

Genera Biosystems Limited

ABN 69 098 663 837

Financial Report - 30 June 2015

Genera Biosystems Limited
Corporate directory
30 June 2015

Directors

Mr Lou Panaccio (Chairman)
Mr Richard Hannebery (Chief Executive Officer and Executive Director)
Dr Karl Poetter (Executive Director)
Mr David Symons (Non-executive Director)
Mr Jim Kalokerinos (Non-executive Director)

Company secretary

Ms Melanie Leydin

Registered office

Small Technologies Cluster
1 Dalmore Drive, Scoresby
Victoria, 3179
Ph 03 9763-1287
Fax 03 9763-2817

Share register

Computershare Investor Services Pty Limited
PO Box 52
MELBOURNE VIC 8060
1300 309 739

Auditor

Grant Thornton Audit Pty Ltd
Level 30, 525 Collins Street
MELBOURNE VIC 3000

Solicitors

McCullough Robertson
Level 11 Central Plaza Two
66 Eagle Street
BRISBANE QLD 4000

Stock exchange listing

Genera Biosystems Limited shares are listed on the Australian Securities Exchange
(ASX code: GBI)

Website

www.generabiosystems.com

Patent Attorneys

Davies Collison Cave
1 Nicholson Street
MELBOURNE VIC 3000

Genera Biosystems Limited

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30 June 2015

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Genera Biosystems Limited
Directors' report
30 June 2015

The directors present their report, together with the financial statements, on the company for the year ended 30 June 2015.

Directors

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

Mr Lou Panaccio (Chairman)
Mr Richard Hannebery (Chief Executive Officer and Executive Director)
Dr Karl Poetter (Executive Director)
Mr David Symons (Non-Executive Director)
Mr Jim Kalokerinos (Non-Executive Director)

Principal activities

The Company's strategic focus is to utilise its platform DNA analysis technologies to exploit the lucrative molecular diagnostics market. Genera is developing a suite of competitive and differentiated molecular diagnostic testing products focussed on high-growth and strategically important areas.

Dividends

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

Review of operations - financial

The loss for the company after providing for income tax amounted to \$2,789,474 (30 June 2014: \$2,461,958).

The Company's loss for the year ended 30 June 2015 was greater than the previous corresponding period for the following reasons:

Revenue

Revenue for the 12 months to June 30 from product sales increased to \$344,728 (2014: \$204,730) predominantly due to increased demand for RTI-plex. Revenue from the R&D tax incentive increased to \$947,204 (2014:\$451,566). Subsequent to 30 June 2015, and to the date of this report a further \$252,824 of product sales were made.

Expenses

Total expenses were \$4,127,212 (\$3,120,417 in 2014) predominantly due to increased finance costs of \$667,693 relating to options issued in lieu of loan interest and notional interest accrued on outstanding Series B convertible notes. These finance expenses were non-cash items and like the Series A convertible notes will be largely written into equity upon conversion into fully paid ordinary shares. Other increased expenses versus 2014 were employee benefits, up \$128,888, professional fees associated with the Series B convertible notes issuance, up \$113,622 and an 8 year license fee extension for a proprietary fluorescent dye utilised in AmpaSand based tests, up \$120,647.

Review of operations

Your Directors are pleased to provide this report on what was undoubtedly the most productive year in your company's history. We first acknowledge the efforts of our staff. For a number of years your company has operated in a manner designed to minimize the level of cash burn prior to the generation of meaningful revenues. As a consequence we have been disciplined in our management of headcount and, all of our people, Directors included, have undertaken extra tasks and duties and it is appropriate to formally acknowledge this.

AmpaSand®

The Directors' primary focus is to deliver value to our shareholders. Genera's AmpaSand® Molecular Diagnostic ('MDx') platform continues to demonstrate its potential to be the basis of a large range of multiplexed tests used by commercial diagnostic laboratories globally.

Genera's AmpaSand Beads consist of uniform silica microspheres which have been coupled to a unique linker DNA sequence creating a flexible, easily handled, stable micro-scale platform. AmpaSand Beads can be multiplexed to at least a 150-plex - allowing testing of over 150 analytes in a single test - when using the Genera 4-dimensional multiplexing platform.

