the millions of people worldwide affected by mental illness. Their unique knowledge, experience and spheres of influence have already made strong contributions to our mission and goals, and we are extremely excited about the direction Medibio is headed with such a renowned, high-profile board.

We are currently in the process of building out our senior management team to cover all aspects of our business and we've made several hires who possess strong management backgrounds in the medical device industry. Each is familiar with the mental health landscape and understands our goals regarding what needs to be accomplished. We will continue adding to the core team as we move forward and prepare for commercial entry into the mental health market.

NEW VISION

Six months into our transition, our new management team has succeeded in meeting key milestones established by the Board, and we have already begun our strategic plan to meet the ambitious challenges ahead of us. Our Mission is clear — change the way mental healthcare is delivered with technology solutions that positively impact the lives of millions suffering from mental illness.

According to Professor Stephen Lawrie, Head of Psychiatry at the University of Edinburgh, mental illness "is the single greatest illness that affects humankind."[1] The numbers bear this out, with patient populations reaching critical proportions across the globe. Worldwide, over 350 million people suffer from depression, including 26% of the adult population in the United States and 27% of adults in Europe.[2,3] In addition, over 25 million adults in the U.S. suffer from anxiety,[4] and nearly 8 million suffer from post-traumatic stress disorder (PTSD).[5,6] Every year, there are approximately 21 million suicide attempts worldwide, with nearly 800,000 deaths attributable to suicide.[7] Based on these figures, it's no surprise that mental illness is the leading cause of disability across the globe.

These numbers are compounded by the lack of access to effective treatment for mental health issues. Worldwide, out of the 350 million people suffering from depression, only 50% are ever even diagnosed.[8] Of those diagnosed, 30% are incorrectly diagnosed.[9] Of those correctly diagnosed, only 20% receive optimal treatment.[10] Thus, only 7% of people worldwide receive effective treatment for depression. Existing methods of screening, diagnosing, and treating have all failed to adequately address the suffering caused by depression.

It is against the backdrop of this enormous mental illness epidemic that we will reposition Medibio as a convener, facilitator, and end-to-end solutions provider delivering objective screening, diagnosis, and treatment monitoring tools to holistically address the problems associated with mental illness in order to change the way mental healthcare is delivered.

By repositioning ourselves at the center of the mental health conversation, we will bring together unique solutions and critical components needed to transform Medibio from a clinical-based evidence provider to an end-to-end solutions provider for the mental health and wellness markets.

NEW APPROACH

According to the World Health Organization, costs to treat major depressive disorder (MDD) amount to $94.5 billion in the U.S., and $12.6 billion in Australia. In addition, the digital health industry is calculated to be between $55 to 67 billion USD, roughly 1 to 1.5% of the global healthcare industry, and it is estimated to be growing at 20 to 25% annually.[11]

Opportunity exists in the mental wellness market to begin commercialisation on solutions that will converge our biometric capabilities with psychosocial inputs via means of an updated risk-stratification and data-acquisition tool that will be both scalable and cost-efficient. We are also currently addressing the challenge of building out a holistic approach to


"Globally, 350 million people suffer from depression. Less than 7% receive optimal treatment."
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CEO / Managing Director's - Letter to Shareholders

mental healthcare and we're developing new strategic partnerships that will enable us to accomplish our mission.

The solutions we create and build will be well received by the massive communities of interest involved in the continuum of care, including primary care physicians/general practitioners, psychiatrists, psychologists, government and military (U.S. Department of Defense, U.S. Department of Veterans Affairs, National Institutes of Health), payers/insurance providers, pharmaceutical companies, telehealth platforms, corporate wellness providers, wearable-device manufacturers, and other emerging markets. We are connecting with many groups in this ecosystem that are interested in our objective solutions to mental illness.

We are on the cusp of bringing to market a number of complementary technological solutions that will allow clinicians and patients to finally see objective data tied to their unique physiology in a way that has not been possible until now. This will enable clinicians to provide accurate screening, diagnosis and treatment monitoring options, and it will empower patients to understand and act on their information and receive effective treatment for their mental illness.

We continue to make strides toward commercialization of a screening tool, and we are also progressing in our efforts to secure CE Mark and FDA clearance for our diagnostic and treatment monitoring technologies, which represent larger market opportunities. During the past year, several studies and articles validating our technology were completed and published, including the following key highlights:

- 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.
- Research conducted by Emory University (Atlanta, GA) and, partly 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 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 2017 issue of *Physiological Measurement, Volume 38.*
- Research from The Royal 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.
- Subsequent to year-end, Medibio initiated the Depression Diagnostic confirmatory study that will serve as the centrepiece of the Company's FDA 510(k) De Novo submission, which is anticipated to occur in the second quarter of calendar 2018.

On the intellectual property front, we secured worldwide exclusive license rights to a patent from Emory University titled "Using Electrocardiogram to Classify PTSD," and we also solidified our position through the filing of several new foundational patents, titled "Mental State Indicator" and "Medication Monitoring System." The license and filings are in line with Medibio's intellectual property strategy and allow us to protect a broad, dominant, defensible position in the use of physiologic biomarkers to characterize mental state.

We are poised to change the way mental healthcare is delivered with technology solutions that positively impact the lives of millions suffering from mental illness.

We are very excited for the future of Medibio Limited and thank you for your support. We look forward to delivering objective solutions for mental wellness as we increase shareholder value in the coming year.

Warm regards,

Jack Cosentino
CEO/Managing Director

“...patients are taking increasing ownership of their own healthcare needs.”[12]

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INNOVATION IN MIND

FINAL REFERENCES USED FOR CEO’S LETTER:

[1] Rajan, N., (2015, October 10). World Mental Health Day 2015: The ‘Single Greatest Illness Affecting Mankind’ Is Not All In The Mind. Huffington Post UK. Retrieved on 09/05/17 from http://www.huffingtonpost.co.uk/2015/10/09/world-mental-health-day-2015-depression-schizophrenia-bipolar-disorder-why-the-single-greatest-illness-affecting-mankind-is-not-in-the-mind_n_8269344.html

[2] World Health Organization. (2012). Depression: A Global Crisis – World Mental Health Day, October 10, 2012. Retrieved on 09/05/17 from http://www.who.int/mental_health/management/depression/wfmh_paper_depression_wmhd_2012.pdf

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[6] Anxietycentre.com. (2017). Retrieved on 09/05/17 from http://www.anxietycentre.com/anxiety-statistics-information.shtml

[7] World Health Organization. (2017) Mental health suicide data. Retrieved on 09/05/17 from http://www.who.int/mental_health/prevention/suicide/suicideprevent/en/

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[10] Barbui, C., & Tansella, M. (2006). Identification and management of depression in primary care settings. A meta-review of evidence. Epidemiologia e Psichiatria Sociale; Oct-Dec; 15(4): 276-83.

[11] Al-Razouki, M., (2016) Seven global medical technology trends to look out for in 2017. World Economic Forum (2016, December 22). Retrieved on 09/05/17 from https://www.weforum.org/agenda/2016/12/seven-global-medical-technology-trends-to-look-out-for-in-2017/

[12] https://www.weforum.org/agenda/2016/12/seven-global-medical-technology-trends-to-look-out-for-in-2017/

Review of Operations

Operating Results for the Year

Medibio Limited ("Medibio", "MEB" or "the Company") and its controlled entities ("the Group") generated a loss after tax of $9,785,072 (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/December 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.

"If everyone understood their biometric risk factors, the stigma would dissolve, more people would get help sooner, and lives would be saved."

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TECHNOLOGY VALIDATION, PUBLICATIONS, AND CLINICAL STUDIES

Initiation of Depression Diagnostic Confirmatory Study

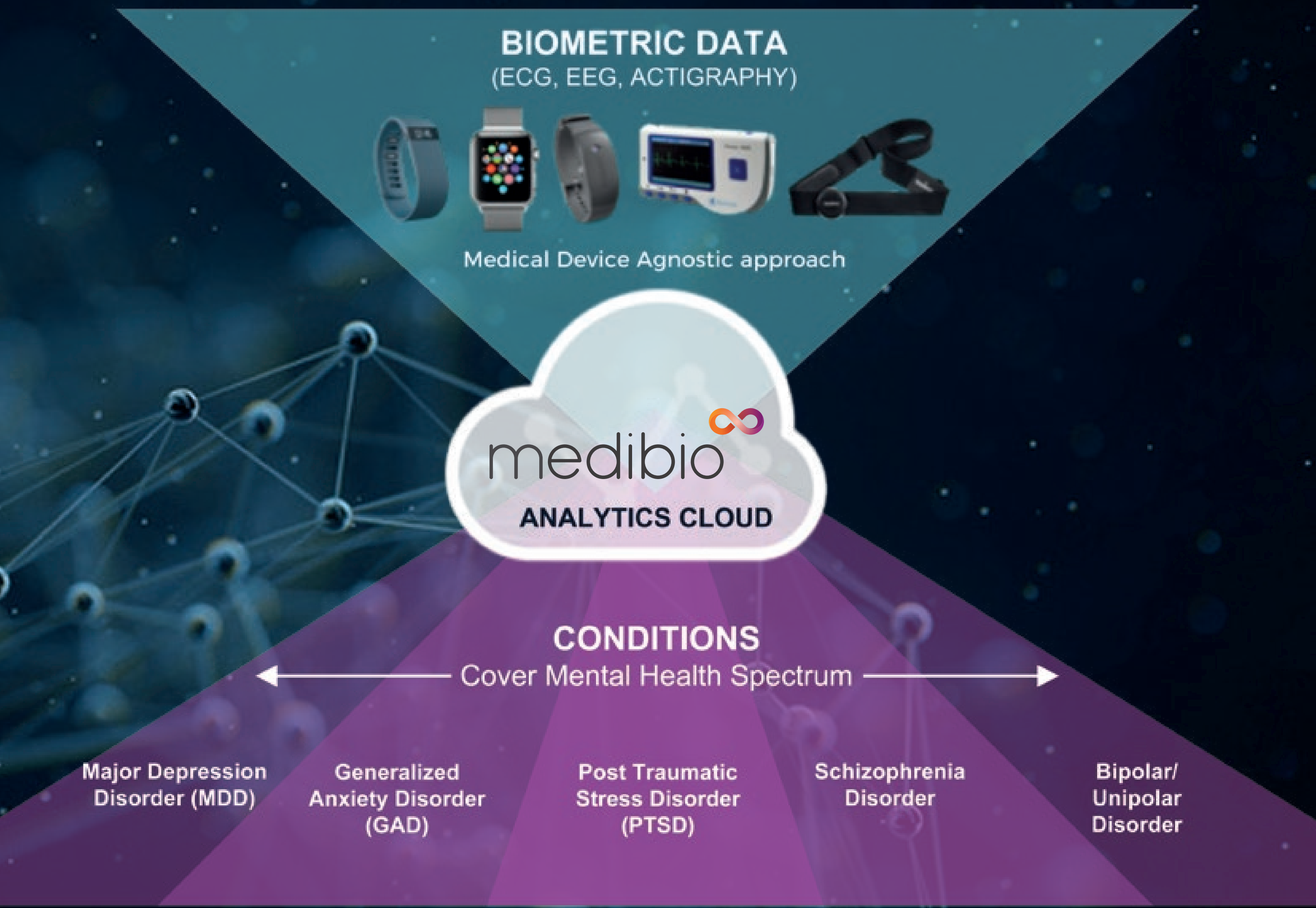
Subsequent to year-end, Medibio initiated the Depression Diagnostic confirmatory study that will serve as the centrepiece of the Company's FDA 510(k) De Novo submission, which is anticipated to be in the second quarter of calendar 2018.

