medibio

ABN: 58 008 130 336

Financial Report

For the Year Ended 30 June 2018

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medibio

REVIEW OF OPERATIONS

Operating Results for the Year

Medibio Limited ("Medibio", "MEB" or "the Company") and its controlled entities ("the Group") generated a comprehensive loss after tax of $16,432,656 (2017: loss of $9,785,072).

Key highlights include:

- **Submitted a U.S. Food and Drug Administration (FDA) De Novo application**
- **Completed FDA clinical study**
- **Achieved CE Mark certification and ISO 13485 clearance**
- **Approved for Australian Therapeutic Goods Administration (TGA)**
- **Acquired Vital Conversations**
- **Expanded patent portfolio**
- **Published scientific paper**
- **Organized Scientific Advisory Board**
- **Launched product for Corporate Health business and secured customer contracts**
- **Signed agreement with Otsuka Pharmaceutical**
- **Built world-class technology, medical, and commercialization team**

The Company raised approximately $13,900,000 in October 2017, which enabled the build out of its organizational infrastructure for product commercialization, establishing requirements and testing of products and products under development for future market verticals, developing technology platform and infrastructure, including engineering capability, to support commercialization, and to position Medibio properly for achieving regulatory approvals.

The Company received $3,266,997 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 2016/17 financial year.

TECHNOLOGY VALIDATION, PUBLICATIONS, AND CLINICAL STUDIES

Medibio has a digital technology and scientific platform that is delivered using web-based Artificial Intelligence to evaluate mental illness phenotypes, combined with dimensional circadian heart - sleep biometrics and physiological biomarkers. In simple terms, it provides a non-invasive, user-friendly, comprehensive, mental health evaluation in the palm of your hands.

Medibio's technology is designed to enhance the ability to empower clinicians, patients, employers and loved ones by screening, aiding the diagnosis, monitoring and managing mental illness, with the mission of improving quality of lives around the world, objectively.

REVIEW OF OPERATIONS

Submission of FDA De Novo application

Following the successful completion of the FDA confirmatory study and meetings with key FDA team members, Medibio submitted the FDA De Novo application in July 2018. The Medibio System is designed to provide an infrastructure for physicians to review objective data in the clinical evaluation stages of the patient care continuum, as an aid in the diagnosis to ongoing monitoring and management of mental illness. This System also includes a two-way interface of objective biomarker data between the clinician and patient, enabling real-time digital biometric monitoring in a remote patient setting. The De Novo pathway was utilized given there is no current FDA-cleared predicate product or device for a mental health system for diagnostic indication. Subject to FDA clearance, the Medibio System will provide the predicate for future submissions of modules addressing additional mental health disorders. Subject to FDA processes, the Company anticipates attaining clearance on the submission by the end of calendar year 2018.

The Major Depressive Disorder module includes an algorithmic approach to address the need for improved diagnostic support tools for clinicians. The current gold standard used by clinicians utilizes subjective based assessments. The Medibio System provides a digital biomarker that baselines the patient at the time of reading and identifies changes within the patient's physiological system throughout the diagnosis and treatment process.

Completion of FDA Confirmatory Study

The Company completed the 230-person, 8-site FDA clinical study titled MB-DEPDX04 that was used as the depression diagnostic confirmatory study that served as the centrepiece of the Company’s De Novo submission.

CE Mark Certification

The Company received CE (Conformite Europeenne) Marking certification for its first release technology product and platform. The CE Marking was granted on 2 May 2018 by DQS Med after demonstrating that the product complies with European health and safety standards.

ISO 13485 Clearance

The Company received a Certificate of Compliance from DQS Med, the Notified Body appointed to assess Medibio’s submission for CE Mark, certifying that the Company’s Quality Management System complies with the requirements of ISO 13485. This also included conformance with the Canadian Medical Device Conformity Assessment System (CMDCAS). It signifies that Medibio has established a comprehensive quality system for the design and manufacturing of medical devices. ISO 13485 is recognized internationally as a universal measure of quality and is a critical prerequisite to securing CE Mark and other regulatory certifications.

TGA Approval

The Company’s Depression Diagnostic Aide (DDA) and Mental Health Monitoring Platform (MHM) have been included on the register of Australian Therapeutic Goods Administration (ATGA). Medibio’s DDA and MHM technology underpin the Company’s Mental Index application and Logics platform.

Scientific Publication

EC Neurology, an international peer-reviewed journal focused on worldwide research in neuroscience, published a clinical article by Defillo et al. titled “Physiological Differences between Mood Disorder Phenotypes Based on Heart Rate Variability” based on the Company’s scientific technology. The research was based on the 24-hour heart rate patterns of 301 consecutive patients with diagnosis of either normal, anxiety, depression or mixed. The publication highlights Medibio’s scientific success with predicting diagnoses using multinomial logistic regression analysis. The article concluded that distinct heart rate patterns clearly differentiate mood disorder diagnostic groups from normal controls. The reproducible and consistent findings reveal a new opportunity to improve the accuracy of psychiatric diagnosis using distinct patterns of mean heart rate and heart rate variability. The article meets EC Neurology’s mission to publish relevant and major advancements in neurological medicine, disorders, and treatments.

Scientific Advisory Board

The Company established a Scientific Advisory Board (SAB) to advise the board of directors and executive leadership team on scientific matters involving the Company's discovery and development of programs, including major internal projects, interactions with academic and other outside research organizations, and the acquisition of technologies. The SAB will assist directors and management to stay abreast of industry and mental health research developments, new technologies, and anticipate emerging concepts and trends in mental health, to help assure that Medibio leadership makes well informed choices in committing its resources. The SAB will also advise the board on scientific matters involving the safety and effectiveness of the Company's marketed products and will assist leadership to exercise reasonable oversight of product safety and medical risk management. The SAB includes three internal and 7 external team members. The following is a brief background of the SAB team members:

Martin Chapman, MBBS FRANZCP is a psychiatrist and Fellow of the Royal Australian and New Zealand College of Psychiatrists. As a medical administrator he has worked in both hospital and community settings in private and government sectors. His clinical practice is in the area of treatment resistant mood and anxiety disorders. He has taught in undergraduate and postgraduate Psychiatry with a focus in assisting primary care physicians in their management of mental health conditions. He has an interest in mental health system development and the role of new technologies in streamlining and providing clinical decision support.

Joel R. Ehrenkranz, M.D. is an endocrinologist on the faculty of the U. of Colorado School of Medicine and biotech entrepreneur in Salt Lake City, Utah. He received his M.D. from Stanford and trained in internal medicine at Columbia University, neurology at Memorial Sloan Kettering Cancer Center, and endocrinology at the N.I.H.

Mark A. Frye, M.D. is chair of the Department of Psychiatry and Psychology at Mayo Clinic. He also serves as director of the Mayo Clinic Depression Center. Dr. Frye received his M.D. from the University of Minnesota and completed his psychiatric training at the Semel Institute for Neuroscience and Human Behavior at the David Geffen School of Medicine at UCLA. He subsequently completed a fellowship at the National Institute of Mental Health in Bethesda, Maryland with a research focus on the neurobiology of treatment resistant depression and bipolar disorder.

Lawrence Hunter, Ph.D. is a Professor at the University of Colorado and directs the Computational Bioscience Program. He earned his degrees from Yale University, including B.A. in Psychology (cum laude); M.S. and M. Phil. and Ph.D. in Computer Science.

Wallace Mendelson, M.D. is a psychiatrist and author, and was formerly Professor of Psychiatry and Clinical Pharmacology, and director of the Sleep Research Laboratory, at the University of Chicago. Dr. Mendelson earned an MD degree from Washington University School of Medicine in St. Louis and completed a residency in psychiatry there as well. He has held professorships at Ohio State University and the State University of New York at Stony Brook, was Chief of the Section on Sleep Studies at the National Institute of Mental Health in Bethesda, MD, and Director of the Sleep Disorders Center at the Cleveland Clinic.

Marie Casey Olseth, M.D. is currently in private practice as a Board-Certified Adult Psychiatrist in the group practice that she owns. She earned her Doctor of Medicine degree from the University of Minnesota Medical School and completed her residency in General Psychiatry at the University of Minnesota and University of Wisconsin, Madison.

Giampaolo Perna, M.D., Ph.D. is currently Chair of the Department of Clinical Neurosciences at San Benedetto Menni Hospital of the Hermanas Hospitalarias (Como Lake) and Academic Coordinator of Mental Health Area and Adjunct Professor at Humanitas University (Milan), in Italy. He earned his degree in Medicine and Surgery at the State University of Milan, followed by a Ph.D. and completed a residency in Psychiatry there as well. He is the Chair of WPA section on personalized psychiatry and Co-editor in chief of the Elsevier Journal “Personalized Medicine in Psychiatry”.