The AmpaSand platform is a genuine multiplexing platform for plate based assays which are the most common format for high throughput MDx assays used by pathology laboratories. With AmpaSand, 1 well of a plate can deliver 1 multiplexed assay testing for between 5 and 150 targets, performance characteristics which no Real-Time PCR approach can match.

AmpaSand can offer laboratories greater than 3.8x volume throughput on a like-for-like basis compared to other selected Real-Time PCR competitor offerings.

QSand

Our Company's nascent next generation QSand technology also has exciting potential in the point of care market. Based upon the concept of 'Whispering Gallery Modes' ('WGMs') - a new photonic principle involving discrete measurement of spectral shifts in light/wavelengths, QSand provides a unique method for analyte detection which leverages Genera's core intellectual property and knowhow in chemically modifying silica microspheres to produce custom Quantum dots.

Once a successful partnering deal with a global IVD company for the AmpaSand platform has been concluded, the Directors plan to re-examine the merits of a 'spin-out' of QSand into a separate corporate entity. The attractiveness of the QSand technology intellectual property portfolio has been significantly strengthened with a number of key patent grants during the year.

Intellectual property

Genera's technology continues to be well protected with an additional 21 patents granted during the year. Our Company now holds approximately 70 granted patents across numerous patent families in major global jurisdictions with more than 35 patents pending and our portfolio having an average expiry date of 2025. Our Company also retains and guards key trade secrets in the construction of our silica based AmpaSand microspheres utilised in our multiplexed MDx tests.

Sales & Regulatory approval

During the year the company has delivered record sales for its AmpaSand tests and product revenues continue to run at record rates in the September 2015 quarter. During the year the company successfully achieved listing on the ARTG for both its PapType® and RTI-plex™ assays and its Q-Plots analytical software which has been developed to be FDA compliant for Class III IVD medical devices. Further to successful ARTG listing the company also achieved CE mark status for both assays - allowing for approved commercial use in the 28 member states of the European market and certain parts of Asia. These regulatory approvals were the result of the hard work and commitment of our small, and highly capable, administrative and scientific team. Your Directors were particularly pleased that these milestones have been delivered by our staff without the use of external consultants other than specialist IT resources as it clearly demonstrates a broad internal skill-set capable of working well with potential partners be they direct pathology customers or a global in vitro diagnostics (IVD) company.

With CE Mark of our PapType® and RTI-plex assays the company believes that there is material scope to substantially increase sales during 2016 particularly with the support of a well-credentialed global IVD company with premier instrumentation capabilities and global sales, marketing and distribution.

Sales & Regulatory approval (cont'd)

In the immediate short term the company is focussed upon registration of RTIplex in the Indian market to facilitate distribution via Genera's local partner Genecell, into CureHealth Diagnostics and SRL Diagnostics. SRL is the leading and reputed national lab network in India with a 43% market share of the organised Indian pathology sector. With 258 labs (of which 12 are high-end laboratories) and 6,300 collection points, SRL has the second largest pathology network in Asia conducting more than 107,000 tests a day ranging from simple to high-end tests. Genera currently anticipates lodging its application for registration of RTI-plex in India during October and, based upon advice received to date, we anticipate that the grant of a license after application may take between 8 to 12 weeks. A successful market launch of RTI-plex in India should substantially reduce seasonality of RTI-plex sales which is currently only offered in Australia.

Successful ARTG listing, CE Mark and other jurisdictional regulatory approvals have significantly increased the attractiveness of Genera to a number of potential and prospective global IVD companies. While seeking to partner with a large global IVD company for the majority of the global roll-out of our AmpaSand based assays the company continues to pursue a hybrid go-to-market strategy of direct sales into pathology laboratory customers in Australia and NZ and 2 to 3 select customers in other jurisdictions. Such a strategy generates high margin direct revenues helping to fund our continued investment in broadening the menu of tests we offer and mitigates IVD partner risk whilst demonstrating real world customer acceptance of our products to our prospective IVD partners.

With respect to the US market, the Company plans to initially target this market under an internally validated ASR Laboratory Developed Test (LDT) regime prior to 510(k) regulatory approvals being sought with the FDA for relevant assays.

Genera has identified and held discussions with a number of prospective pathology customers in the North American market currently undertaking substantial volumes utilising competitors' MDx assays via the ASR/LDT regime. Should Genera be successful in putting in place an appropriately structured relationship with a significant global IVD company before the end of calendar 2015 targeting such prospective pathology customers will be a priority early in the new year.