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 – kapa was only 0.28. The data from the study has not yet been published.

Objective Diagnosis of PTSD

Research conducted by Emory University (Atlanta, GA), which was partly 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 title "*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 Gari Clifford, DPhil, MSc, MA, and Amit Shah, MD, MSCR, achieved an accuracy of 80% (+/-1%) for objectively classifying 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 license products and commercialize new discoveries based on the 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.



"We use the body's biometric data to objectively measure mental health."

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Review of Operations

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). Electrocariography 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.

"I see a future where everyone who needs mental health care gets it. We must end the separate and unequal treatment of mental health and addiction, and ensure each of us is able to achieve a full, meaningful life."

Patrick Kennedy
Founder, The Kennedy Forum

Review of Operations

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 and government relations.

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.

"I have personally experienced Medibio's technology and believe it can help make a profound impact in diagnosing mental health and empowering people to seek the help and support they may need"

Michael Phelps

Photo credit Aqua Sphere

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.

Directors' Report

Your directors present the Annual Report on the consolidated entity, being Medibio Limited and its controlled entities ("**Group**") for the financial year ended 30 June 2017.

Directors

The names and details of the Company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Names, qualifications and experience

Current Directors

Chris Indermaur
B. Eng. (Mech.), Grad Dip Eng. (Chem.),
LLB, LLM, Grad Dip LP
Chairman

Mr Indermaur was appointed to the Medibio Board on 7 April 2015.

Mr Indermaur has over 30 years of experience in large Australian companies in Engineering or Commercial roles. Amongst these roles he was the engineering and Contracts Manager for the QNI Nickel Refinery at Yabulu, Company Secretary for QAL and General Manager for Strategy and Development at Alinta Ltd.

Mr Indermaur is currently Chairman of Poseidon Nickel Limited (ASX: POS) (director from 2009) and Austin Engineering Ltd (ASX: AHG) from 8 July 2016. He is also a director of Centrex Metals (ASX: CXM) from 29 June 2017.

Jack Cosentino
B.S.S
Managing Director & CEO

Mr Cosentino was appointed to the Board on 16 February 2017 as CEO and Managing Director. He is a senior executive with over 20 years of senior leadership and executive roles in medical device and medical technology. Prior to joining Medibio, Mr Cosentino was the Chief Strategy Officer of ASX listed medical device company Impedimed Limited.

Other notable roles include:

- 8 years as CEO of Class IIA medical device company Diversified Medical Corp during which he built the organization from 17 to 320 full-time employees,
- Over 10 plus years designing and developing population health platform based health informatics solutions used globally today
- Senior leadership at Medtronic PLC where his role focused on identifying, understanding, and developing enterprise technology solutions to monitor and manage patients across disease states in variety of patient care environments

Adam Darkins
MB, ChB., MPHM, M.D., FRCS
Non-executive Director and Deputy Chairman

Dr Darkins was appointed to the Board on 19 July 2017 and serves as Deputy Chairman. He trained as a physician at Manchester University Medical School, UK, accredited as a neurosurgeon after post-graduate training in the UK. Research into higher cognitive function at UCLA, studying public health medicine at the London School of Hygiene and Tropical Medicine, and pioneering shared patient decision-making programs at the King's Fund, London, grounded him in leading transformative change with a particular talent for safely and effectively taking long-established hospital-based practice into primary care, community care and non-traditional settings.

Dr Darkins is nationally and internationally known for having led the development of national telemedicine programs at the US Department of Veterans Affairs (VA) between 1999 and 2014. Using health informatics, telehealth and disease management technologies to enhance and extend care and case management, he and his team created virtual care programs that delivered care to more than 480,000 Veteran patients each year via 1.4 million episodes of care. On any given day, 83,000 Veteran patients were using home-telehealth technologies to live independently at home and avoid institutional care.

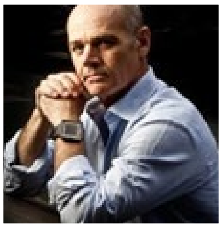
Before joining the Medibio Board, Dr Darkins was Vice President for Innovation and Strategic Partnerships for Medtronic PLC's Americas Region where he worked on using new payment models to transform health care. He serves on the editorial board of Telehealth and e-Health Journal; is a former Medical Director in London; co-founded a start-up telehealth company; and has both written, and spoken widely on the clinical, technology and business requirements to establish large virtual health care networks.

Frank G. Prendergast
PhD MD
Non-executive Director

Dr Prendergast was appointed to the Board on 27 January 2016. He is the former Chair of the Department of Biochemistry and Molecular Biology and the former Director for Research at Mayo Clinic from 1989-1992. From 1989-1996, he was a member of the Board of Governors for Mayo Clinic, Rochester. From 1999-2007 inclusive, he was member of Mayo Clinic's Executive Committee, the senior most internal governance committee for the entire Mayo system. He served on Mayo Clinic's Board of Trustees continuously between 1992-2009. He was recognized as a Mayo Distinguished Investigator in 1988 and is the director emeritus, Mayo Clinic Cancer Center (1995-2006) and Director Emeritus for the Mayo Clinic Center for Individualized Medicine (2008-2012). Dr Prendergast retired from Mayo Clinic in December of 2014.

Dr Prendergast has been a member of the Eli Lilly Company Board of Directors since 1995. He served extensively for the National Institutes of Health (NIH) on numerous study section review groups; as a charter member of the Board of Advisors for the Division of Research Grants, now the Center for Scientific Review; the National Advisory General Medical Sciences Council; the Board of Scientific Advisors of the National Cancer Institute. He held a Presidential Commission for service on the National Cancer Advisory Board. Dr Prendergast also has served in numerous other advisory roles for the NIH. He was a member of the board of directors of the Translational Genomics Research Institute and the Infectious Disease Research Institute (IDRI).

Directors' Report



Andrew Maxwell
MBA, MAcc, ACPA
Non-executive Director

Mr Maxwelll was appointed to the Board on 1 February 2017. He is an ACPA. For 10 years, Andrew led the global growth of Global Kinetics Corporation Ltd (GKC) as Managing Director and Chief Executive Officer. GKC commercialised a research project emanating from the Florey Institute of Neuroscience and Mental Health and created a global company with a market-leading product for the remote measurement and reporting of the movement disorder symptoms of Parkinson's disease.

GKC gained FDA clearance in the USA, Class 1 and Class 2a CE mark in Europe and TGA registration in Australia for its Parkinson's KinetiGraph (PKG) and PKG Watch, a wearable medical device and a mobile health IT software system. GKC was the sponsor manufacture of product and via its own direct sales and marketing team implemented the PKG in over 140 hospitals in 16 countries providing more than 65,000 people with Parkinson's access to a clinical test that will make a meaningful difference to the management of their condition.

Prior to GKC, as CEO of ESCOR Private Equity (a Smorgon Family Company), Andrew established and managed a $40m investment fund focused on investing in the IT, Internet, Biotech, and Healthcare sectors in Australia, the USA and Europe.

Kris Knauer
B. Sc. (Hons) in Geology
Non-executive Director

Mr Knauer was appointed to the Board on 1 July 2014. He took on the role of CEO in September 2014 and then transitioned to a non-executive role following the appointment of Jack Cosentino as CEO. Kris has 20 years experience in Finance and Corporate Advisory, starting his career in the financial markets as an analyst prior to moving in the Equity Finance and Corporate Advisor area.

He is an experienced non-executive Director and CEO of ASX-listed companies. He has had a previous role as CEO in a group owning GP Centres and Radiology practices. He also founded, and grew as CEO, an ASX-listed company from sub $3 million valuation to $300 million valuation prior to a $1billion takeover.

Mr Knauer was formerly a director of Astro Resources NL (ASX ARO) from 2013 to August 2015, Esperance Minerals Limited (ASX: ESM) from 2009 to August 2015 and of Greenvale Energy NL from 2014 to May 2015.

Patrick Kennedy
B.S., Former U.S. Representative
Non-executive Director

The Honourable Patrick J. Kennedy was appointed to the Board on 4 July 2017. He is a former member of the U.S. House of Representatives and a leading U.S. political voice on mental illness, addiction, and other brain diseases. During his 16-year career representing Rhode Island in Congress, he fought a national battle to end medical and societal discrimination against these illnesses, highlighted by his lead sponsorship of the Mental Health Parity and Addiction Equity Act of 2008. Mr. Kennedy was a chief sponsor of one of the major pieces of legislation of 2008, the Mental Health Parity Act, a bill requiring most group health plans to provide coverage for the treatment of mental illnesses that is comparable to what they provide for physical illnesses. Mr. Kennedy was also appointed to President Trump's Commission on Combating Drug Addiction and the Opioid Crisis.

Following his 8th term serving in the U.S. Congress, Mr. Kennedy has become a leading advocate for increased Mental Health & Addiction treatment coverage in the United States. He is a co-founder of One Mind for Research, which seeks to increase resources and collaboration in brain research, and founder of the Kennedy Forum, which advances a roadmap to transform mental health and addiction care.