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Archie Defillo, M.D. is currently the Chief Medical Officer at Medibio Limited. He has over 25 years of clinical experience with neurological diseases. For the past 13 years his efforts have been focused in neurological research. His research interests include cerebrovascular, stroke, neuro-trauma, brain oxygenation, metabolism and autonomic dysfunction.

Peta Slocombe, M.S. is a fully registered Psychologist, member of the Australian Psychological Society and a registered National Health Practitioner with over 20 years' experience. She is currently Senior Vice President, Corporate Health with Medibio Limited.

Franklyn Prendergast, M.D., Ph.D. is currently a director on the Medibio Limited board and chair of the Scientific Advisory Board. Previously, he was the Emeritus Edmond and Marion Guggenheim Professor of Biochemistry and Molecular Biology and Emeritus Professor of Molecular Pharmacology and Experimental Therapeutics, Mayo Medical School, to its Physician Advisory Board. Dr. Prendergast earned his medical degree with honors from the University of West Indies. He attended Oxford University as a Rhodes Scholar, where he earned his masters degree in Physiology. After completing residency in Internal medicine at The Mayo Clinic in Rochester, Minnesota he earned a doctorate degree Biochemistry from the University of Minnesota/Mayo Graduate School. He has held the following positions: Chair, Department of Biochemistry and Molecular Biology; Director for Research Mayo Clinic (Rochester) (1989-1992). Board of Governors Mayo Clinic in Rochester; Mayo Clinic Board of Trustees (1992-2009); Mayo Clinic Board of Governors (1999-2006). Mayo Distinguished Investigator; Emeritus Director, Mayo Clinic Comprehensive Cancer Center and Mayo Center for Individualized Medicine. In addition, he holds numerous appointments with Industry and Extramural academic affiliations. He has extensive interactions over many years with National Institutes of Health (NIH): Board of Advisors for the Division of Research Grants; National Advisory General Medical Sciences Council; Board of Scientific Advisors of the National Cancer Institute; and the National Cancer Advisory Board.

COMMERCIALIZATION, CORPORATE DEVELOPMENT, PARTNERSHIPS

Acquisition of Vital Conversations

On April 12, 2018, the Company completed the acquisition of Vital Conversations for an acquisition price of approximately $500,000 funded by cash and shares. Vital Conversations provides evidenced based psychological health programs and a digital platform that connects with Medibio's technology to provide a complete suite of products and solutions for the Corporate Wellness market. With a 3-year history of partnership, the acquisition created a new corporate health offering for Medibio, which couples the psychological health content and digital platform of Vital Conversations with Medibio's mental health technology platform and exclusive objective mental health measurement and monitoring capabilities. The value ascribed reflects the opportunity for revenue growth through corporate expansion integrated with Medibio's technology. The acquisition is anticipated to be earnings neutral in the near to medium term as the Company expands the product offering globally.

Launched First Product for Corporate Health Vertical

Medibio's Inform product was launched in the Australian Corporate Health market on 1 May 2018. Integrating Medibio's objective mental health technology platform with Vital Conversations knowledge, experience and market position, has enabled the development of this unique comprehensive corporate health product. In addition to providing unique insights into individual and organizational mental health, Medibio is now equipped to work directly with corporations to support their efforts to improve health and performance.

REVIEW OF OPERATIONS

Secured Customer Contracts

The acquisition expands Medibio's presence across Australia and the United States. The Corporate Health business unit is actively engaged in securing contracts for products and services with multiple entry points tailored to organizational need. The new business unit will aim to reduce the burden of mental health conditions on individuals and organizations and to realize cost savings. Vital Conversations' clients who have participated in *Australia's Biggest Mental Health Check-in* program include PricewaterhouseCoopers, Wesfarmers and others for whom Vital Conversations delivers large-scale services to tens of thousands of employees. Such programs could provide Medibio a clear pathway for revenue generation. Medibio has already secured customer contracts with Jacobs Engineering, St. John of God Health Care, Rio Tinto, and other companies.

Apple, Garmin, and Fitbit Compatibility

During 2018, the Company's personal, mental health measurement technology mobile apps became available on the Apple and Google Play stores for use in connection with Apple Watch, Garmin and Fitbit devices. Users of the Medibio apps can capture and process specific biometric features to create an objective view of their overall health, using a series of Medibio algorithms.

The Inform mobile app allows businesses to offer employees the chance to 'check-in on their mental health' through a comprehensive mental health and wellness program that starts with an employee-facing, Mental Health Check-In campaign. Via the Inform app, users are able to process specific biometric features to create an objective view of their overall health. Once the user has authorized Medibio to access their biometric data, the Inform app pulls in the sleep, activity and heart rate information that is associated with the user's wearable account. Medibio uses its proprietary platform and algorithms to process the biometric data and reports to the user daily.

Medibio's technology platform detects dysfunction within the areas of the body regulated by the ANS, and through proprietary data processing and algorithms, the technology correlates these anomalies to different mental health conditions. It provides a tangible, objective understanding of mental health. Medibio's technology puts the power of mental health management into the hands of the user. The Company is preparing for a general consumer availability coming later in 2018.

Otsuka Pharmaceutical Partnership

In October 2017, the Company entered into an agreement with Otsuka Pharmaceutical Development & Commercialization, Inc. (Otsuka) to apply our advanced proprietary analytic platform to Otsuka clinical data to characterize key circadian, autonomic, and sleep biomarkers related to serious mental illness. Otsuka researches, develops, manufactures, and markets innovative products, with a focus on pharmaceutical products to meet unmet medical needs and nutraceutical products for the maintenance of everyday health. In pharmaceuticals, Otsuka is a leader in the challenging area of mental health. Otsuka Pharmaceutical Development & Commercialization, Inc. (OPDC) is dedicated to clinical development of promising drug candidates in mental health, oncology, cardio-renal, and nephrology. OPDC is an indirect subsidiary of Otsuka Pharmaceutical Company, Ltd., which is a subsidiary of Otsuka Holdings Co., Ltd. headquartered in Tokyo, Japan. The Otsuka group of companies employed 45,000 people worldwide and had consolidated sales of approximately USD 11 billion in 2016. The agreement between Otsuka and Medibio has progressed through several phases of the agreement, as Medibio continues to provide its advanced proprietary analytic technology to Otsuka clinical data for development of products. Under the terms of the agreement, Medibio receives payments for services provided as contractual phases are completed. During fiscal year 2018, Medibio received the first of these contractual payments.

REVIEW OF OPERATIONS

MANAGEMENT TEAM AND BOARD OF DIRECTORS

Medibio strengthened the management team with the addition of key members of the technology, medical, and commercialization teams, including Jeremy Schroetter, Dr. Archie Defillo, and Peta Slocombe, M.S. These additions and their teams bring relevant medical, technology development, and commercialization experience to help the Company achieve key milestones. Jeremy was appointed as Chief Technology Officer and has over 20 years of experience in managing technology teams, building platforms, and software development and data science. Dr. Defillo was appointed Chief Medical Officer and has over 25 years of clinical experience with neurological diseases, spending the past 13 years focused on neurological research with interests including cerebrovascular, stroke, neuro-trauma, brain oxygenation, metabolism and autonomic dysfunction. Ms. Slocombe joins us following the Vital Conversations acquisition and is a fully registered psychologist, member of the Australian Psychological Society, a registered National Health Practitioner, and has over 20 years of experience in psychology practice.

The Board of Directors has also completed a significant transformation, having added key Directors in the past 18 months who have the experience, background, influence, and recognition to help the Company achieve milestones and commercialize the technology.

On 28 August 2018, Jack Cosentino ceased employment with Medibio. Mr Cosentino was appointed Managing Director and Chief Executive Officer (CEO) on 16 February 2017. Brian Mower was appointed Interim CEO effective 28 August 2018. Mr Mower is the Company's Chief Financial Officer and has been part of the Medibio team since April 2017.

INTELLECTUAL PROPERTY

During the year Medibio further solidified its intellectual property position through the filing of new patents. The filings and license are in line with Medibio's intellectual property (IP) strategy and protecting a dominant, defensible broad position in the use of physiologic biomarkers to characterize mental state.

The following table summarises Medibio's current patent coverage.