Existing applicable and specific CPT reimbursement codes for RTI-plex and also via 'code stack' for STI-Plex provide substantial reimbursement opportunity for US pathology customers running Genera's MDx tests. Reimbursement rates range from US\$235 for STI-plex up to US\$568 for RTI-plex on a per test basis. Genera believes it could more than halve the cost of a number of existing competitor supply agreements with certain pathology laboratories whilst still achieving its targeted gross margin of 60 to 70%.

IVD Partnering strategy

A focus for the company over the past 5 years, alongside further improving the workflow of the AmpaSand based platform and broadening the test menu, has been advancing discussions with selected global IVD companies with appropriate instrumentation platforms that are well supported in-market. An appropriately structured relationship with one of these companies would best position the uptake of Genera's MDx test menu by pathology customers globally.

While Genera's AmpaSand based MDx platform is, to a large degree, instrument agnostic, it is clear to the Directors that the successful global commercialisation of Genera's AmpaSand technology is reliant on access to an instrumentation platform with operating characteristics and in-market technical support that meet the requirements of commercial pathology laboratories. The appropriate partner will have the necessary marketing, sales, customer and equipment support expertise to achieve rapid uptake of diagnostic tests based on Genera's technology.

It is important to remember that Genera is essentially a company with proprietary diagnostic test development expertise and capability holding a strong intellectual property position in the area of multiplexed MDx.

The MDx market had sales of US\$5.3 billion in 2012 and grew at 13% per annum from 2009 to 2012 and within this market alongside HPV testing which itself is projected to grow at a 5 year CAGR of ~17%, multiplexed MDx is a standout showing exceptional growth rates.

The global market opportunity for HPV testing is expected to exceed US\$1.5 billion per annum by 2020 as HPV testing moves to replace the pap smear. Genera's RTI-plex and STI-plex MDx assays are also targeting large markets, in aggregate, in excess of US\$1 billion per annum.

Ultimate market penetration of Genera's AmpaSand based MDx tests will largely be driven by a successful partnership with a large IVD company with significant global reach. Genera's AmpaSand based MDx platform partnered with the right global IVD company could be expected to capture a meaningful share of this market.

IVD Partnering developments

During the year Genera was pleased to announce that it has entered into a Strategic Commercial Collaboration Agreement ('SCC') with Beckman Coulter Life Sciences. Beckman Coulter, itself a US\$6.7 billion company at the time of its acquisition by Danaher Corporation (NYSE:DHR), is a global leader in flow cytometry based instrumentation systems that simplify, automate and innovate complex biomedical testing.

The flow cytometer is the core instrument required to run Genera's AmpaSand based tests. Integration with a flow cytometer provides the core capability for our AmpaSand based tests to be world class in terms of both the number of targets capable of being multiplexed and volume throughput for plate based assays which are the most common format for high throughput MDx assays used by pathology laboratories. With AmpaSand based assays running on a flow cytometer 1 well of a plate can deliver 1 multiplexed assay testing for between 5 and 150 targets, performance characteristics which no Real-Time PCR approach can match.

During 2015 Genera successfully integrated its AmpaSand based assays on Beckman Coulter's chosen instrumentation platform. The validation results achieved to date have impressed both Beckman and Genera management teams. The Beckman Coulter instrument has proven to be equal to another Beckman-competitor system with which Genera has also integrated its AmpaSand based assays during 2015. Both systems have shaped up to be the most reliable and high performance flow cytometry systems that Genera has worked with to date.

Genera has been in discussions with both groups with a view to integrating our AmpaSand based tests with their world-leading instrumentation systems for some time and the company believes that either group would make an ideal partner for Genera providing a sound strategic fit and possessing the necessary marketing, sales, customer and equipment support expertise to achieve rapid uptake of diagnostic tests based on Genera's technology in many global jurisdictions.

Genera has also shortlisted a third prospective global partner who whilst currently predominantly in pharmaceuticals is looking to expand into MDx and Companion Diagnostics for tailored pharmaceutical therapies for which the AmpaSand platform may be ideally suited.