Mr. Kennedy served three terms in the Rhode Island State legislature before he was elected as a Democratic member of the United States House of Representatives from 1995 to 2011. Mr. Kennedy served on the Armed Services Committee and the Appropriations committee, where he served on the subcommittee on Veterans Affairs and the Subcommittee on Labor, Health and Human Services, Education, and the NIH. While in Congress, he was a vocal advocate for healthcare reform and the chief sponsor of the 2008 Mental Health Parity and Addiction Equity Act.

Michael Phelps
Non-executive Director

Mr Phelps was appointed to the Board on 5 June 2017. He is an advocate for Mental Health and since retiring from competitive swimming has dedicated his time, fame, and focus on philanthropic causes that include Mental Health. Since retiring from competitive swimming in 2016, he has actively sought to raise awareness around mental health.

Prior to his appointment to Medibio's Board of Directors, Mr. Phelps worked with its team of world-class doctors and medical experts to explore ways in which Medibio's technology could help address the challenges associated with the identification and treatment of various mental health issues. Mr. Phelps used Medibio's technology to analyze his own personal datasets and experienced firsthand how it is uniquely positioned to address the challenges associated with mental health diagnosis.

Widely regarded as one of the greatest athletes of all-time, Mr. Phelps has dedicated his time, fame, and focus to a number of philanthropic causes including water-safety, mental health, and anti-doping initiatives. His advocacy for mental health recently earned the recognition of the Substance Abuse and Mental Health Services Administration's ("SAMHSA") Honorary Chairperson of National Mental Health Awareness Day 2017 and recipient of the organizations Special Recognition Award. In addition, Mr. Phelps is an Ambassador for the Child Mind Institute's #MyYoungerSelf social media campaign in an effort to help end the stigmas associated with mental health and learning disorders.

Mr. Phelps established the Michael Phelps Foundation in 2008 with the focus on growing the sport of swimming and promoting healthy and active lifestyles, especially for children. The Foundation's signature program - IM - was developed in collaboration with KidsHealth.org and Michael Phelps Swimming to provide water-safety instruction, recreational pool activities, and swim training, as well as health, wellness, and goal-setting education.

Directors' Report

Peter Carlisle
BA, JD
Alternate Director to Michael Phelps

Mr Carlisle was appointed to the Board on 5 June 2017. He is the alternate to Michael Phelps. He serves as Managing Director of Olympics & Action Sports at global sports marketing agency, Octagon. Mr. Carlisle oversees an international business focused on athlete brand-building through commercial, public relations, and cause-related activities. He has served on numerous non-profit boards and has worked to develop and promote programs focused on a variety of mental health issues. He has more than 20 years of experience in the sports marketing industry, and has received numerous awards and recognitions, including being one of only two sports agents named to SportsBusiness Journal's "Forty Under 40" Hall of Fame and its 20 most influential people in action sports, Sporting News included him in its Power 100 list, and Sports Illustrated named him as one of the top 15 most-influential sports agents. Mr. Carlisle has been named one of the best lawyers in America in sports law on several occasions, and was recognized as Sports Law Lawyer of the Year in 2012. He has also served as Adjunct Professor of Sports Law at the University of New Hampshire and Maine School of Law.

Former Director

James Campbell
PhD MBA
Non-executive Director

Dr Campbell was appointed to the Board on 8 September 2014 and resigned 30 September 2016. He is a senior biotechnology executive with more than 20 years international experience in scientific research, management consulting and venture capital. Dr Campbell has held research positions at the CNRS and the CSIRO. Dr Campbell was a founding executive at ChemGenex Pharmaceuticals where for over 9 years he assisted the growth of the company's market capitalization from $10 million to the final $230 million divestment in 2011.

Dr Campbell is Managing Director of Patrys Limited (ASX: PAB) from November 2014 and Non-executive director of the ASX-listed biotechnology companies Invion Limited (ASX: IVX) from 2012, and Prescient Therapeutics Limited (ASX: PTX) from 2014.

EXECUTIVE MANAGEMENT

Brian Mower
B.S., MAcc, CPA
Chief Finance Officer

Mr Mower was appointed Chief Financial Officer 24 April 2017. He has over 21 years of experience in senior finance positions, including 17 years in commercializing innovative medical technologies. Prior to joining Medibio, he worked as VP Finance and International at Torax Medical Inc. (acquired by Johnson & Johnson) for 8 years, where he helped guide the company from early clinical stages through regulatory stages and to commercialization in Europe and the U.S. for innovative implantable medical device technologies used in the treatment of gastroesophageal reflux disease and fecal incontinence. His background includes work as CFO of publicly-traded Iomed, Inc. (AMEX: IOX; acquired by ReAble Therapeutics), which commercialized innovative drug delivery medical device technologies. He has also worked as division CFO of DJO, Inc., a leading provider of orthopedic, rehabilitation, pain management, and physical therapy medical devices. In addition, he has previously worked as a financial auditor at KPMG LLP.

Robert Lees
B. Bus. (UTS), Grad. Dip. DP (UTS), CA, AGIA
Company Secretary

Mr Lees was appointed Company Secretary and Chief Financial Officer on 30 September 2012. He ceased as CFO on the appointment of Mr B Mower on 24 April 2017. Mr Lees is responsible for complying with all the governance requirements of a listed company and preparation of all financial and management reports for the Medibio group of companies.

In the last 14 years he has provided Company Secretarial services to several small ASX listed companies. This has included involvement in 10 IPO's and back door listings. He is currently Company Secretary of 4 other listed public companies.

Directors' Report

Interests in the shares and options of the Company and related bodies corporate

As at the date of this report, the interests of the directors in the shares and options of Medibio Limited were:

	Ordinary Shares	Options over Ordinary Shares
C Indermaur	215,877	Nil
J Cosentino	200,000	Nil
K Knauer	6,540,541	3,000,000
F Prendergast	296,297	Nil
A Maxwell	Nil	Nil
M. Phelps	Nil	Nil
P Carlisle	Nil	Nil
P Kennedy	Nil	Nil
A Darkins	Nil	Nil

Dividends

No dividends have been paid or provided during the year ended 30 June 2017 (2016: nil).

Principal Activities

The principal activity of the Group is conducting research and development and early stage commercialisation of a diagnostic technology for mental health, which is based on circadian heart rate (CHR) data.

Business Review

Operating Results

The consolidated loss of the Group was $9,785,072 (2016: loss of $5,824,371).

Significant Changes in the State of Affairs

There are no other matters that are likely to affect the state of affairs or financial position of the Group.

Future Developments

Likely developments in the operations of the Group in future financial years, are referred to in the Review of Operations.

Events Subsequent to Balance Date

Apart from the matters set out below, there are no matters or circumstances that have arisen since the end of the financial year that have had significantly affected either the Group's operations in financial year 2017 or future prospects.

The key post balance date event was the shareholder approval at a General Meeting on 11 September 2017 of:

- the issue of 4,650,000 partly paid shares, paid up to $0.01 and unpaid at $0.29 to subscribing option holders
- the adoption of an Incentive Performance Rights Plan for employees and other eligible persons
- the issue of 10,000,000 options to the CEO exercisable upon payment of $0.45 and expiring 5 years from the date of issue
- the issue of 4,250,000 Performance Rights to non-executive directors to acquire options exercisable upon payment of $0.45 and expiring 5 years from the date of issue
- ratification of the previous issue of 24,208,443 shares and 5,000,000 options
- the approval to issue up to 77,778 shares to a director as partial payment for services
- the approval to issue up to 1,672,556 shares to contractors and consultants as payment for services
- to approve the increase the maximum aggregate remuneration of non-executive directors from $500,000 to $750,000 per annum

Other Information

Options

On 5 December 2016, a total of 5,000,000 options were issued. 1,500,000 options were issued with an expiry date of 30 November 2018 and with an exercise price of 40 cents. 3,500,000 options were issued with an expiry date of 30 November 2019 and with an exercise price of 48 cents.

On 28 January 2016, a total of 6,000,000 options were issued with an expiry date of 29 January 2019. 3,000,000 with an exercise price of 40 cents, 1,500,000 with an exercise price of 60 cents and 1,500,000 with an exercise price of 80 cents.

On 1 April 2015, a total of 21,666,667 options were issued, 6,666,667 with an exercise price of 30 cents expiring 1 April 2017 and 15,000,000 with an exercise price of 10 cents expiring 1 April 2018. Since issue to 30 June 2017, the group issued 6,000,000 shares on the exercise of 6,000,000 10 cent options and 1,183,334 shares on the exercise of 1,183,334 30 cent options. 833,333 of the 10 cent options expiring 1 April 2017 lapsed and the remaining 4,650,000 options have been converted to Partly Paid shares (subject to shareholder approval), with 1 cent paid and 29 cents uncalled.

At the date of this report there were 20,000,000 unissued ordinary shares under option.

Environmental issues

The Group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

Indemnifying officers or auditors

Insurance of officers

During the financial year, Medibio Limited paid a premium to insure the directors and secretaries of the Group and its Australian entities.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Group. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

The Group has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Group or of any related body corporate against a liability incurred as such an officer or auditor.

Details of the premium paid in respect of insurance policies are not disclosed as such disclosure is prohibited under terms of the contract.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Group, or to intervene in any proceedings to which the Group is a party, for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings.

Directors' Report

Remuneration Report (Audited)

This report outlines the key management personal (KMP) remuneration arrangements of the Company and the Group in accordance with the requirements of the Corporations Act 2001 and its regulations. For the purposes of this report, KMP of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly and indirectly, including any director (whether executive or otherwise) of the parent company.

For the purposes of this report, the term 'executive' encompasses the Chief Operating Officer, Chief Financial Officer and Company Secretary.