COUNTRY	OFFICIAL NO.	TITLE	CASE STATUS
PCT	AU98/00252	Method diagnose psychiatric disorders	Granted
Australia	720226	Method diagnose psychiatric disorders	Granted
Canada	2284553	Method diagnose psychiatric disorders	Granted
Israel	132186	Method diagnose psychiatric disorders	Granted
New Zealand	337833	Method diagnose psychiatric disorders	Granted
USA	6245021	Method diagnose psychiatric disorders	Granted
USA	9861308	Method/System for Monitoring Stress	Registered
Argentina	20160103733	Method/System for Monitoring Stress	Application Filed
Australia	2016278357	Method/System for Monitoring Stress	Application Filed
Canada	2988419	Method/System for Monitoring Stress	Application Filed
PCT China/Europe/Japan	AU2016/050491	Method/System for Monitoring Stress	Application Filed

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COUNTRY	OFFICIAL NO.	TITLE	CASE STATUS
Israel	256151	Method/System for Monitoring Stress	Application Filed
New Zealand	738067	Method/System for Monitoring Stress	Application Filed
USA	15/736445	Method/System for Monitoring Stress	Application Filed
USA	15/403494	Method/system assessing mental State	Accepted
Argentina	20160103732	Method/system assessing mental State	Application filed
Australia	2016278356	Method/system assessing mental State	Application filed
Canada	2988416	Method/system assessing mental State	Application filed
PCT China/Europe/Japan	AU2016/050490	Method/system assessing mental State	Application filed
Israel	256149	Method/system assessing mental State	Application filed
New Zealand	738185	Method/system assessing mental State	Application filed
USA	15/736652	Method/system assessing mental State	Application filed
USA	62/518389	Mental State Indicator	Application Filed
USA	62/534526	Medication Monitoring System	Application Filed
USA	62/574527	Risk Indicator	Application Filed
USA	62/573940	Breathing State Indicator	Application Filed
USA	62/433066	Using ECG to Classify PTSD	World-wide exclusive license from Emory University
PCT	WO2018/111428	Using Heartrate 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 2018.

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 Chairman

Qualifications: B. Eng. (Mech.), Grad Dip Eng. (Chem.), LLB, LLM, Grad Dip LP

Experience: 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.

Peter Carlisle Vice Chairman

Qualifications: BA, JD

Experience: Mr Carlisle was appointed to the Board on 5 June 2017 and currently serves as Vice Chairman. He previously served as an alternate to Michael Phelps until January 22, 2018. 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.

Mr. Carlisle 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. He 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.

DIRECTORS' REPORT

Frank G. Prendergast Non-executive Director

Qualifications: PhD MD

Experience:

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).

Andrew Maxwell Non-executive Director

Qualifications: MBA, MAcc, ACPA

Experience:

Mr Maxwelll was appointed to the Board on 1 February 2017. Mr. Maxwell is the chair of TMS Australia, which owns a network of out-patient clinics treating depression using transcranial magnetic stimulation. He is Chair of Agersens the global market leader in virtual fencing technology for beef and dairy cattle, a director of BioMelbourne Network and a member of the Bond University School of Health, Science and Medicine advisory board.

For 10 years, Andrew led the global growth of Global Kinetics Corporation Ltd (GKC) as Managing Director and Chief Executive Officer. GKC commercialised research 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's direct sales and marketing team implemented the PKG in over 140 hospitals in 16 countries providing people with Parkinson's access to a clinical test that makes a 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.

DIRECTORS' REPORT

Patrick Kennedy Non-executive Director

Qualifications: B.S., Former U.S. Representative

Experience:

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.

DIRECTORS' REPORT

Michael Phelps Non-executive Director

Experience:

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") as the 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.

Jack Cosentino Non-executive Director

Qualifications: B.S. S

Experience: Mr. Cosentino ceased as CEO and Managing Director on 28 August 2018. 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 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

DIRECTORS' REPORT

Executive Management and Company Secretary

Brian Mower	Interim Chief Executive Officer and Chief Finance Officer
Qualifications:	B.S., MAcc, CPA
Experience:	Mr Mower was appointed Interim Chief Executive Officer 28 August 2018 and 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.

Melanie Leydin	Company Secretary
Qualifications:	B. Bus. (UTS), Grad. Dip. DP (UTS), CA, AGIA
Experience:	Ms Leydin was appointed Company Secretary on 6 June 2018. Ms Leydin is responsible for complying with all the governance requirements of a listed company. She has over 25 years of experience in the accounting profession and 13 years of experience as a Company Secretary for ASX listed companies. Her extensive experience in public company responsibilities includes ASX and ASIC compliance, control and implementation of corporate governance, statutory financial reporting, reorganization of companies and shareholder relations.

DIRECTORS' REPORT

Former Directors and Company Secretary

Kris Knauer	Non-executive Director
Qualifications:	B. Sc. (Hons) in Geology
Experience:	Mr Knauer was appointed to the Board on 1 July 2014 and resigned on November 6, 2017. 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 held 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.

Adam Darkins	Non-executive Director and Deputy Chairman
Qualifications:	MB, ChB., MPHM, M.D., FRCS
Experience:	Dr Darkins was appointed to the Board on 19 July 2017 and resigned 19 January 2018. He trained as a physician at Manchester University Medical School, UK, accredited as a neurosurgeon after post-graduate training in the UK. 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. Before joining the Medibio Board Dr Darkins was Vice President for Innovation and Strategic Partnerships for Medtronic PLC's Americas Region. 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.

Robert Lees	Former Company Secretary
Qualifications:	B. Bus. (UTS), Grad. Dip. DP (UTS), CA, AGIA
Experience:	Mr Lees resigned as Company Secretary on 6 June 2018. 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 was 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 30 June 2018, the interests of the directors in the shares and options of Medibio Limited were:

	Ordinary Shares	Options over Ordinary Shares
C Indermaur	271,260	839,333
F Prendergast	374,075	559,556
A Maxwell	26,000	559,556
M Phelps	Nil	559,556
P Carlisle	5,500	559,556
P Kennedy	Nil	559,556
J Cosentino	200,000	10,000,000

Dividends

No dividends have been paid or provided during the year ended 30 June 2018 (2017: nil).

Principal Activities

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

Business Review

Operating Results

The consolidated comprehensive loss of the Group was $16,432,656 (2017: loss of $9,785,072).

Going Concern Statement

As at 30 June 2018, the Group had a net asset position of $13,986,488 (30 June 2017: $13,314,080). However, as at 30 June 2018 it had:

- Incurred a comprehensive loss for the period of $16,432,656 (30 June 2017: $9,785,072)
- Net cash outflows from operations of $12,268,400 (30 June 2017: $5,424,832)
- Cash at bank of $6,123,187 (30 June 2017: $5,010,052)
- Current assets exceed current liabilities by $2,808,417 (30 June 2017: $1,429,225)

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

On 20 October 2017, Medibio Limited issued 38,736,640 shares, raising $13,945,190 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.

As at 30 June 2018, Medibio has 4,650,000 partly paid contributing shares (with 29 cents to pay). The Directors expect the contributing shares will become fully paid in fiscal year 2019. The Directors also expect to receive a net R&D grant refund of approximately $2,000,000 (2017: $3,266,998) in the next quarter.

DIRECTORS' REPORT

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.

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 2018 or future prospects.

- On 28 August 2018, Jack Cosentino ceased employment with Medibio. Mr Cosentino was appointed Managing Director and Chief Executive Officer (CEO) on 16 February 2017. Brian Mower was appointed Interim CEO effective 28 August 2018. Mr Mower is the Company's Chief Financial Officer and has been part of the Medibio team since April 2017.

Other Information

Options

On 18 June 2018, a total of 18,862,113 options were issued. 3,637,113 options were issued with an expiry of 18 June 2022 and an exercise price of 44 cents. 12,225,000 options were issued with an expiry of 18 June 2023 and an exercise price of 45 cents. 3,000,000 options were issued with an expiry of 11 October 2020 and exercise price of 80 cents.

On 11 October 2017, a total of 10,000,000 options were issued with an expiry of 11 October 2022 and exercise price of 45 cents.

On 5 December 2017, a total of 6,000,000 options were issued. 3,000,000 options issued with an expiry of 30 November 2019 and an exercise price of 40 cents. 3,000,000 options issued with an expiry of 30 November 2020 and an exercise price of 40 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 2018, the Group issued 15,000,000 shares on the exercise of 15,000,000 10 cent options and 1,183,334 shares on the exercise of 1,183,334 30 cent options. 833,333 of the 30 cent options expiring 1 April 2017 lapsed and the remaining 4,650,000 options have been converted to Partly Paid shares, with 1 cent paid and 29 cents unpaid. The Partly Paid shares are deemed to have been called and the Company is pursuing collections of amounts owed.

Between July 1, 2017 and 30 June 2018, 3 option holders exercised 9,000,000 ten cent unlisted options.

At the date of this report there were 45,862,113 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 officers of the Group and its Australian and U.S. 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.

DIRECTORS' REPORT

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.

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 Financial Officer and Company Secretary.

Details of key management personnel

i. Directors

C Indermaur	Chairman (non-executive) – appointed 7 April 2015
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	Director (non-executive) – appointed 5 June 2017
P Kennedy	Director (non-executive) – appointed 4 July 2017
J Cosentino	Director (non-executive) – former Managing Director & CEO appointed 16 February 2017 and ceased 28 August 2018
A Darkins	Director (non-executive) – appointed 19 July 2017 and resigned 19 January 2018
K Knauer	Director (non-executive) – appointed 1 July 2014, became a non-executive Director 30 April 2017, and resigned 13 October 2017

ii. Executives

B Mower	Chief Financial Officer – appointed 24 April 2017. Appointed Interim CEO 28 August 2018
M Leydin	Company Secretary – appointed 6 June 2018
R Lees	Former Company Secretary – appointed 30 September 2012 and resigned 6 June 2018

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 Report (audited) (continued)

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.