Whilst earlier in 2015 Genera aimed to have an appropriately structured relationship that best positions the rapid uptake of Genera's MDx test menu in place by mid calendar 2015 this process has taken longer than initially anticipated as the company deals with multiple parties that have expressed interest in the AmpaSand platform. The Directors believe that it is in the best interests of shareholders for the management team to take a carefully considered approach to its partnering discussions even if it means a slight delay in the anticipated schedule in order to deliver an optimal outcome.

Key parameters for Genera's choice of partner include a global footprint, high performance instrumentation systems capabilities, complementary reagent technology, an enzyme menu providing further improvements to AmpaSand and a highly collaborative culture working ultimately toward a full technical and corporate integration allowing full capture of the value chain.

Genera is confident of delivering an appropriately structured global IVD partnership before the end of 2015, ideally aiming for completion prior to the Company's AGM in late November.

Manufacturing

Genera has a GMP certified manufacturing facility in Scoresby and is ISO 13485 accredited with a current manufacturing capacity of approximately 1m tests per annum. Upon completion of an appropriately structured relationship with a global IVD company the Board will explore the addition of manufacturing facilities in the Northern hemisphere should market demand support such expansion.

During 2015 Genera's manufacturing team have been working towards the successful scale-up of our manufacturing process at the Scoresby facility which is planned to be implemented during 2016. The current scale-up is anticipated to provide a 5-fold increase in Genera's Scoresby manufacturing capacity.

PapType® and HPV testing

It is important to note that the current generation of PapType® based upon solid phase PCR confers material workflow benefits to customers versus the first generation of PapType® approved by the TGA in early 2010. Further since 2010, the clinical utility of incorporation of simultaneous genotyping of certain high risk HPV types into a robust HPV testing assay has been well validated with the FDA and other regulatory agencies. Genera's PapType® HPV assay appears uniquely positioned versus other commercially available high sensitivity assays.

The move to primary HPV screening when able to incorporate simultaneous genotyping is important as HPV molecular tests have typically in the past only been conducted as a "reflex test" (secondary screening) when routine Pap smears (as primary screening) identify abnormal cytology.

Whilst for some time new treatment guidelines in the U.S. and other markets have been moving towards a "co-testing" primary screening paradigm in which women receive both a Pap smear and an HPV molecular test simultaneously, the adoption of HPV testing as the stand alone primary screen will see unprecedented growth in the addressable market for HPV testing.

In 2015 we saw a number of jurisdictions follow Australia's lead and announce the intention to introduce HPV testing as the primary screening tool for cervical cancer (replacing the pap smear). The Netherlands and Italy will soon implement a national screening program similar to Australia's with Germany expected to make the decision later in 2015 or early 2016.

The Australian HPV testing market alone is projected to grow from its current level of approximately 60k tests to approximately 1.3m HPV tests per annum (a 21-fold increase) with universal availability made via its proposed inclusion on the Medicare Benefits Schedule (MBS). Average reimbursement on the MBS is expected to be approximately \$30.00 per test and with the proposed amendments to Australia's National Cervical Screening Program, the government will most likely undertake a broad education campaign for both clinicians and women about the benefits of HPV testing.

Prior to the end of the 2015 financial year the health minister, Sussan Ley, announced that HPV testing would be included on the MBS from May 1st 2017. While the widespread introduction of HPV testing in Australia is approximately 12 months later than originally anticipated, Genera is pleased to now have certainty around the date of introduction. This date of introduction provides Genera ample time to carefully plan the market positioning of PapType® against the likes of the Roche Cobas HPV test and others which only provide limited simultaneous HPV genotyping.

PapType® Pivotal Clinical Study Results

During the year Genera successfully completed a key pivotal screening study for its PapType® HPV test, the 6,000 patient study in a cervical cancer screening population conducted by the Wolfson Institute of Preventive Medicine (London) – the Predictors 3 study. The Predictors 3 study was designed to demonstrate the '*specificity*' of clinically validated and commercially available HPV tests. This key study has been planned for a number of years following the highly competitive results generated by PapType® in the Predictors 2 study - a 1,099 patient study designed to demonstrate the '*sensitivity*' of clinically validated and commercially available HPV tests.

Genera received summary clinical data from the Wolfson Institute in early August to enable sharing of this data under confidentiality with prospective global IVD partners. As the study was independently undertaken by the Wolfson Institute of Preventive Medicine and supported by Cancer Research UK Programme grants, full public disclosure of the data will be made upon the group publishing its paper in a peer reviewed medical journal later in the year.