Details of key management personnel

i. Directors

C Indermaur	Chairman (non-executive) – appointed 7 April 2015
J Cosentino	Managing Director (Executive) & CEO – appointed 16 February 2017
J Campbell	Director (non-executive) – appointed 8 September 2014 and resigned 30 September 2016
K Knauer	Director (non-executive) – appointed 1 July 2014 and became a non-executive Director 30 April 2017
F Prendergast	Director (non-executive) – appointed 27 January 2016
A Maxwell	Director (non-executive) – appointed 1 February 2017
M Phelps	Director (non-executive) – appointed 5 June 2017
P Carlisle	Alternate Director for M Phelps (non-executive) – appointed 5 June 2017
P Kennedy	Director (non-executive) – appointed 4 July 2017
A Darkins	Director (non-executive) – appointed 19 July 2017

ii. Executives

B Mower	Chief Financial Officer – appointed 24 April 2017
S Mathieson	Chief Operating Officer – appointed 7 July 2015, and contract ended 30 April 2017
R Lees	Company Secretary – appointed 30 September 2012

Remuneration Philosophy

The performance of the Group depends upon the quality of its directors and executives. To perform to satisfactory levels, the Company must attract, motivate and retain highly skilled directors and executives.

The Board of Directors is responsible for determining and reviewing compensation arrangements for the directors, and the executive team. The Board assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

To assist in achieving the objectives, the Board considers the nature and amount of executive directors' and officers' emoluments in the context of the Group's financial and operational performance.

Remuneration structure

In accordance with best practice corporate governance, the structure of non-executive director, executive director and senior manager remuneration is separate and distinct.

Remuneration Report (audited) (continued)

Non-executive director remuneration

Objective

The Board seeks to set remuneration at a level which provides the Company with the ability to attract and retain directors of the appropriate calibre, whilst incurring a cost which is acceptable to shareholders given the size and financial standing of the Company.

Structure

The constitution of the Company specifies that non-executive directors are entitled to be paid, out of the funds of the Company, an amount of remuneration which:

a. does not:

  ii. in any year exceed in aggregate the amount last fixed by ordinary resolution (2017: $500,000); or

  iii. consist of a commission on or percentage of profits or operating revenue; and

b. is allocated among them:

  i. on an equal basis having regard to the proportion of the relevant year for which each director held office; or

  ii. as otherwise decided by the Board.

Each director receives a fee for being a director of the Company. According to the constitution of the Company, if a director, at the request of the Board performs extra services or makes special exertions (including going or living away from the director's usual residential address), the Company may pay that director a fixed sum set by the Board for doing so. Remuneration under this rule may be either in addition to or in substitution for any remuneration to which that director is entitled.

The remuneration of non-executive directors for the period ended 30 June 2017 are detailed in Table 1 on page 26 of this report.

Senior manager and executive director remuneration (executives)

Objective

The Company aims to reward executives with a level of remuneration commensurate with their position and responsibilities within the Company and taking into account the size and financial standing of the Company and so as to ensure total remuneration is competitive by market standards.

Structure

In determining the level and make–up of executive remuneration, the Board considers market levels of remuneration for comparable executive's roles for similar sized organisations, and preferably within the biotech industry.

Remuneration consists of fixed remuneration for all executives with a variable element for the achievement of both short term and long-term objectives.

Fixed and Variable Remuneration

Objective

The level of fixed remuneration is set so as to provide a base level of remuneration, which is both appropriate to the position and is competitive in the market.

Fixed remuneration is reviewed annually by the Board and the process consists of a review of companywide performance and individual performance, relevant comparative remuneration in the market and, where appropriate, external advice on policies and practices.

Directors' Report

Remuneration Report (audited) (continued)

Structure

Executives are paid a fixed cash component consisting of an annual salary plus the statutory superannuation and annual leave and long service leave obligations.

The fixed remuneration component of senior management in the Group is detailed in Table 1 below. No variable remuneration is currently payable to Directors or management.

Consequence of company's performance on shareholders' wealth

The Company is committed to maximising the value of its biotech and other assets through a portfolio of investments and projects. This currently comprises of a diagnostic technology for mental health which is based on circadian heart rate data generally known as heart rate monitor Heart Rate Variability technology.

As critical stages of projects and investments are reached and produce positive results, significant value should be generated to shareholders through an increase in the share price. As the Company is at least several years away from generating taxable profits, growth of shareholder wealth will not come through the payment of dividends but by an expected increase in the average share price. Accordingly, the relationship between remuneration policy and company performance has not yet been established.

Shareholder returns

	30 June 2017	30 June 2016	30 June 2015	30 June 2014	30 June 2013
Share price - cents	36.0	32.5	40.0	0.4	0.1
Shares on issue	148,718,619	105,446,807	89,802,932	3,173,189,372	2,873,174,372
Capitalisation	$53.5m	$34.3m	$35.9m	$12.6m	$2.9m
Loss per share – cents	(7.443)	(5.916)	(16.995)	(0.0015)	(0.05)

Remuneration of key management personnel

Table 1: Remuneration for the year ended 30 June 2017

		Short Term Salary & Fees $	Non-Monetary Benefits $	Post-Employment Super $	Share Based Payments # $	Termination Payment $	Total $
Executive director							
J Cosentino	a	164,797	-	-	-	-	164,797
K Knauer	b	208,333	-	-	-	-	208,333
Non-executive directors							
C Indermaur - Chairman		37,500	-	7,125	37,500	-	82,125
J Campbell	c	9,000	-	855	-	-	9,855
F Prendergast		48,224	-	-	38,889	-	87,113
A Maxwell	d	22,813	-	-	-	-	22,813
M Phelps	e	4,563	-	-	-	-	4,563
P Carlisle	f	4,563	-	-	-	-	4,563
Sub-total directors		**499,793**	**-**	**7,980**	**76,389**	**-**	**584,162**
Other key management personnel (KMP)							
S Mathieson	g	244,658	-	-	583,333	-	827,991
B Mower	h	70,081	-	-	-	-	70,081
R E Lees		176,670	-	-	-	-	176,670
Sub-total executive KMP		**491,409**	**-**	**-**	**583,333**	**-**	**1,074,742**
Totals		**991,202**	**-**	**7,980**	**659,772**	**-**	**1,658,904**

Remuneration Report (audited) (continued)

a. Appointed 16 February 2017
b. Executive director until 30 April 2017 and continuing from 1 May 2017 as non-executive Director
c. Resigned 30 September 2016
d. Appointed 1 February 2017
e. Appointed 5 June 2017
f. Appointed 5 June 2017
g. Contract ended 30 April 2017
h. Appointed 24 April 2017

Represents payment of director's fees by issue of ordinary shares.

S Mathieson had a 12-month contract commencing 1 May 2016. It operated on a project basis and could be terminated with 3 months written notice from either party.

Table 2: Remuneration for the year ended 30 June 2016

		Short Term Salary & Fees	Non-Monetary Benefits	Post-Employment Super	Share Based Payments #	Termination Payment	Total
		$	$	$	$	$	$
Executive director							
K Knauer		340,000	-	-	-	-	340,000
Non-executive directors							
C. Indermaur - Chairman		45,833	-	-	4,167	-	50,000
J. Campbell		36,000	-	3,420	-	-	39,4 20
F. Prendergast	a	69,133	-	-	50,000	-	119,133
Sub-total directors		**490,966**	**-**	**3,420**	**54,167**	**-**	**548,553**
Other key management personnel (KMP)							
S Mathieson	b	392,020	-	-	50,000	-	422,020
S Stapelberg	c	65,000	-	-	115,000	-	180,000
R E Lees		125,873	-	-	-	-	125,873
Sub-total executive KMP		**582,893**	**-**	**-**	**165,000**	**-**	**747,893**
Totals		**1,073,859**	**-**	**3,420**	**219,167**	**-**	**1,296,446**

a. Appointed 27 January 2016
b. Appointed 7 July 2015
c. Resigned 8 September 2015

Represents payment of director's fees by issue of ordinary shares.

S Mathieson had a contract commencing 1 Oct 2015 and was replaced by a 12-month contract 1 May 2016. It was to operate on a project basis and could be terminated with 3 months written notice from either party.

Directors' Report

Remuneration Report (audited) (continued)

Table 3: Option holdings of key management personnel (consolidated)

Options held in Medibio Limited (number)

30 June 2017		Balance at 1 July 2016	Granted as remuneration	Options forfeited	Net change other	Balance at 30 June 2017	Vested and exercis-able at 30 June 2017 Total
Directors							
C Indermaur		-	-	-	-	-	-
J Campbell	a	250,000	-	-	(250,000)	-	-
K Knauer		3,000,000	-	-	-	3,000,000	3,000,000
F Prendergast		-	-	-	-	-	-
A Maxwell	b	-	-	-	-	-	-
J Cosentino	c	-	-	-	-	-	-
M Phelps	d	-	-	-	-	-	-
P Carlisle	e	-	-	-	-	-	-
Executives							
B Mower	f	-	-	-	-	-	-
S Mathieson	g	-	-	-	-	-	-
R Lees		-	-	-	-	-	-
Total		**3,250,000**	**-**	**-**	**(250,000)**	**3,000,000**	**3,0000,000**

a. Resigned 30 September 2016
b. Appointed 1 February 2017
c. Appointed 16 February 2017
d. Appointed 5 June 2017
e. Appointed 5 June 2017
f. Appointed 24 April 2017
g. Contract ended 30 April 2017

Options held in Medibio Limited (number)

30 June 2016		Balance at 1 July 2015	Granted as remuneration	Options forfeited	Net change other	Balance at 30 June 2016	Vested and exercis-able at 30 June 2016 Total
Directors							
C Indermaur		-	-	-	-	-	-
J Campbell		250,000	-	-	-	250,000	250,000
K Knauer		3,000,000	-	-	-	3,000,000	3,000,000
F Prendergast	a	-	-	-	-	-	-
Executives							
S Mathieson	b	-	-	-	-	-	-
S Stapelberg	c	-	-	-	-	-	-
R Lees		-	-	-	-	-	-
Total		**3,250,000**	**-**	**-**	**-**	**3,250,000**	**3,250,000**

a. Appointed 27 January 2016
b. Appointed 7 July 2015
c. Resigned 8 September 2015

Remuneration Report (audited) (continued)

Table 4: Shareholdings of key management personnel (consolidated)

Shares held in Medibio Limited (number)