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:
   - i. in any year exceed in aggregate the amount last fixed by ordinary resolution (2017: $750,000); or
   - ii. 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 2018 are detailed in Table 1 on page 21 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.

No key management personnel appointed during the period received a payment as part of his or her consideration for agreeing to hold the position.

Remuneration Report (audited) (continued)

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 and variable 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.

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. In addition, executives participate in a short-term incentive program that provides for variable remuneration for achievement of key performance indicators.

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

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 objective digital biomarker technology and scientific platform used to assist in the screening, diagnosing, monitoring, and management of mental health conditions, which is delivered using web-based Artificial Intelligence to evaluate mental illness phenotypes, combined with dimensional circadian heart – sleep biometrics and physiological biomarkers.

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 2018	30 June 2017	30 June 2016	30 June 2015	30 June 2014
Share price - cents	13.5	36.0	32.5	40.0	0.4
Shares on issue	202,628,271	148,718,619	105,446,807	89,802,932	3,173,189,372
Capitalisation	$27.4m	$53.5m	$34.3m	$35.9m	$12.6m
Loss per share – cents	(8.805)	(7.443)	(5.916)	(16.995)	(0.0015)

Remuneration Report (audited) (continued)

Remuneration of key management personnel

Table 1: Remuneration for the year ended 30 June 2018

		Short-term employee benefits (h)			Post	Share-based Payments			
		Salary & Fees $	Cash Bonus $	Accrued Bonus 2018 (i) $	Employment Super $	Shares (j) $	Value of Vested Stock Options (k) $	Termination Pay $	Total $
Executive director									
J Cosentino	a	379,500	71,156	189,750			415,000		1,055,406
Non-executive directors									
C Indermaur - Chairman		82,125					25,432		107,557
K Knauer	b	24,579							24,579
F Prendergast		88,894				23,333	16,955		129,182
A Maxwell		55,932					16,955		72,887
M Phelps		54,750					16,955		71,705
P Kennedy	c	54,750					16,955		71,705
A Darkins	d	29,129							29,129
P Carlisle		54,750					16,955		71,705
Sub-total directors		**824,409**	**71,156**	**189,750**	**-**	**23,333**	**525,207**	**-**	**1,633,855**
Other key management personnel (KMP)									
B Mower	e	316,250	26,354	126,500			209,200		678,304
M Leydin	f	12,350							12,350
R E Lees	g	153,416							153,416
Sub-total executive KMP		**482,016**	**26,354**	**126,500**	**-**	**-**	**209,200**	**-**	**844,070**
Totals		**1,306,425**	**97,510**	**316,250**	**-**	**23,333**	**734,407**	**-**	**2,477,925**

a. Per Mr. Cosentino's employment contract, he is paid US$300,000 salary and is eligible for a 50% bonus based on performance. Mr. Cosentino ceased employment 28 August 2018.
b. Non-executive director from 1 May 2017 to 13 October 2017
c. Appointed 4 July 2017
d. Appointed 19 July 2017 and resigned 19 January 2018
e. Per Mr. Mower's employment contract, he is paid US$250,000 salary and is eligible for a 40% bonus based on performance.
f. Appointed 6 June 2018
g. Resigned 6 June 2018
h. Amounts in Australian dollars, conversion rate varies based on timing of payment for U.S. dollar payments.
i. Bonus for performance in fiscal year 2018 was approved by the remuneration committee
j. Represents payment of director's fees by issue of ordinary shares.
k. The value of the options granted to key management personnel as part of their remuneration is calculated as at the grant date using a binomial pricing model. The amounts disclosed as part of remuneration for the financial year have been determined by allocating the grant date value on a straight-line basis over the period from grant date to vesting date.

DIRECTORS' REPORT

Remuneration Report (audited) (continued)

Table 2: Remuneration for the year ended 30 June 2017

		Short Term Salary & Fees $	Non-Monetary Benefits $	Post-Employment Super $	Share Based Payments (i) $	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**

a. Appointed 16 February 2017, ceased employment 28 August 2018
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
i. Represents payment of director's fees by issue of ordinary shares

DIRECTORS' REPORT

Remuneration Report (audited) (continued)

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

Options held in Medibio Limited (number)

30 June 2018		Balance at 1 July 17	Granted as Remuneration (f, g, h, i)	Options Forfeited	Net Change Other	Balance At 30 June 18	Vested and exercisable at 30 June 18 Total
Directors							
C Indermaur		-	839,333	-	-	839,333	419,667
K Knauer	a	3,000,000	-	-	(3,000,000)	-	-
F Prendergast		-	559,556	-	-	559,556	279,778
A Maxwell		-	559,556	-	-	559,556	279,778
J Cosentino		-	10,000,000	-	-	10,000,000	2,000,000
M Phelps		-	559,556	-	-	559,556	279,778
P Kennedy	b	-	559,556	-	-	559,556	279,778
A Darkins	c	-	-	-	-	-	-
P Carlisle		-	559,556	-	-	559,556	279,778
Executives							
B Mower		-	5,000,000	-	-	5,000,000	1,166,667
M Leydin	d	-	-	-	-	-	-
R Lees	e	-	-	-	-	-	-
Total		**3,000,000**	**18,637,113**	**-**	**(3,000,000)**	**18,637,113**	**4,985,223**

a. Resigned 13 October 2017; 3,000,000 ordinary shares were allotted on the exercise of options expiring 1 April 2018 and exercisable on the payment of $0.10. The Company had outstanding indebtedness to the option holder for $300,000 which was applied to the option exercise.

b. Appointed 4 July 2017

c. Appointed 19 July 2017 and resigned 19 January 2018

d. Appointed 6 June 2018

e. Resigned 6 June 2018

f. Options granted to Mr. Cosentino as part of his employment contract were approved by shareholders at the Extraordinary General Meeting held on September 11, 2017. The options have an exercise price of $0.45 per share, a 5-year term, and vest over 5-years. Based on the binomial pricing model, the grant date fair value of each option was $0.2075 per share at July 3, 2017. At June 30, 2018, 20% of the option grant was vested and exercisable.

g. Options granted to Mr. Mower as part of his employment contract have an exercise price of $0.45 per share, a 5-year term, and vest over 5-years. Based on the binomial pricing model, the grant date fair value of each option was $0.2092 per share at July 3, 2017. At June 30, 2018, 23.3% of the option grant was vested and exercisable.

h. Options granted to non-executive directors were approved by shareholders at the Extraordinary General Meeting held on June 6, 2018. The options have an exercise price of $0.44 per share, a 4-year term, and vest 50% immediately and 50% on September 11, 2018. Based on the binomial pricing model, the grant date fair value of each option was $0.0606 per share on June 6, 2018. At June 30, 2018, 50% of each option grant was vested and exercisable.

i. There has been no alteration of the terms and conditions of the above share-based payment arrangements since the grant date.

DIRECTORS' REPORT

Options held in Medibio Limited (number)

30 June 2017		Balance at 1 July 16	Granted as Remuneration	Options Forfeited	Net Change Other	Balance At 30 June 17	Vested and exercisable at 30 June 17 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**	**3,000,000**

a. Resigned 30 September 2016
b. Appointed 1 February 2017
c. Appointed 16 February 2017, ceased employment 28 August 2018
d. Appointed 5 June 2017
e. Appointed 5 June 2017
f. Appointed 24 April 2017
g. Contract ended 30 April 2017

DIRECTORS' REPORT

Remuneration Report (audited) (continued)

Table 4: Shareholdings of key management personnel (consolidated)

Shares held in Medibio Limited (number)

30 June 2018		Balance 1 July 17	Granted as remuneration	On exercise of options	Net change other	Balance 30 June 18
Directors						
C Indermaur		215,877	55,383	-	-	*271,260
K Knauer	a	6,540,541	-	3,000,000	(9,540,541)	-
F Prendergast		296,297	77,778	-	-	374,075
A Maxwell		-	-	-	26,000	*26,000
J Cosentino	b	200,000	-	-	-	200,000
M Phelps		-	-	-	-	-
P Kennedy	c	-	-	-	-	-
A Darkins	d	-	-	-	-	-
P Carlisle		-	-	-	5,500	5,500
Executives						
B Mower		-	-	-	-	-
M Leydin	e	-	-	-	-	-
R Lees	f	-	-	-	-	-
Total		**7,252,715**	**133,161**	**3,000,000**	**(9,509,041)**	**876,835**

a. Resigned 13 October 2017
b. Employment ceased 28 August 2018
c. Appointed 4 July 2017
d. Appointed 19 July 2017 and resigned 19 January 2018
e. Appointed 6 June 2018
f. Resigned 6 June 2018

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

DIRECTORS' REPORT

Shares held in Medibio Limited (number)

30 June 2017		Balance 1 July 16	Granted as remuneration	On exercise of options	Net change other	Balance 30 June 17
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, ceased employment 28 August 2018
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

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	11	10	5	4	3	3
Kris Knauer	6	6	2	2	1	1
Franklyn Prendergast	11	9	-	-	-	-
Andrew Maxwell	11	11	5	5	3	3
Jack Cosentino	11	11	3	4	-	-
Michael Phelps	11	8	-	-	-	-
Patrick Kennedy	11	7	-	-	-	-
Adam Darkins	6	5	2	2	2	2
Peter Carlisle	4	4	3	3	2	2

Committee membership

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

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:

	2018	2017
Tax compliance	10,900	10,920
Tax and other advice	12,445	-
Other	900	510

Auditor Independence

The auditor's independence declaration has been received and can be found on page 28.