Respecting confidentiality restrictions, the company was pleased to advise that whilst the data delivered to it was in summary form only, it was consistent with prior data generated by PapType® in the Predictors 2 study. The performance of PapType® in the Predictors 2 study was comparable to other high sensitivity tests for detecting CIN2+ - approximately 95% sensitivity - whilst being capable of delivering additional information and substantially higher specificity when applying a diagnostic classification of oncogenic HPV genotypes by sequentially maximising Positive Predictive Values (PPVs).

The main strength of the Predictors 3 study is a head-to-head comparison of seven commercially available HPV tests in a screening population, conducted by an independent global key opinion leader in cervical cancer screening, in which all women were evaluated by all tests on a like for like basis. No other such comparison exists in any other clinical study done to date. It is notable that, of the HPV tests evaluated in the Predictors 3 study only four deliver some form of simultaneous genotyping and PapType® is the only test able to simultaneously genotype all 14 high risk HPV sub-types.

The clinical value of simultaneous genotyping has been unequivocally validated by both the US FDA and also Australia's Medical Services Advisory Committee ('MSAC') and our Company remains dedicated to translating the clinical and commercial merits of PapType® into commercial success.

Additional PapType® Clinical Studies

Since receipt of the Predictors 3 clinical data the company is pleased to advise that it is currently finalising participation of PapType® in a prestigious ~2,000 patient prospective clinical study from a screening setting in the United States. The US study is being led by an independent global Key Opinion Leader in HPV vaccination and screening. The company believes that this clinical data will further add to the attractiveness of the adoption of the PapType® HPV test in a screening setting, particularly with the introduction of new screening algorithms.

In support of its robust clinical performance, with the completion of this prospective screening study Genera's PapType® HPV test will have independent clinical performance data from Australia, the UK and the US involving six different studies utilising approximately 11,000 clinical patient samples.

Alongside robust clinical data to adequately address the high volume primary screening HPV market along with markets for other AmpaSand based assays for which pathology customers demand high volume capability Genera has a number of exciting high priority development programs in place.

AmpaSand 384-well plate format

Genera intends to introduce a new 384-well plate format that will deliver a 3.8x increase in volume throughput capacity over a single working shift for a pathology customer compared to the current 96-well plate format. Genera anticipates that the new 384-well format can be made available to customers in early 2017 prior to the implementation of the new Australian cervical screening regime.

Front-end sample prep improvements

Alongside increased throughput from new well formats to be implemented Genera is advancing the development of a new proprietary 'front-end' AmpaSand system. This AmpaSand 3.0 system may reduce sample preparation time by more than 70% removing the need for what is currently a critical workflow step and along with this the requirement for an expensive reagent currently offered for sale by a significant global IVD company whom Genera has no current intention to partner with. The current development schedule for AmpaSand 3.0 projects a market launch in late calendar 2016/early 2017.

In the latter part of calendar 2015 Genera plans to launch its AmpaSand 2.1 system which will reduce the run time for a single 96-well plate below 5 hours offering customers daily throughput capacity of > 500 tests when running 2 cytometers contemporaneously.

AmpaSand 3.0 throughput volumes running the 384-well plate format may deliver > 1,000 tests per working shift for pathology laboratories when running 2 cytometers contemporaneously. This level of throughput would compare favourably to the current leading market offering, Roche Diagnostics' Cobas 6800 and 8800 systems which may deliver 384 and 960 test results respectively over an 8 hour shift.

New assay development

During the year the development of our 3rd high value MDx test based upon the proprietary AmpaSand technology platform was progressed – STI-plex™, a commercially attractive multiplexed assay for 5 key sexually transmitted infections including *Chlamydia trachomatis* (CT), *Neisseria gonorrhoeae* (NG), *Trichomonas vaginalis* (TV) and *Herpes Simplex Viruses 1 & 2* (HSV-1 & HSV-2).

The US Centers for Disease Control and Prevention updated (June 05, 2015) its sexually transmitted diseases treatment guidelines to help healthcare professionals better manage the more than 20 million cases of STDs in the US annually.

The Sexually Transmitted Diseases and Treatment Guidelines, 2015 provides the first update since 2010. It notably includes recommendations for use of nucleic acid amplification tests for *Trichomonas vaginalis* (which is a STI-plex target) and routine *T. vaginalis* screening for high-risk populations.