30 June 2017		Balance at 1 July 2016	Granted as remuneration	On exercise of options	Net change other	Balance at 30 June 2017
Directors						
C Indermaur		160,417	55,460	-	-	*215,877
J Campbell	a	-	-	-	-	-
K Knauer		6,440,541	-	-	100,000	*6,540,541
F Prendergast		166,667	129,630	-	-	296,297
A Maxwell	b	-	-	-	-	-
J Cosentino	c	-	-	-	200,000	200,000
M Phelps	d	-	-	-	-	-
P Carlisle	e	-	-	-	-	-
Executives						
B Mower	f	-	-	-	-	-
S Mathieson	g	150,000	-	-	(150,000)	-
R Lees		-	-	-	-	-
Total		**6,917,625**	**185,090**	**-**	**150,000**	**7,252,715**

a. Resigned 30 September 2016
b. Appointed 1 February 2017
c. Appointed 16 February 2017
d. Appointed 5 June 2017
e. Appointed 5 June 2017
f. Appointed 24 April 2017
g. Contract ended 30 April 2017

Shares held nominally, where the director is the ultimate beneficiary

Shares held in Medibio Limited (number)

30 June 2016		Balance at 1 July 2015	Granted as remuneration	On exercise of options	Net change other	Balance at 30 June 2016
Directors						
C Indermaur		150,000	10,417	-	-	*160,417
J Campbell		-	-	-	-	-
K Knauer		6,440,541	-	-	-	*6,440,541
F Prendergast	a	-	166,667	-	-	166,667
Executives						
S Mathieson	b	-	150,000	-	-	*150,000
S Stapelberg	c	-	350,000	-	(350,000)	-
R Lees		-	-	-	-	-
Total		**6,590,541**	**677,084**	**-**	**(350,000)**	**6,917,625**

a. Appointed 27 January 2016
b. Appointed 7 July 2015
c. Resigned 8 September 2015

* Shares held nominally, where the director is the ultimate beneficiary

End of Audited Remuneration Report

Directors' Report

Directors' Meetings

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director was as follows:

			Audit committee		Remuneration committee	
	Eligible to attend	Number attended	Eligible to attend	Number attended	Eligible to attend	Number attended
Chris Indermaur	7	7	2	2	-	-
Kris Knauer	7	7	2	2	-	-
James Campbell	1	1	1	1	-	-
Franklyn Prendergast	7	5	-	-	-	-
Andrew Maxwell	6	6	-	-	-	-
Jack Cosentino	6	6	-	-	-	-
Michael Phelps	-	-	-	-	-	-
Peter Carlisle	-	-	-	-	-	-

Committee membership

As at the date of this report, the Company had no separate committees, other than the audit and remuneration committees.

Auditor Non-Audit Services

The following non-audit services were provided by the entity's auditor, William Buck (Qld). The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001 and APES 110 Code of Ethics for Professional Accountants*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

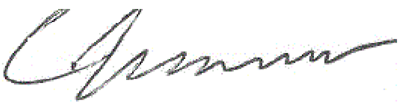
William Buck received the following amounts for the provision of non-audit services:

	2016	2015
Tax compliance	10,920	15,400
Accounting advice	-	5,000
Other	510	650

Auditor Independence

The auditor's independence declaration has been received and can be found on page 31.

Signed in accordance with a resolution of the directors



Chris Indermaur
Chairman

29 September 2017
Sydney, NS

Auditor's Independence Declaration

William Buck

AUDITOR'S INDEPENDENCE DECLARATION

Auditor's Independence Declaration under Section 307C of the *Corporations Act 2001* to the Directors of Medibio Limited

I declare that, to the best of my knowledge and belief during the year ended 30 June 2017 there have been:

- no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

William Buck

William Buck (Qld)

ABN: 21 559 713 106

Junaide Latif

A Member of the Firm

Dated this 29th day of September 2017

Brisbane

CHARTERED ACCOUNTANTS & ADVISORS

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Brisbane QLD 4000

GPO Box 563
Brisbane QLD 4001

Telephone: +61 7 3229 5100

williambuck.com

Corporate Governance

Medibio Limited ('Medibio') ('the Company') through its Board of Directors ('Board') is responsible for the overall corporate governance of Medibio and has adopted as a guiding principle that it acts honestly, conscientiously and fairly in accordance with the law and in the interests of the shareholders with a view to building sustainable value for them, the Company's employees and other stakeholders in the Company.

The Board has adopted a suite of governance materials, which are available in the Corporate Governance section of the Company's website. The governance materials have been prepared and adopted on the basis that corporate governance procedures can add to the performance of the Company and the creation of shareholder value, and help to engender the confidence of the investment market.

ASX Corporate Governance Principles and Recommendations

This statement sets out the material governance principles and processes adopted by the Board. The Board supports the Corporate Governance Principles and Recommendations, 3rd edition as released by the ASX Corporate Governance Council ("ASX Principles or "ASXCGC"). The Board considers and applies these recommendations to the extent there is a sound reason to do so given the circumstances of the Company. The Corporate Governance Statements approved by the Board are available on the Company's website:http://www.medibio.com.au/index.php/about/corporate-governance.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2017

		Consolidated	
	Notes	**2017 $**	2016 $
Sales		23,100	18,500
Other income		3,133,465	1,786,532
Revenue	5	**3,156,565**	**1,805,032**
Amortisation	11	(1,726,758)	(1,261,825)
Employee costs	5	(1,958,364)	(810,532)
Finance costs	5	(266,659)	(313,455)
Research and development expenses		(4,320,934)	(1,853,268)
Other expenses	5	(4,668,922)	(3,390,324)
Loss before income tax		**(9,785,072)**	**(5,824,371)**
Income tax benefit	6	-	-
Loss attributable to members of Medibio Limited		**(9,785,072)**	**(5,824,371)**
Other comprehensive income			
- items that may be reclassified to profit or loss		-	-
Total other comprehensive income for the period net of tax		-	-
Total comprehensive income attributable to members of Medibio		**(9,785,072)**	**(5,824,371)**
Basic earnings per share (cents per share)	7	(7.443)	(5.916)
Diluted earnings per share (cents per share)	7	(7.443)	(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

	Notes	Consolidated 2017 $	Consolidated 2016 $
ASSETS			
Current Assets			
Cash and cash equivalents	8	5,010,052	1,039,944
Trade and other receivables	9	220,276	263,181
Other current assets	14	2,134,875	2,620,256
Total Current Assets		**7,365,203**	**3,923,381**
Non-current Assets			
Intangibles assets	11	11,884,855	13,997,693
Total Non-current Assets		**11,884,855**	**13,997,693**
TOTAL ASSETS		**19,250,058**	**17,921,074**
LIABILITIES			
Current Liabilities			
Trade and other payables	12	5,699,200	5,668,770
Borrowings	13	132,500	395,000
Employee liabilities		104,278	64,843
Total Current Liabilities		**5,935,978**	**6,128,613**
Non-current Liabilities			
Borrowings	13	-	3,298,153
Total Non-current Liabilities		**-**	**3,298,153**
TOTAL LIABILITIES		**5,935,978**	**9,426,766**
NET ASSETS		**13,314,080**	**8,494,308**
EQUITY			
Issued capital	15 (a)	68,999,845	55,756,237
Reserves	21	2,386,086	1,024,850
Accumulated losses		(58,071,851)	(48,286,779)
TOTAL EQUITY		**13,314,080**	**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)**	**-**	**(5,824,371)**
Transactions with owners				
Shares issued	5,411,672	-	-	5,411,672
Share options issued	-	-	545,250	545,250
Share issue costs	(749,324)	-	-	(749,324)
Total transactions with owners	**4,662,348**	**-**	**545,250**	**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	-	(9,785,072)	-	(9,785,072)
Other comprehensive income	-	-	-	-
Total comprehensive income	**-**	**(9,785,072)**	**-**	**(9,785,072)**
Transactions with owners				
Shares issued	15,396,380	-	-	15,396,380
Share options issued	-	-	1,361,236	1,361,236
Share issue costs	(2,152,772)	-	-	(2,152,772)
Total transactions with owners	**13,243,608**	**-**	**1,361,236**	**14,604,844**
At 30 June 2017	**68,999,845**	**(58,071,851)**	**2,386,086**	**13,314,080**

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

		Consolidated	
	Notes	**2017 $**	2016 $
Cash flows from operating activities			
Receipts from operations		25,000	18,500
R&D grant received		3,074,224	1,738,631
Payments to suppliers and employees		(8,524,056)	(4,458,093)
Net cash flows used in operating activities	8(a)	**(5,424,832)**	**(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		(1,203,404)	(204,074)
Repayment of borrowings		(3,560,653)	-
Interest paid		(266,659)	(380,015)
Net cash flows from financing activities		**9,360,699**	**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.

Contents to Notes to the Financial Statements

Notes to the Financial Statements

1. CORPORATE INFORMATION

Medibio Limited (the parent) ('Medibio') is a for profit company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. The nature of the operations and principal activities of the Group are described in the Directors' Report.

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 available-for-sale investments, which have been measured at fair value.

The financial statements have been prepared on a going concern basis, as set out in **note 15(d)**. Medibio and the Group's ability to continue as a going concern is dependent upon its ability to generate sufficient cash from future operations and to raise additional capital.

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 Group 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 and revised 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 Group has decided not to early adopt. A discussion of those future requirements and their impact on the Group is as follows:

- ***AASB 9 Financial Instruments (December 2014) and AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) (applicable for annual reporting periods commencing on or after 1 January 2018)***

  AASB 9 includes requirements for the classification and measurement of financial assets, the accounting requirements for financial liabilities, impairment testing requirements and hedge accounting requirements.

  The changes made to accounting requirements by these standards include:

  - simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value and an allowance for debt instruments to be carried at fair value through other comprehensive income in certain circumstances
  - simplifying the requirements for embedded derivatives
  - allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument

- financial assets will need to be reclassified where there is a change in an entity's business model as they are initially classified based on (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows
- amending the rules for financial liabilities that the entity elects to measure at fair value, requiring changes in fair value attributed to the entity's own credit risk to be presented in other comprehensive income
- introducing new general hedge accounting requirements intended to more closely align hedge accounting with risk management activities as well as the addition of new disclosure requirements
- requirements for impairment of financial assets

This standard is not expected to impact the Group.

- ***AASB 15 Revenue from Contracts with Customers and AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15 (applicable for annual reporting periods commencing on or after 1 January 2018)***

  AASB 15 establishes a single, comprehensive framework for revenue recognition, and replaces the previous revenue Standards AASB 118 Revenue and AASB 111 Construction Contracts, and the related Interpretations on revenue recognition Interpretation 13 Customer Loyalty Programmes, Interpretation 15 Agreements for the Construction of Real Estate, Interpretation 18 Transfers of Assets from Customers and Interpretation 131 Revenue—Barter Transactions Involving Advertising Services.