Signed in accordance with a resolution of the directors

Chris Indermaur
Chairman

14 September 2018
Sydney, NSW

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 2018 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

M.Monaghan

M J Monaghan
Director

Dated this 14th day of September 2018
Brisbane

CHARTERED ACCOUNTANTS
& ADVISORS

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CORPORATE GOVERNANACE

Medibio Limited ('**Medibio**') 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 & OTHER COMPREHENSIVE INCOME

For the Year Ended 30 June 2018

	Note	CONSOLIDATED	
		2018 $	2017 $
Sales		204,878	23,100
Contract milestone achievement		226,000	-
Other income		2,169,714	3,133,465
Revenue	5	**2,600,592**	**3,156,565**
Cost of sales		(75,669)	-
Gross profit		**2,524,923**	**3,156,565**
Amortisation		(1,329,461)	(1,726,758)
Employee costs	5	(7,090,378)	(1,958,364)
Finance costs	5	(8,139)	(266,659)
Research and development expenses		(3,255,245)	(4,320,934)
Other expenses	5	(7,142,082)	(4,668,922)
Loss before income tax		**(16,300,382)**	**(9,785,072)**
Income tax benefit		-	-
Loss attributable to members of Medibio Limited		**(16,300,382)**	**(9,785,072)**

Other comprehensive income **- items that may be reclassified to profit or loss**			
Foreign currency translations		(132,274)	-
Total other comprehensive income for the period net of tax		**(132,274)**	-
Total comprehensive income attributable to members of Medibio		**(16,432,656)**	**(9,785,072)**

Basic earnings per share (cents per share)	7	(8.805)	(7.443)
Diluted earnings per share (cents per share)	7	(8.805)	(7.443)

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 2018

	Note	CONSOLIDATED 2018 $	2017 $
ASSETS			
Current Assets			
Cash and cash equivalents	8	6,123,187	5,010,052
Trade and other receivables	9	1,669,026	220,276
Other current assets	14	93,954	2,134,875
Total Current Assets		**7,886,167**	**7,365,203**
Non-current Assets			
Other assets		111,186	-
Intangible assets	11	10,757,785	11,884,855
Goodwill	11	309,100	-
Total Non-current Assets		**11,178,071**	**11,884,855**
TOTAL ASSETS		**19,064,238**	**19,250,058**
LIABILITIES			
Current Liabilities			
Trade and other payables	12	3,969,225	5,699,200
Borrowings	13	120,000	132,500
Employee liabilities		988,525	104,278
Total Current Liabilities		**5,077,750**	**5,935,978**
TOTAL LIABILITIES		**5,077,750**	**5,935,978**
NET ASSETS		**13,986,488**	**13,314,080**
EQUITY			
Issued capital	15	83,642,250	68,999,845
Reserves		4,256,500	2,386,086
Accumulated losses		(73,912,262)	(58,071,851)
TOTAL EQUITY		**13,986,488**	**13,314,080**

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 2018

	Issued Capital $	Foreign Currency Translation Reserve $	Accumulated Losses $	Share Based Payments Reserve $	Total Equity $
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**
At 1 July 2017	**68,999,845**	**-**	**(58,071,851)**	**2,386,086**	**13,314,080**
Comprehensive income					
Loss for the period	-	-	(16,300,382)	-	(16,300,382)
Other comprehensive income	-	(132,274)	-	-	(132,274)
Total comprehensive income	**-**	**(132,274)**	**(16,300,382)**	**-**	**(16,432,656)**
Transactions with owners					
Shares issued	16,314,739	-	-	-	16,314,739
Share options issued	-	-	-	2,462,659	2,462,659
Transfers from reserve to accumulated losses			459,971	(459,971)	-
Share issue costs	(1,672,334)	-	-	-	(1,672,334)
Total transactions with owners	**14,642,405**	**-**	**459,971**	**2,002,688**	**17,105,064**
At 30 June 2018	**83,642,250**	**(132,274)**	**(73,912,262)**	**4,388,774**	**13,986,488**

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 2018

	Note	CONSOLIDATED	
		2018 $	2017 $
Cash flows from operating activities			
Receipts from operations		111,716	25,000
Contract milestone achievement		226,000	-
R&D grants received		3,294,498	3,074,224
Payments to suppliers and employees		(15,900,614)	(8,524,056)
Net cash flows used in operating activities	8a	**(12,268,400)**	**(5,424,832)**
Cash flows from investing activities			
Interest received		85,394	34,241
Deposits (net)		(85,009)	-
Acquisition of Vital Conversations		(400,000)	-
Net cash flows provided by (used in) investing activities		**(399,615)**	**34,241**
Cash flows from financing activities			
Proceeds from issues of shares and options		14,845,190	14,391,415
Transaction costs of issue of shares		(1,051,540)	(1,203,404)
Repayment of borrowings		(12,500)	(3,560,653)
Interest paid		-	(266,659)
Net cash flows from financing activities		**13,781,150**	**9,360,699**
Net increase in cash and cash equivalents		1,113,135	3,970,108
Cash and cash equivalents at beginning of the year		5,010,052	1,039,944
Cash and cash equivalents at end of the year	8	**6,123,187**	**5,010,052**

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 FOR THE YEAR ENDED 30 JUNE 2018

1. CORPORATE INFORMATION

Medibio Limited ('Medibio', 'the Company', or 'the Parent') 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.

— *AASB 16 Leases (for reporting periods beginning after 1 January 2019)*

Under the new AASB 16 standard, a lessee is in essence required to:

- Recognize all right of use assets and lease liabilities, with the exception of short term (under 12 months) and low value leases, on the balance sheet. The liability is initially measured at the present value of future lease payments for the lease term. Where a lease contains an extension option, the lease payments for the extension period will be included in the AASB 16 liability if the Group is reasonably certain that it will exercise the option. The liability includes variable lease payments that depend on an index or rate but excludes other variable lease payments. The right of use asset reflects the lease liability, initial direct costs and any lease payments made before the commencement date of the lease less any lease incentives and, where applicable, provisions for dismantling and restoration.

- Recognize depreciation of right of use assts and interest on lease liabilities in the income statement over the lease term.

- Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest portion (presented in operating activities) in the cash flow statement.

AASB 16 will therefore result in higher assets and liabilities on the balance sheet. Information on the undiscounted amount of the Group's non-cancellable operating lease commitments is disclosed in note 23. The present value of the Group's operating lease payments as defined under the new standard will be recognized as lease liabilities on the balance sheet and included in net debt.

Operating cash flow will increase under AASB 16 as the element of cash paid attributable to the repayment of principal will be included in financing cash flow. The net increase/decrease in cash and cash equivalents will remain the same.

This standard must be implemented retrospectively, either with the restatement of comparatives or with the cumulative impact of application recognized as at 1 January 2019 under the modified retrospective approach. The Group currently expects to use the modified retrospective approach.

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.

c. Basis of consolidation

The consolidated financial statements comprise the financial statements of Medibio Limited and its controlled entities as at 30 June 2018 (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. Services Performed

Revenue is recognized when the services have been performed and billing invoices have been distributed.

iii. 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 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.

j. 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.

k. 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.

l. 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.

m. Goodwill and intangible assets

Goodwill represents the excess of the purchase price over the fair value of net assets acquired in a business combination. Intangible assets acquired separately or in a business combination are initially measured at cost. Goodwill is not amortized, but is instead subject to impairment testing. 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 useful lives.

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.

n. 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.

o. 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.

p. 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.

q. 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 wholly 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.

r. 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.

s. 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.

t. Earnings per share

Basic earnings per share (EPS) is calculated as net loss 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.

u. 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 FOR THE YEAR ENDED 30 JUNE 2018

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.

Share based payments

The Group measures the cost of equity-settled transactions with employees, directors and advisors with reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the Binomial method taking into account the terms and conditions upon which they were granted. These calculations can involve significant estimates and judgements.

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 two geographical locations, being Australia and the United States. The US based subsidiary is maintained to support US and Canadian research, development, and commercialization activities.