  AASB 15 introduces a five-step process for revenue recognition with the core principle of the new Standard being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

  AASB 15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.

  Based on the current level of revenue, this standard would not have a material impact on the Group.

The Group does not anticipate early adoption of any of the above Australian Accounting Standards or Interpretations.

The Group has adopted all of the new revised or amending accounting standards and interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period. The adoption of these accounting standards and interpretations did not have any significant impact on the financial performance or position of the Group.

Notes to the Financial Statements

c. Basis of consolidation

The consolidated financial statements comprise the financial statements of Medibio Limited and its controlled entities as at 30 June 2017 (the "Group").

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when it is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through the power to direct the activities of the 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.

d. Foreign currency translation

i. Functional and presentation currency

Both the functional and presentation currency of Medibio Limited and its subsidiaries, except for Medibio USA which is USD, 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. 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 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.

f. 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 Statement of Profit or Loss and Other Comprehensive Income over the expected useful life of the relevant asset by equal annual instalments.

g. 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 change in value. For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

h. 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.

i. 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 other 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 Group 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 Statement of Profit or Loss and Other Comprehensive Income.

Notes to the Financial Statements

j. 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 revenue when it is probable that the economic benefits will flow into the entity and the amount can be reliably measured.

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.

k. 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.

l. 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.

Patents and licences are amortised over their term being 2 to 3 years.

Research and development costs

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

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

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

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.

Notes to the Financial Statements

m. 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.

n. 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.

o. 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.

p. 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 employee 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 Corporate bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

q. 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).

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option, together with non-vesting conditions that account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

r. 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.

s. 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.

t. Fair value measurement

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

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

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

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

Notes to the Financial Statements

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Significant accounting judgment

Impairment of assets and investments

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

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.

All revenue earned during 2017 and 2016 was sourced from Australia.

All assets reside in two geographical regions being Australia $18,292,738 (2016: $17,906,289) and USA $957,320 (2016: $14,785).

	Consolidated	
	2017 **$**	2016 $
5. REVENUES AND EXPENSES		
(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	(1,315,018)	(243,177)
Directors fees	(576,182)	(545,133)
Superannuation	(67,164)	(22,222)
	(1,958,364)	**(810,532)**
(d) Other expenses		
Consulting and advisory expenses	(3,234,645)	(2,037,951)
Legal fees	(87,244)	(42,325)
Listing fees	(156,537)	(61,907)
Share registry charges	(17,434)	(78,888)
Sales and marketing	(234,864)	(193,932)
Other administration expenses	(938,198)	(975,320)
	(4,668,922)	**(3,390,323)**

Notes to the Financial Statements

	Consolidated	
	2017 **$**	2016 $
6. INCOME TAX		
Numerical reconciliation between aggregate tax expense recognised in the statement of profit or loss and other comprehensive income 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	(9,785,072)	(5,824,371)
At the statutory tax rate of 27.5% (2016: 30%)	(2,690,895)	(1,747,311)
Tax effect of temporary differences and current year loss not brought to account	2,690,895	1,747,311
	-	-
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	1,297,118	43,351

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 Group 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 Group allocation approach in determining the appropriate amount of current taxes to allocate to members of the tax consolidated Group.

	Company	
	2017 **$**	2016 $

7. EARNINGS PER SHARE

Net loss attributable to equity holders of the Company	(9,785,072)	(5,824,371)

	Number of Shares	**Number of Shares**
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share:	131,459,221	98,445,508

	Consolidated	
	2017 **$**	2016 $

8. CASH AND CASH EQUIVALENTS

Cash at bank and in hand	988,498	78,599
Short-term deposits	4,021,554	961,345
	5,010,052	**1,039,944**

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 three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

	Consolidated	
	2017 **$**	2016 $
(a) Reconciliation of loss after tax to net cash flows from operations:		
Net loss	**(9,785,072)**	**(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	2,514,142	754,904
Changes in assets and liabilities:		
(Increase)/ decrease in trade and other receivables	42,905	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	**(5,424,832)**	**(2,700,962)**

Notes to the Financial Statements

	Consolidated	
	2017 **$**	2016 $
(b) Non-cash financing and investing activities		
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 Fosters Stockbrokers	-	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	-
887,189 shares issued to Samma Vayama Pty Ltd	269,995	-
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	-
75,000 shares issued to S Lee	22,500	-
395,632 shares issued to Mike McKay Corporation Pty Ltd	122,326	-
125,000 shares issued to D Groenewald	50,000	-
591,667 shares issued to P Althaus	236,667	-
37,667 shares issued to Colorado Investments Pty Ltd	11,300	-
58,333 shares issued to S Amjad	17,500	-
125,000 shares issued to M Feilich	50,000	-
1,666,667 shares to be issued to S Mathieson	583,334	-
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	-
2,500,000 options ex at $0.01 issued to Y Behzadi, 937,500 vested at 30 June 2017	275,531	-
1,500,000 options ex at $0.01 issued to G Moon, 500,000 vested at 30 June 2017	116,850	-
375,000 options ex at $0.01 issued to N Kowahl, 52,083 vested at 30 June 2017	19,469	-
	3,463,528	**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. Refer to note 15 and 21 for further detail in respect of share issues.

	Consolidated	
	2017 **$**	2016 $
9. TRADE AND OTHER RECEIVABLES		
Trade debtors	25,410	-
Share proceeds receivable	-	40,000
Other debtors	194,866	223,181
	220,276	**263,181**

Terms and conditions

(i) Trade debtors are carried at amortised cost, 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) Other debtors are carried at amortised cost, are non-interest bearing and have repayment terms of 30 days. A provision for impairment is made when there is objective evidence that a debtor is impaired.

(iii) None of the trade and other receivables are contractually overdue.

		Consolidated	
	Notes	**2017** **$**	2016 $
10. OTHER FINANCIAL ASSET – AVAILABLE FOR SALE FINANCIAL ASSETS			
Frontier Oil Corporation – at director's valuation	(i)	3,861,034	3,861,034
Australian listed shares	(ii)	2,758	2,758
Impairment		(3,863,792)	(3,863,792)
		-	-

(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 Prenolica Limited (formerly Solagran Limited shares). Prenolica 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

	Consolidated	
	2017 **$**	2016 $
11. INTANGIBLES		
Licence		
At cost	300,000	300,000
Amortisation	(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
Accumulated impairment losses	(444,999)	(444,999)
Net carrying amount	**-**	**-**
Reconciliation of carrying amount		
Net carrying amount at beginning of year	13,997,693	13,998,137
Additions		1,261,381
Derecognition	(386,080)	-
Amortisation	(1,726,758)	(1,261,825)
Net carrying amount	**11,884,855**	**13,997,693**

Licence

Metavone Limited (formerly Heartlink Limited) is an Australian publicly listed 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 Metavone Limited.

Development Costs

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

Patents

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

Data files

Consists of all the data collected by Invatec Health Pty Ltd including 24-hour ECG data and corresponding diagnosis.

		Consolidated	
	Notes	2017 $	2016 $
12. TRADE AND OTHER PAYABLES – CURRENT			
Trade payables	(i)	939,820	516,757
Other creditors and accruals	(ii)	4,394,380	4,787,013
		5,334,200	**5,303,770**
Related party payables	(iii)	365,000	365,000
		5,699,200	**5,668,770**

Terms and conditions relating to the above financial instruments

i. Trade creditors are carried at amortised cost, are non-interest bearing and normally settled on 30-day terms.

ii. Other creditors are carried at amortised cost, are non-interest bearing and have repayment terms between 30 and 330 days.

iii. Unpaid invoices due to a director related entity.

Notes to the Financial Statements

		Consolidated	
		2017	2016
		$	$
13. BORROWINGS			
Borrowings – Current	Invatec Shareholders loan	132,500	395,000
		132,500	**395,000**
Borrowings – Non-Current	Promissory Note	-	3,298,153
		-	**3,298,153**
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.

	Consolidated	
	2017	2016
	$	$
14. OTHER CURRENT ASSETS		
Prepayments	14,831	77,374
Costs incurred in relation to future research and development	2,120,044	2,542,882
	2,134,875	**2,620,256**

15. ISSUED CAPITAL

a. Issued and paid up capital

Ordinary shares issued and fully paid	68,999,845	55,756,237

	Notes	Number of shares 2017	2016	2017 $	2016 $
15. ISSUED CAPITAL (continued)					
b. Movements in shares on issue					
Beginning of the financial year		105,446,807	89,802,932	55,756,237	51,093,889
Issued during the year:					
Issue of Shares to investors	(i)		688,333	-	206,500
Issue of Shares to investors	(ii)		7,730,087	-	3,092,034
Issue of Shares to investors	(iii)		502,641	-	139,734
Contractor/consultant payments	(iv)		1,743,628	-	623,878
Patent acquisition	(v)		4,000,000	-	1,200,000
Contractor/consultant payments	(vi)		479,186	-	99,526
Option exercise	(vii)		500,000	-	50,000
Option exercise	(viii)	863,342	-	86,335	-
Option exercise	(ix)	4,000,000	-	400,000	-
Option exercise	(x)	500,000	-	50,000	-
Option exercise	(xi)	833,334	-	250,000	-
issue of Shares to investors	(xii)	33,750,200	-	13,500,080	-
Contractor/consultant payments	(xiii)	2,974,936	-	1,004,965	-
Option exercise	(xiv)	100,000	-	30,000	-
Option exercise	(xv)	250,000	-	75,000	-
Less: share issue costs		-	-	(2,152,772)	(749,324)
End of the financial year		**148,718,619**	**105,446,807**	**68,999,845**	**55,756,237**

Notes

(i) On 10 July 2015, the Company issued 683,333 ordinary shares at an issue price of 0.30 cents per share. This issue raised $206,500 (before issue costs).

(ii) On 8 September 2015, the Company raised $3,092,034 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 $623,878 of contractor & consultancy costs through the issue of 1,743,628 shares

(v) On 19 April 2016, the Company acquired Metavone Limited 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 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, 833,334 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 2 September 2016, 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

15. ISSUED CAPITAL (continued)

c. Partly paid shares

On 5 April 2017, the Company announced it had entered into binding agreements (subject to shareholder approval) 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.

d. 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.

Going concern statement

As at 30 June 2017 the Group had net asset position of $13,314,080 (2016: $8,494,308). However, as at 30 June 2017, it had:

- incurred a loss for the 2017 financial year of $9,785,072 (2016: $5,824,371);
- net cash outflows from operations of $5,424,832 (2016: $2,700,962);
- cash at bank of $5,010,052 (2016: $1,039,944);
- borrowings (non-current) from the acquisition of patents of nil (2016: $3,298,153); and
- current assets exceed current liabilities by $1,429,225 (2016: current liabilities exceeded current assets by $2,205,232).

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, if necessary, and receipt of research and development tax incentives.

Between 25 November and 7 December 2016, Medibio issued in 2 tranches, 33,750,200 shares at $0.40, raising $13,500,080 before issue costs. The Directors of Medibio Limited are confident that the company will be able to raise further equity from its shareholders and sophisticated and professional investors, if required.

The Directors of Medibio Limited expect to receive an R&D grant refund of approximately $3,267,000 (2016: $3,074,224) in the next quarter.

As part of the April 2015 capital reconstruction, Medibio issued 15,000,000 options exercisable on the payment of 10 cents on or before 1 April 2018 and 6,666,667 options exercisable on the payment of 30 cents on or before 1 April 2017. At the date of this report 6,000,000 (40% of the total) of the 1 April 2018 10 cents options have been exercised. The 6,666,667 30 cent options expired 1 April 2017 and prior to expiry 1,183,334 had been exercised and holders of 4,650,000 had accepted conversion (on payment of 1 cent per option) to contributing shares (with 29 cents to pay as approved by the shareholders on 11 September 2017), 833,333 lapsed. The Directors expect the contributing shares will become fully paid in 2018 and that the 10 cent options will continue to be exercised. Based on the Company's historical ability to raise new capital and public announcements made (as disclosed in the Directors Review of Operations) the Directors believe it is reasonable to expect the share price to remain above 30 cents.

Accordingly, 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 these financial statements. The financial statements do not include adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the group not continue as a going concern.

	2017 Number of Options	2016 Number of Options
15. ISSUED CAPITAL (continued)		
e. Share Options		
Options over ordinary shares:		
Unlisted Options		
Exercisable on or before 1 April 2017 at 30 cents per share *		
Outstanding at beginning of the 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 the year	**-**	**6,666,667**
Exercisable on or before 1 April 2018 at 10 cents per share		
Outstanding at beginning of the year	14,363,342	14,863,342
Issued during the year	-	-
Exercised during the year	(5,363,342)	(500,000)
Lapsed during the year	-	-
Outstanding at end of the year	**9,000,000**	**14,363,342**
Exercisable on or before 30 November 2018 at 40 cents per share		
Outstanding at beginning of the year	-	-
Issued during the year	1,500,000	-
Exercised during the year	-	-
Lapsed during the year	-	-
Outstanding at end of the year	**1,500,000**	**-**
Exercisable on or before 30 November 2019 at 48 cents per share		
Outstanding at beginning of the year	-	-
Issued during the year	3,500,000	-
Exercised during the year	-	-
Lapsed during the year	-	-
Outstanding at end of the year	**3,500,000**	**-**
Exercisable on or before 29 January 2019 at 40 cents per share		
Outstanding at beginning of the year	3,000,000	-
Issued during the year	-	3,000,000
Exercised during the year	-	-
Lapsed during the year	-	-
Outstanding at end of the year	**3,000,000**	**3,000,000**
Exercisable on or before 29 January 2019 at 60 cents per share		
Outstanding at beginning of the year	1,500,000	-
Issued during the year	-	1,500,000
Exercised during the year	-	-
Lapsed during the year	-	-
Outstanding at end of the year	**1,500,000**	**1,500,000**
Exercisable on or before 29 January 2019 at 80 cents per share		
Outstanding at beginning of the year	1,500,000	-
Issued during the year	-	1,500,000
Exercised during the year	-	-
Lapsed during the year	-	-
Outstanding at end of the year	**1,500,000**	**1,500,000**
Total options over unissued ordinary shares	**20,000,000**	**27,030,009**

Notes to the Financial Statements

15. ISSUED CAPITAL (continued)

*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.

Movements in share options

- Between 12 September 2016 and 28 October 2016, 3 option holders exercised 5,363,342 ten cent unlisted options.
- Between 2 November 2016 and 24 March 2017, 3 option holders exercised 1,183,334 thirty 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.

f. 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.

Contributing Shares have the rights to participate (as an ordinary share) in the proportion the paid-up amount bears to the total issue price of the Partly Paid Share.

	Consolidated	
	2017 $	2016 $
16. AUDITORS' REMUNERATION		
The auditor of Medibio Limited is William Buck (Qld)		
Amounts received or due and receivable for:		
• audit or review of the financial report of the entity and any other entity in the Group	41,217	38,150
Other services in relation to the entity and any other entity in the Group:		
• tax compliance	10,920	15,400
• accounts advice	-	5,000
• AGM attendance	510	650
	52,647	**59,200**
17. KEY MANAGEMENT PERSONNEL		
Short-term employee benefits	991,202	1,073,859
Post-employment benefits	7,980	3,420
Share-based payments	659,772	219,167
Total compensation	**1,658,904**	**1,296,446**

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 2017	% Equity Interest 2016	Investment * 2017	Investment * 2016
BioProspect Australia Pty Ltd**	Australia	Ord	100	100	4,024,341	4,024,341
Australian Phytochemicals Pty Ltd**	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	100	1,320	1,320
Invatec Health Pty Ltd***	Australia	Ord	100	100	8,061,250	8,061,250
Annapanna Pty Ltd***	Australia	Ord	100	100	445,000	445,000

* Cost before provisioning.
** Dormant entities
*** Human health – CHR diagnostic development

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise receivables, payables, cash, investments and short-term deposits.

The main risks arising from the Group's financial instruments are credit risk, interest rate risk, foreign exchange risk and liquidity risk. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring the levels of exposure to interest rates and assessments of market forecast for interest rates.

Risk exposures and responses

Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents and trade and other receivables. The Group's maximum exposures to credit risk at the end of the reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the Statement of Financial Position. The Group minimises concentrations of credit risk in relation to trade receivables by having payment terms of 30 days and receivable balances are monitored on an ongoing basis with the result that the Group has currently never had an exposure to bad debts.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. Term deposits are placed with major financial institutions to minimise the risk of default of counterparties.

Interest rate risk

The Group's exposure to market interest rates relates primarily to the Group's funds held on term deposit. At the end of the reporting period the Group had the following financial asset exposed to interest rate risk.

	Consolidated 2017 $	Consolidated 2016 $
Financial assets		
Cash and cash equivalents	5,010,052	1,039,944

Notes to the Financial Statements

The Group's policy is to place funds on interest-bearing term deposit that are surplus to immediate requirements. The Group's interest rate exposure is reviewed near the maturity date of term deposits, to assess whether more attractive rates are available without increasing risk. The following sensitivity analysis is based on the interest rate exposures in existence at the end of the reporting period:

At 30 June 2017, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post-tax loss and equity would have been affected as follows:

	Post tax loss Higher/ (lower)		Equity Higher/ (lower)	
	2017 $	2016 $	**2017 $**	2016 $
Consolidated				
+ 1% (100 basis points)	(50,100)	(10,400)	50,100	10,400
- 0.5 % (50 points)	25,050	5,200	(25,050)	(5,200)

The movements in losses are due to higher/ (lower) interest income from cash balances. There is no impact on equity other than impact on accumulated losses.

Liquidity risk

The Group's objective is to maintain sufficient funds to finance its current operations and additional funds to ensure its long-term survival. The Group has no finance facilities in place and therefore it is currently dependent on capital raisings and government tax incentives for short-term survival. Liquidity risk is monitored through the development of future rolling cash flow forecasts that are tabled and reviewed at each board meeting. All liabilities are due and payable within 12 months.

Foreign Currency Risk

The Group is exposed to fluctuations in foreign currencies on purchases of goods in currencies other than the Group's functional currency. The Group manages the risk by monitoring the level of exposure to foreign currency transactions and limiting where possible.

Fair value

The carrying amount of all recognised financial assets and financial liabilities is considered a reasonable approximation of their fair value due to their short-term nature.

20. CONTINGENT LIABILITIES

There were no known contingent liabilities as at 30 June 2017.

21. SHARE-BASED PAYMENT PLANS

Recognised share-based payment expenses

	Consolidated	
	2017 $	2016 $
a. The expense recognised for employee services received during the year is shown below.		
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	-
887,189 shares issued to Samma Vayama Pty Ltd	269,995	-
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	-
75,000 shares issued to S Lee	22,500	-
395,632 shares issued to Mike McKay Corporation Pty Ltd	122,326	-
125,000 shares issued to D Groenewald	50,000	-
591,667 shares issued to P Althaus	236,667	-
37,667 shares issued to Colorado Investments Pty Ltd	11,300	-
58,333 shares issued to S Amjad	17,500	-
125,000 shares issued to M Feilich	50,000	-
1,666,667 shares to be issued to S Mathieson	583,334	-
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	-
2,500,000 options ex at $0.01 issued to Y Behzadi, 937,500 vested at 30 June 2017	275,531	-
1,500,000 options ex at $0.01 issued to G Moon, 500,000 vested at 30 June 2017	116,850	-
375,000 options ex at $0.01 issued to N Kowahl, 52,083 vested at 30 June 2017	19,469	-
Total Share-Based Payments	**3,463,528**	**2,500,154**

Notes to the Financial Statements

21. SHARE-BASED PAYMENT PLANS (continued)

Option pricing model

The fair value of the equity-settled share options granted is estimated as at the date of grant using a valuation 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.

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 following table lists the inputs to the Binomial option pricing model used for the year ended 30 June 2017.

Dividend yield (%)	0.00%	0.00%	0.00%
Expected volatility (%)	79.58%	79.58%	79.58%
Risk-free interest rate (%)	2.14%	1.77%	1.94%
Expected life of options (years)	4	4	3
Option exercise price ($)	$0.007	$0.007	$0.007
Weighted average share price at measurement date	$0.2939	$0.2337	$0.3738

Options granted to Mr Behzadi and Mr Moon are time-based, vesting over 4 years, with a 1-year cliff from start date and then monthly thereafter. Options granted to Mr Kowahl are time based, vesting over 3 years with a 1-year cliff from start date and then monthly thereafter.