All revenue earned during 2018 and 2017 was sourced from Australia

All assets reside in two geographical regions being Australia $18,164,407 (2017: $18,292,738) and USA $899,831 (2017: $957,320).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	CONSOLIDATED	
	2018 $	2017 $
5. REVENUES AND EXPENSES		
(a) Revenue		
Sales	204,878	23,100
Contract milestone achievement	226,000	-
Bank interest received and receivable	138,501	34,241
Research grant	25,000	25,000
R&D Grant received	2,006,213	3,074,224
	2,600,592	**3,156,565**
(b) Finance costs		
Leasing costs	(8,139)	-
Interest charges payable under convertible notes	-	(266,659)
	(8,139)	**(266,659)**
(c) Employee benefits expense		
Wages and salaries	(4,633,419)	(1,380,463)
Share-based compensation expense	(761,071)	-
Non-executive director fees	(469,096)	(419,364)
Payroll taxes and benefits	(615,037)	-
Other employee expenses	(521,531)	(158,536)
Superannuation	(90,224)	(67,164)
	(7,090,378)	**(1,958,364)**
(d) Other expenses		
Consulting and advisory expenses	(3,463,810)	(3,234,645)
Legal fees	(577,638)	(87,244)
Listing fees and share registry charges	(178,328)	(173,971)
Sales and marketing	(521,526)	(234,864)
Other administration expenses	(2,400,780)	(938,198)
	(7,142,082)	**(4,668,922)**

	CONSOLIDATED	
	2018 $	2017 $
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	(16,300,383)	(9,785,072)
At the statutory tax rate of 27.5% (2017: 27.5%)	(4,482,605)	(2,690,895)
Tax effect of temporary differences and current year loss not brought to account	4,482,605	2,690,895
	-	-
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	2,406,045	1,297,118

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 2018, there is no recognised or unrecognised deferred tax liability (2017: 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.

7. EARNINGS PER SHARE

	COMPANY	
	2018 $	2017 $
Net loss attributable to equity holders of the Company	(16,300,382)	(9,785,072)
	Number of Shares	Number of Shares
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share:	185,130,043	131,459,221

8. CASH AND CASH EQUIVALENTS

	CONSOLIDATED	
	2018 $	2017 $
Cash at bank and in hand	1,123,187	988,498
Short-term deposits	5,000,000	4,021,554
	6,123,187	**5,010,052**

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.

(a) Reconciliation of loss after tax to net cash flows from operations:

	CONSOLIDATED	
	2018 $	2017 $
Net loss	**(16,300,382)**	**(9,785,072)**
Adjustments for:		
Amortisation	1,329,461	1,726,758
Interest received	(85,394)	(34,241)
Interest paid convertible notes	-	266,659
Intangibles derecognised	-	386,080
Share-based payments and share-based compensation expense	3,482,776	2,514,142
Changes in assets and liabilities:		
(Increase) / decrease in trade and other receivables	(1,448,749)	42,905
(Increase) / decrease in other current assets	2,026,090	485,381
(Decrease) / increase in trade and other payables	(2,156,449)	(1,066,897)
(Decrease) / increase in employee entitlements	884,247	39,435
Net cash used in operating activities	**(12,268,400)**	**(5,424,832)**

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 2018 $	CONSOLIDATED 2017 $
9. TRADE AND OTHER RECEIVABLES		
Trade debtors	136,331	25,410
Share proceeds receivable	1,375,101	-
Other debtors	157,593	194,866
	1,669,025	**220,276**

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) Share proceeds receivable are related to the binding agreements with partly paid shareholders. The binding agreements are interest bearing. As of June 30, 2018, the total amount includes $1,348,500 principle and $26,601 accrued interest.

(iii) 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.

10. OTHER FINANCIAL ASSET – AVAILABLE FOR SALE FINANCIAL ASSETS

	Notes	CONSOLIDATED 2018 $	CONSOLIDATED 2017 $
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 2018, 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.

11. INTANGIBLES & GOODWILL

		CONSOLIDATED 2018 $	2017 $
Licence			
At cost		300,000	300,000
Amortisation		(300,000)	(300,000)
Net carrying amount		-	-
Development Costs			
At cost		2,782,317	3,183,184
Additions		183,200	-
Foreign currency changes to asset cost		19,192	-
Derecognised		-	(386,081)
Accumulated amortisation		(21,567)	(14,786)
Net carrying amount		**2,963,142**	**2,782,317**
Patents			
At cost		4,498,153	4,498,153
Amortisation		(4,498,153)	(3,190,258)
Net carrying amount		-	**1,307,895**
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
Acquisition of Vital Conversations Pty Ltd		309,100	-
Accumulated impairment losses		(444,999)	(444,999)
Net carrying amount		**309,100**	-
Reconciliation of carrying amount			
Net carrying amount at beginning of year		11,884,855	13,997,693
Additions		492,300	-
Foreign currency changes to asset cost		19,192	-
Derecognition		-	(386,080)
Amortisation		(1,329,462)	(1,726,758)
Net carrying amount		**11,066,885**	**11,884,855**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Business Combination

Medibio acquired some of the assets of Vital Conversations Pty Ltd effective 12 April 2018. Vital Conversations provides evidenced based psychological health programs and a digital platform that connects with Medibio's technology to provide a complete suite of products and solutions for the corporate wellness market. The combination couples the psychological health content and digital platform of Vital Conversations with Medibio's mental health technology platform and exclusive objective mental health measurement and monitoring capabilities. The purchase was satisfied by way of $400,000 in cash payment and $92,300 in shares of Medibio.

Purchase consideration paid in cash	400,000
Purchase consideration paid in shares	92,300
Total consideration paid	492,300
Less: fair value of identifiable assets	(183,200)
Goodwill (at date of acquisition)	309,100

The allocation above is provisional as we are still assessing the value of this asset. The acquiree's carrying amounts approximate fair values. Acquisition costs of approximately $110,000 were expensed during the financial year.

Revenue since acquisition date was $151,126 and the loss since acquisition was $197,252. If Vital Conversations was acquired at the beginning of the financial year a further $650,342 of revenue would have been recognized and the loss would have increased by $109,439.

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.

Development Costs

Certain historical algorithm and diagnostic system development costs incurred have been capitalised. As part of the Vital Conversations acquisition in April 2018, the Company acquired various in-development software applications.

Patents

In April 2015, the Company acquired certain US and Canadian patents which complete the consolidation of granted intellectual property that the Company has targeted to support its commercialisation strategy for its proprietary depression and mental health diagnostic technologies.

Goodwill

Fiscal year 2018 addition related to the acquisition of Vital Conversations Pty Ltd in April 2018.

Data files

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

12. TRADE AND OTHER PAYABLES – CURRENT

	Note	CONSOLIDATED 2018 $	CONSOLIDATED 2017 $
Trade payables	(i)	1,235,393	939,820
Other creditors and accruals	(ii)	2,733,832	4,394,380
		3,969,225	**5,334,200**
Related party payables	(iii)	-	365,000
		3,969,225	**5,699,200**

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.

13. BORROWINGS

		CONSOLIDATED 2018 $	CONSOLIDATED 2017 $
Borrowings – Current	Invatec Shareholders loan	120,000	132,500
	Total Borrowings	**120,000**	**132,500**

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 $12,500 was repaid, with the balance outstanding at 30 June 2018 being $120,000. The carrying value is considered a reasonable approximation to the fair value of the loan.

14. OTHER CURRENT ASSETS

		CONSOLIDATED 2018 $	CONSOLIDATED 2017 $
Prepayments		93,954	14,831
Costs incurred in relation to future research and development		-	2,120,044
		93,954	**2,134,875**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

15. ISSUED CAPITAL

	2018 $	2017 $
a. Issued and paid up capital		
Ordinary shares issued and fully paid	83,942,250	68,999,845

		NUMBER OF SHARES			
b. Movements in shares on issue		2018	2017	2018 $	2017 $
Beginning of the financial year		148,718,619	105,446,807	68,999,845	55,756,237
Issued during the year:					
Option exercise	(i)		863,342	-	86,335
Option exercise	(ii)		4,000,000	-	400,000
Option exercise	(iii)		500,000	-	50,000
Option exercise	(iv)		833,334	-	250,000
Issue of shares to investors	(v)		33,750,200	-	13,500,080
Consultant/director/employee payments	(vi)		2,974,936	-	1,004,965
Option exercise	(vii)		100,000	-	30,000
Option exercise	(viii)		250,000	-	75,000
Consultant/director/employee payments	(ix)	329,803		101,077	
Consultant/director/employee payments	(x)	1,648,136		555,088	
Option exercise	(xi)	5,500,000		550,000	
Issue of shares to investors	(xii)	38,736,640		13,945,190	
Option exercise	(xiii)	3,000,000		300,000	
Employee payment	(xiv)	1,974,297		675,622	
Option exercise	(xv)	500,000		50,000	
Consultant/director/employee payments	(xvi)	1,836,512		45,462	
Acquisition	(xvii)	384,264		92,300	
Less: share issue costs				(1,672,334)	(2,152,772)
End of the financial year		**202,628,271**	**148,718,619**	**83,642,250**	**68,999,845**

Notes

(i) 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.