The reserve records items recognised as expenses on valuation of options - $2,386,086 (2016: $1,024,850).

	Consolidated	
	2017 $	2016 $
22. PARENT ENTITY INFORMATION		
Net loss attributable to members of Medibio Limited	(9,905,308)	(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	**(9,905,308)**	**(5,665,354)**
Current assets	6,406,999	3,907,713
Total assets	**19,495,023**	**17,767,760**
Current liabilities	5,503,395	5,175,515
Total liabilities	**5,503,395**	**8,473,668**
Issued Capital	68,999,845	55,756,237
Share based payments reserve	2,386,086	1,024,850
Retained earnings	(57,394,303)	(47,486,996)
Total equity	**13,991,628**	**9,294,091**
Contingent liabilities	-	-

23. EVENTS AFTER THE END OF THE REPORTING PERIOD

Apart from the matters set out below, there are no matters or circumstances that have arisen since the end of the financial year that have had significantly affected either:

- the Group's operations in financial year 2017; or
- future prospects.

The key post balance date event was the shareholder approval at a General Meeting on 11 September 2017 of:

- the issue of 4,650,000 partly paid shares, paid up to $0.01 and unpaid at $0.29 to subscribing option holders
- the adoption of an Incentive Performance Rights Plan for employees and other eligible persons
- the issue of 10,000,000 options to the CEO exercisable upon payment of $0.45 and expiring 5 years from the date of issue
- the issue of 4,250,000 Performance Rights to non-executive directors to acquire options exercisable upon payment of $0.45 and expiring 5 years from the date of issue
- ratification of the previous issue of 24,208,443 shares and 5,000,000 options
- the approval to issue up to 77,778 shares to a director as partial payment for services
- the approval to issue up to 1,672,556 shares to contractors and consultants as payment for services
- to approve the increase the maximum aggregate remuneration of non-executive directors from $500,000 to $750,000 per annum

Directors' Declaration

In accordance with a resolution of directors of Medibio Limited, I state that:

1. In the opinion of the directors:

   (a) the financial statements, notes and additional disclosures included in the directors' report designated as audited, of the Company are in accordance with the *Corporations Act 2001* including:

      i. giving a true and fair view of the of the Group's financial position as at 30 June 2017 and of its performance for the year ended on that date; and

      ii. complying with Accounting Standards and Corporations Regulations 2001,

   (b) on the basis of those outlined in note 15, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, and

   (c) the financial statements and notes to the financial statements are prepared in compliance with International Financial Reporting Standards as made by the International Accounting Standards Board.

2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2017.

On behalf of the Board

Chris Indermaur

Chairman

29 September 2017

Sydney NSW

Independent auditor's report to members

William Buck

Medibio Limited

Independent auditor's report to members

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Medibio Limited. (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and the directors' declaration.

In our opinion, the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:
(i) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended; and
(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Material Uncertainty Related to Going Concern

We draw attention to Note 15(d) in the financial report, which indicates that the Group incurred a net loss of $9,785,072 during the year ended 30 June 2017 and had net cash outflows from operations of $5,424,832. As stated in Note 15(d), these events or conditions, along with other matters as set forth in Note 15(d), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

CHARTERED ACCOUNTANTS & ADVISORS

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Brisbane QLD 4000

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Telephone: +61 7 3229 5100

williambuck.com

Independent auditor's report to members

William Buck

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

VALUATION OF IDENTIFIABLE INTANGIBLE ASSETS	
Area of focus **Refer also to notes 1 and 11**	**How our audit addressed it**
The group has $11.9 million of identifiable intangible assets (2016: $14 million) including: Development Costs of $2.8million Patents of $1.3 million Data Files $7.8 million The carrying values of the identifiable intangible assets calls for significant judgement by the directors as the technology behind each component is still in development. The development costs and data files are not yet available for use. Accounting standards require that these assets be tested for amortisation and impairment annually by comparing its carrying amount with its recoverable amount and useful life. The estimated recoverable amount has been calculated based on: fair value less costs to sell based on the cost approach; The recoverable amount has been based on the cost to collect further data files from recent studies; and Consideration has also been given to the outcomes of the studies and the progress in developing the algorithm. Overall due to the high level of judgement involved, and the significant carrying amounts involved, we have determined that this is a key judgemental area that our audit concentrated on.	Our audit procedures included: Agreeing the cost of studies to supporting invoices from the external bodies conducting the studies; Agreeing the cost per data file calculation based on the number of data files obtained; Confirming that the recoverable amount based on the amounts calculated was in excess of the carrying amount; Reviewing the appropriateness of the amortisation period and the current years charge to the profit and loss; and Reviewed announcements to the market and held discussions with management to confirm the progress of the development of the technology and outcomes of studies to determine if there were any other indicators of impairment for the intangible assets. We also considered the adequacy of the Group's disclosures in relation to identifiable intangible assets

William Buck

SHARE BASED PAYMENTS	
Area of focus **Refer also to notes 1, 15 and 21**	**How our audit addressed it**
The group grants options to its Directors, service providers and key management personnel by way of share-based payment arrangements, including the issue of shares and options The arrangements require significant judgments and estimations by management, including the following: — The evaluation of the grant date of each arrangement, and the evaluation of the fair value of the underlying share price of the company as at that grant date; — The evaluation of the vesting charge taken to the profit or loss in-respect of the accrual of service and performance conditions attached to those share-based payment arrangements; — The evaluation of key inputs into the Black Scholes and Binomial option pricing models, including the significant judgment of the forecast volatility of the share option over its exercise period. The results of these share-based payment arrangements materially affect the disclosures in the financial statements.	Our audit procedures included: — Evaluating the fair values of share-based payment arrangements by agreeing assumptions to third party evidence. In determining the grant dates, we evaluated what were the most appropriate dates based on the terms and conditions of the share-based payment arrangements. — Reviewing the qualifications of the independent valuer and the inputs into the external valuation of the Options conducted at 30 June 2017. — For the specific application of the valuation models, we retested the key assumptions used in the model and recalculated those fair values using the skill and know-how of our in-house specialists. We considered that the forecast volatility applied in the model to be appropriately reasonable and within industry norms. We also considered the adequacy of the Group's disclosures in relation to Share Based Payments.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent auditor's report to members

William Buck

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

— Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

— Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included on pages 24 to 29 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Medibio Ltd., for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

William Buck

William Buck (Qld)
ABN: 21 559 713 106

J A Latif

Brisbane, 29 September 2017

ASX Additional Information

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 26 September 2017.

b. Distribution of equity securities

The numbers of shareholders, by size of holding, in each class of share are:

	Ordinary shares	
	No. of Holders	**No. of Shares**
1 – 1,000	1,820	444,710
1,001 – 5,000	655	1,715,380
5,001 – 10,000	231	1,875,436
10,001 – 100,000	575	21,905,010
100,001 and over	159	123,107,886
	3,440	**149,048,422**
The number of shareholders holding less than a marketable parcel of shares of 1,191 shares are:	1,870	499,593

c. Twenty largest shareholders – ordinary shares quoted on ASX

The names of the twenty largest holders of quoted shares are:

		Number of Shares Held	% Held
1	HSBC Custody Nominees (Australia) Limited	15,746,362	10.56
2	Mr Claude Solitario <Solitario Family Account>	10,967,000	7.18
3	Dr Stephen Robert Desmond Addis	6,700,000	4.50
4	Domaevo Pty Ltd <The JCS A/C No 2>	3,779,833	2.54
5	Merrill Lynch (Australia) Pty Limited	3,696,747	2.48
6	J P Morgan Nominees Australia Limited	3,099,041	2.08
7	Moneybung Pty Ltd <Moneybung Family A/C>	3,060,000	2.05
8	Coverlane Pty Ltd	2,800,000	1.88
9	Pitt Street Absolute Return Fund Pty Limited	2,683,000	1.80
10	Covelane Gold Coast Pty Ltd <Covelane S/F A/C>	2,400,000	1.61
11	Bond Street Custodians Limited <MMO – V19656 A/C>	2,179,488	1.46
12	Tisia Nominees Pty Ltd <Henderson Family Fund A/C>	2,010,000	1.35
13	Bond Street Custodians Limited <LAM1 – D08047 A/C>	2,000,000	1.34
14	CS Fourth Nominees Pty Limited <HSBC Cust Nom Au Ltd 11 A/C>	1,860,798	1.25
15	Samma-Vayama Pty Ltd <The Panna A/C>	1,783,031	1.20
16	Carakho Holdings Pty Ltd <KFG Family A/C>	1,731,754	1.16
17	Freeman Road Pty Ltd <The Avenue A/C>	1,625,000	1.09
18	Oaktone Nominees Pty Ltd <The Grist Super Fund A/C>	1,600,000	1.07
19	CS Fourth Nominees Pty Limited <HSBC Cust Nom Au Ltd 13 A/C>	1,484,760	1.00
20	Sanperez Pty Ltd <P Chalmers Partnership A/C>	1,465,559	0.98
		72,672,373	**48.58**

d. Options

There are 20,000,000 options currently on issue.

This consists of

- 9,000,000 Options held by 8 option holders expiring 1 April 2018 and exercisable on the payment of $0.10 and
- 1,500,000 Options expiring 30 November 2018 on the payment of $0.40.
- 6,000,000 Options expiring 19 January 2019 with 3,000,000 exercisable on the payment of $0.40, 1,500,000 exercisable on the payment of $0.60 and 1,500,000 exercisable on the payment of $0.80.
- 3,500,000 Options expiring 30 November 2019 on the payment of $0.48,

All options are unlisted.

e. Unquoted Securities

There are currently 4,650,000 shares paid to 1 cent with 29 cents to be paid. The issue of these partly paid shares was approved by shareholders at the General Meeting held on 11 September 2017.

f. Voting Rights

All ordinary shares carry one vote per share without restriction.

g. Substantial shareholders

The following shareholders have notified the company as being substantial holders in the Company:

Name	Number	Percentage
FIL Limited	13,241,254	8.90
Mr Claude Solitario	10,697,000	7.18


JO SMITH'S
Mental Health and Diagnostic Report
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Mental Wellness Score
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