(ii) 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.

(iii) 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.

(iv) 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.

(v) 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

(vi) 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.

(vii) 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.

(viii) 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.

(ix) On 24 August 2017, Medibio issued at total of 329,805 ordinary shares at prices of $0.30 to $0.34 – totalling $101,077. The shares were allotted to consultants and directors as payment for services amounting to $101,077.

(x) On 28 September 2017, Medibio issued at total of 1,648,136 ordinary shares at prices of $0.30 to $0.40 – totalling $555,088. The shares were allotted to consultants, directors and employees as payment for services amounting to $555,088.

(xi) On 28 September 2017, 5,500,000 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 $550,000.

(xii) On 23 October 2017, Medibio issued in a single tranche, 38,736,640 ordinary shares at $0.36. The shares were allotted to sophisticated and professional investors to raise $13,945,190 before issue costs of $1,672,334.

(xiii) On 13 November 2017, 3,000,000 ordinary shares were allotted on the exercise of options expiring 1 April 2018 and exercisable on the payment of $0.10. The Company had outstanding indebtedness to the option holder for $300,000 which was applied to the option exercise. Thus, no cash proceeds were raised as a result of the exercise.

(xiv) On 4 December 2017, Medibio issued a total of 1,974,297 ordinary shares at prices of $0.30 to $0.35 – totalling $675,622. The shares were allotted to consultants and employees as payment for services amounting to $675,622.

(xv) On 16 January 2018, 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.

(xvi) On 2 March 2018, Medibio issued a total of 1,836,512 ordinary shares. The shares were allotted to consultants as payment for services amounting to $45,462, in addition to the $459,971 already recognized as share-based compensation expense.

(xvii) On 17 April 2018, Medibio issued at total of 384,264 ordinary shares at a price of $0.24 totalling $92,300. The shares represented partial payment for the purchase of Vital Conversations Pty Ltd amounting to $92,300.

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

c. Partly paid shares

On 5 April 2017, the Company announced it had entered into binding agreements with the holders of 4,650,000 options exercisable at $0.30, which expired on 1 April 2017. Shareholders approved the arrangement at an Extraordinary General Meeting held September 11, 2017. Under the agreements the Company exchanged 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 twelve 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. At June 30, 2018, the holders of partly paid shares have been notified of their obligations under the binding agreements to pay all unpaid amounts plus accrued interest. The Company is pursuing the collection of the amounts owed by partly paid shareholders under the binding agreements.

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 2018, the Group had a net asset position of $13,986,488 (30 June 2017: $13,314,080). However, as at 30 June 2018 it had:

- Incurred a comprehensive loss for the period of $16,432,656 (30 June 2017: $9,785,072)
- Net cash outflows from operations of $12,268,400 (30 June 2017: $5,424,832)
- Cash at bank of $6,123,187 (30 June 2017: $5,010,052)
- Current assets exceed current liabilities by $2,808,417 (30 June 2017: $1,429,225)

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

On 20 October 2017, the Company issued 38,736,640 shares, raising $13,945,190 before issue costs. The Directors of Medibio are confident that the Company will be able to raise further equity from its shareholders and sophisticated and professional investors, if required.

As at 30 June 2018, Medibio has 4,650,000 partly paid contributing shares (with 29 cents to pay). The Directors expect the contributing shares will become fully paid in fiscal year 2019. The Directors also expect to receive a net R&D grant refund of approximately $2,000,000 (2017: $3,266,998) in the next quarter.

Accordingly, Directors believe the Company 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.

e. Share Options

Options over ordinary shares:	2018 No. of Options	2017 No. of Options
Unlisted Options		
Exercisable on or before 1 April 2017 at 30 cents per share *		
Outstanding at beginning of the year	-	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 (approved by shareholder vote)	-	(4,650,000)
Outstanding at end of the year	-	-
Exercisable on or before 1 April 2018 at 10 cents per share		
Outstanding at beginning of the year	9,000,000	14,363,342
Issued during the year	-	-
Exercised during the year	(9,000,000)	(5,363,342)
Lapsed during the year	-	-
Outstanding at end of the year	**-**	**9,000,000**
Exercisable on or before 30 November 2018 at 40 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 30 November 2019 at 48 cents per share		
Outstanding at beginning of the year	3,500,000	-
Issued during the year	-	3,500,000
Exercised during the year	-	-
Lapsed during the year	-	-
Outstanding at end of the year	**3,500,000**	**3,500,000**
Exercisable on or before 29 January 2019 at 40 cents per share		
Outstanding at beginning of the year	3,000,000	3,000,000
Issued during the year	-	-
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	1,500,000
Issued during the year	-	-
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	1,500,000
Issued during the year	-	-
Exercised during the year	-	-
Lapsed during the year	-	-
Outstanding at end of the year	**1,500,000**	**1,500,000**
Exercisable on or before 11 October 2020 at 80 cents per share		
Outstanding at beginning of the year	-	-
Issued during the year	3,000,000	-
Exercised during the year	-	-

Lapsed during the year	-	-
Outstanding at end of the year	**3,000,000**	**-**
Exercisable on or before 30 November 2019 at 40 cents per share		
Outstanding at beginning of the year	-	-
Issued during the year	3,000,000	-
Exercised during the year	-	-
Lapsed during the year	-	-
Outstanding at end of the year	**3,000,000**	**-**
Exercisable on or before 30 November 2020 at 40 cents per share		
Outstanding at beginning of the year	-	-
Issued during the year	3,000,000	-
Exercised during the year	-	-
Lapsed during the year	-	-
Outstanding at end of the year	**3,000,000**	**-**
Exercisable on or before 18 June 2022 at 44 cents per share		
Outstanding at beginning of the year	-	-
Issued during the year	3,637,113	-
Exercised during the year	-	-
Lapsed during the year	-	-
Outstanding at end of the year	**3,637,113**	**-**
Exercisable on or before 11 October 2022 at 45 cents per share		
Outstanding at beginning of the year	-	-
Issued during the year	10,000,000	-
Exercised during the year	-	-
Lapsed during the year	-	-
Outstanding at end of the year	**10,000,000**	**-**
Exercisable on or before 18 June 2023 at 45 cents per share		
Outstanding at beginning of the year	-	-
Issued during the year	15,925,000	-
Exercised during the year	-	-
Lapsed during the year	(3,700,000)	-
Outstanding at end of the year	**12,225,000**	**-**
Total options over unissued ordinary shares	**45,862,113**	**20,000,000**

*Holders of Options exercisable on or before 1 April 2017 at 30 cents per share were offered, and shareholders approved, 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 July 1, 2017 and 30 June 2018, 3 option holders exercised 9,000,000 ten cent unlisted options.
- On 18 June 2018, a total of 18,862,113 options were issued. 3,637,113 options were issued with an expiry of 18 June 2022 and an exercise price of 44 cents. 12,225,000 options were issued with an expiry of 18 June 2023 and an exercise price of 45 cents. 3,000,000 options were issued with an expiry of 11 October 2020 and exercise price of 80 cents.
- On 11 October 2017, a total of 10,000,000 options were issued with an expiry of 11 October 2022 and exercise price of 45 cents.
- On 5 December 2017, a total of 6,000,000 options were issued. 3,000,000 options issued with an expiry of 30 November 2019 and an exercise price of 40 cents. 3,000,000 options issued with an expiry of 30 November 2020 and an exercise price of 40 cents.
- Between 1 July 2017 and 30 June 2018, 3,700,000 options were issued and subsequently lapsed.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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.

16. AUDITORS' REMUNERATION

	CONSOLIDATED	
	2018 $	2017 $
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	42,500	41,217
Other services in relation to the entity and any other entity in the Group:		
- Tax compliance	10,900	10,920
- Tax and other advice	12,445	-
- EGM and AGM attendance	900	510
	66,745	**52,647**

17. KEY MANAGEMENT PERSONNEL

Short-term employee benefits	1,720,183	991,202
Post-employment benefits	-	7,980
Share-based payment and share-based compensation expense	757,740	659,772
Total compensation	**2,477,923**	**1,658,904**

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 2018	% Equity Interest 2017	Investment * $ 2018	Investment * $ 2017
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	1,351	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	
	2018 $	2017 $
Financial assets		
Cash and cash equivalents	6,123,187	5,010,052

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 2018, 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)	
	2018 $	2017 $	2018 $	2017 $
Consolidated				
+ 1% (100 basis points)	(61,232)	(50,100)	(61,232)	(50,100)
- 0.5 % (50 points)	30,616	25,050	30,616	25,050

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 2018.

21. SHARE-BASED PAYMENT PLANS

Recognised share-based payment expense

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

	CONSOLIDATED	
	2018 $	2017 $
Expense arising from equity-settled share-based payment transactions	114,789	50,000

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

1,800,000 shares issued to advisors	-	600,000
3,989,266 shares issued to consultants and contractors	-	1,372,158
185,090 shares issued to directors	-	57,634
1,888,911 shares issued to consultants	62,962	-
77,778 shares issued to director	23,333	-
TOTAL SHARE-BASED PAYMENTS	**201,084**	**2,102,292**

Recognised share-based compensation expense

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

	CONSOLIDATED	
	2018 $	2017 $
Share-based compensation related to options granted to employees	761,071	-

d. The expense recognised for consulting services rendered during the year.

Share-based compensation related to options granted to advisors	1,497,775	949,386
Share-based compensation related to options granted to consultants	93,583	411,850
Share-based compensation related to options granted to directors	110,230	
TOTAL SHARE-BASED COMPENSATION EXPENSE	**2,462,659**	**1,361,236**

Option pricing model

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

The following table lists the weighted average inputs to the model used for the year ended 30 June 2018.

Employee share options granted July-October 2017		Employee share options granted June 2018	
Dividend yield	0.00%	Dividend yield	0.00%
Expected volatility	79.57%	Expected volatility	80.27%
Risk-free interest rate	2.19%	Risk-free interest rate	2.46%
Expected life of options	4.6 years	Expected life of options	5.0 years
Option exercise price	$0.45	Option exercise price	$0.45
Weighted average share price at measurement date	20.89c	Weighted average share price at measurement date	7.71c
Advisor share options granted October 2017		**Advisor share options granted June 2018**	
Dividend yield	0.00%	Dividend yield	0.00%
Expected volatility	78.16%	Expected volatility	77.90%
Risk-free interest rate	2.04%	Risk-free interest rate	1.95%
Expected life of options	4.0 years	Expected life of options	2.92 years
Option exercise price	$0.44	Option exercise price	$0.80
Weighted average share price at measurement date	18.96c	Weighted average share price at measurement date	12.00c

Director share options granted June 2018	
Dividend yield	0.00%
Expected volatility	80.27%
Risk-free interest rate	2.29%
Expected life of options	4.0 years
Option exercise price	$0.44
Weighted average share price at measurement date	6.06c

The reserve records items recognised as expenses on valuation of options $4,388,774 (2017: $2,386,086).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

22. PARENT ENTITY INFORMATION

	2018 $	2017 $
Net loss attributable to members of Medibio Limited	(9,448,754)	(9,905,308)
Change in market value of available for sale financial assets	-	-
Total comprehensive income for the year attributable to members of Medibio Limited	**(9,448,754)**	**(9,905,308)**
Current assets	7,303,463	6,406,999
Total assets	**30,068,677**	**19,495,023**
Current liabilities	3,076,495	5,503,395
Total liabilities	**9,226,058**	**5,503,395**
Issued Capital	83,642,250	68,999,845
Share based payments reserve	3,583,455	2,386,086
Retained earnings	(66,383,086)	(57,394,303)
Total equity	**20,842,619**	**13,991,628**
Contingent liabilities	-	-

23. OPERATING LEASE COMMITMENTS

The Group is under lease for one (1) Australian-based facility and two (2) United States facilities, with approximate lease terms of three years. Commitments for facilities include base rental fees and an estimate for common-area-maintenance (CAM) fees, where applicable. Future minimum rentals payable under non-cancellable operating leases at 30 June 2018 are as follows.

	CONSOLIDATED	
	2018 $	2017 $
Within one year	242,000	141,000
After one year but not more than five	392,000	-
More than five years	-	-
	634,000	**141,000**

24. 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 2018 or future prospects.

- On 28 August 2018, Jack Cosentino ceased as the Company's Managing Director and CEO. Mr Cosentino was appointed Managing Director and CEO on 16 February 2017. Brian Mower was appointed Interim CEO effective 28 August 2018. Mr Mower is the Company's Chief Financial Officer and has been part of the Medibio team since April 2017.

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 2018 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 15d**, 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 2018.

On behalf of the Board

Chris Indermaur
Chairman

14th September 2018
Sydney NSW

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MEDIBIO LIMITED AND CONTROLLED ENTITIES

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 2018, 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 other explanatory information, 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 2018 and of its financial performance for the year ended on that date; 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 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 total comprehensive loss of $16,432,656 during the year ended 30 June 2018 and had net cash outflows from operations of $12,268,400. 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.

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& ADVISORS

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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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MEDIBIO LIMITED AND CONTROLLED ENTITIES

VALUATION OF IDENTIFIABLE INTANGIBLE ASSETS	
Refer also to note 1(m), 3, and 11	**How our audit addressed it**
The group has $11 million of identifiable intangible assets (2017: $11.9 million) including: Development Costs of $2.9million 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 technology. 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 Reviewing announcements to the market and holding 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.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MEDIBIO LIMITED AND CONTROLLED ENTITIES

SHARE BASED PAYMENTS	
Refer also to note 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 judgements and estimates 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 Binomial option pricing models, including the significant judgement of the forecast volatility of the share option over its exercise period. The results of these share-based payment arrangements materially affect the loss for the year and 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 2018. For the specific application of the valuation models, we re-tested 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 appropriate, reasonable and within industry norms. Testing the vesting charge taken to profit or loss for the period based on the vesting period. We also considered the adequacy of the Group's disclosures in relation to share based payments.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MEDIBIO LIMITED AND CONTROLLED ENTITIES

Other Information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2018, 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 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.

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.

A further description of our responsibilities for the audit of these financial statements is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our independent auditor's report.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MEDIBIO LIMITED AND CONTROLLED ENTITIES

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 18 to 26 of the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Medibio Limited, for the year ended 30 June 2018, 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

M.Monaghan

M J Monaghan
Director

Brisbane, 14 September 2018

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& ADVISORS

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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 31 August 2018.

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	285	85,522
1,001 – 5,000	552	1,555,558
5,001 – 10,000	247	1,984,566
10,001 – 100,000	611	23,213,286
100,001 and over	204	175,789,339
	1,899	**202,628,271**
The number of shareholders holding less than a marketable parcel of shares of 1,191 shares are:	669	912,295

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	FIL Investment Mgt	18,838,732	9.1%
2	Regal Funds Mgt	13,800,077	6.8%
3	Mr Claude Solitario	10,697,000	5.3%
4	Mr & Mrs Ian J Callow	9,487,000	4.7%
5	IFM Investors	9,121,412	4.5%
6	Mr & Mrs Rodney M Jones	8,176,359	4.0%
7	Mining Investments	5,500,000	2.7%
8	Dr Stephen R Desmond	4,028,000	2.0%
9	Mr Joshua Slattery	3,583,353	1.8%
10	Ms Michelle M Grist	3,498,547	1.7%
11	Ms Anne Khouri	3,347,756	1.7%
12	Credit Suisse	3,245,836	1.6%
13	Mr & Mrs Thomas J Henderson	2,908,546	1.4%
14	Mr Simon P Joyner	2,900,000	1.4%
15	Mr & Mrs Stephen T Pearce	2,381,671	1.2%
16	Mr Damien H Mcintyre	1,670,000	0.8%
17	Ms Silvi El-Khouri	1,555,506	0.8%
18	Messrs Paul R & Ronni D Chalmers	1,465,559	0.7%
19	Mr Leo Khouri	1,454,545	0.7%
20	Mr Rajesh R Melwani	1,430,000	0.7%
		93,993,372	**53.6%**

ASX ADDITIONAL INFORMATION

d. Options

There are 45,862,113 options currently on issue.

This consists of

- 1,500,000 Options expiring 30 November 2018 exercisable on the payment of $0.40;
- 6,000,000 Options expiring 29 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;
- 6,500,000 Options expiring 30 November 2019 with 3,000,000 exercisable on the payment of $0.40 and 3,500,000 exercisable on the payment of $0.48;
- 3,000,000 Options expiring on 11 October 2020 exercisable on the payment of $0.80;
- 3,000,000 Options expiring 11 November 2020 exercisable on the payment of $0.40;
- 3,637,113 Options expiring 18 June 2022 exercisable on the payment of $0.44;
- 10,000,000 Options expiring 11 October 2022 exercisable on the payment of $0.45; and
- 12,225,000 Options expiring 18 June 2023 exercisable on the payment of $0.45.

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 as being substantial holders in the Company:

Name	Number	Percentage
FIL Investment Mgt	18,429,306	9.1%
Regal Funds Mgt	13,800,077	6.8%
Mr Claude Solitario	10,697,000	5.3%

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
P Carlisle	Vice Chairman
F Prendergast	Non-executive Director
A Maxwell	Non-executive Director
M Phelps	Non-executive Director
P Kennedy	Non-executive Director
J Cosentino	Non-executive Director

Company Secretary
M Leydin

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Westpac Banking Corporation

Auditors
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