Trichomoniasis is the most prevalent nonviral sexually transmitted infection in the United States, affecting an estimated 3.7 million persons and *T. vaginalis* infection is associated with two-to-threefold increased risk for HIV acquisition.

New assay development (cont'd)

With a significant market opportunity identified for STI-plex the completion of this panel is a key focus for Genera. Subject to successful completion of the development, STI-plex is expected to launch midway through the 2016 calendar year, and the company plans to target the US market under an internally validated ASR Laboratory Developed Test (LDT) regime prior to a 510(k) regulatory approval being sought with the FDA in late 2016/early 2017. An ARTG listing and CE mark approval will be pursued for STI-plex prior to US 510(k) regulatory approval.

In addition to advancement of STI-plex during the year the company commenced development of BBV-plex™ which is a 5plex assay for the simultaneous detection of blood borne pathogens including *HIV-1 Group M*, *HIV-1 Group O*, *HIV-2*, *Hepatitis B Virus (HBV)* and *Hepatitis C Virus (HCV)*.

HCV infection is the most common chronic blood borne infection in the United States, with an estimated 2.7 million persons living with chronic infection.

Studies of HCV transmission between heterosexual or homosexual couples have yielded mixed results, but generally have found either no or very minimally increased rates of HCV infection in partners of persons with HCV infection compared with those whose partners are not HCV-infected. However, data indicate that sexual transmission of HCV can occur, especially among persons with HIV infection.

According to recent Centre for Disease Control and Prevention guidelines (MMWR / June 5, 2015) all persons with HCV for whom HIV and HBV infection status is unknown should be tested for these infections. As with our approach with our PapType simultaneous HPV genotyping assay Genera's approach with the design of our BBV-plex assay provides a unique opportunity to improve economics for all stakeholders whilst also delivering improved patient outcomes.

Genera has a fifth assay in its development pipeline which remains confidential.

In the longer term, Genera intends to roll-out a menu of a dozen or more high value MDx tests upon its AmpaSand technology platform.

Re-established Genera Scientific Advisory Board

The Directors have formed the view that there is reasonable merit in re-establishing a Genera Scientific Advisory Board. The previous SAB which included a number of leading Australians in the HPV field was disbanded in 2010 in the interests of cost containment. Recent significant international clinical data generated with the PapType® HPV test, alongside increased interest in PapType® given the unequivocal requirement for genotyping to be incorporated into future competitive HPV screening assays gives the Directors comfort that a high calibre SAB may be able to be re-established.

Genera believes a high calibre SAB constituted by leading global Key Opinion Leaders in the area of HPV screening may be advantageous in positioning PapType® amongst clinicians in what is a competitive market dominated by large international marketing budgets. The company hopes to be able to make an announcement around the SAB participants in the next few weeks.

Capital raising

During the year the company raised \$2.5m of capital via the issuance of 25,000 Series B convertible notes. As a result of the successful Series B financing all existing Series A convertible notes on issue were voluntarily converted into Ordinary Shares. The company believes that these convertible note financings have provided the company a very efficient form of funding without customary dilution risks associated with more vanilla convertible note financings.

Finally the Board would like to express thanks to its shareholders who have supported the Company in a financial capacity. Without such support Genera would not be in the position that it finds itself today – the strongest position of anytime in our Company's history. The Board and the entire Genera team remains focused on delivering an outstanding outcome in the commercialisation of Genera's valuable technology.

Significant changes in the state of affairs

During the year the Company issued a total of 368,581 fully paid ordinary shares in consideration for Director's fees payable to October 2014, as approved at the Company's 2014 Annual General meeting of shareholders.

As at 31 December 2014 the Company raised \$1.885 million (after costs of issue and including \$0.035m of capital raising fees settled via the issuance of Notes) through the issue of 20,000 Series B Convertible Notes at an issue price of A\$100.00 per note ('Notes') with sophisticated and professional investors. It was also announced that the Company was intending on offering a 2nd investment tranche of Notes to selected investors on the same terms prior to 31 March 2015 to take the total issuance of Series B Convertible Notes to \$2.5 million.

On 31 December 2014 the Company announced that it had issued 7,518,871 fully paid ordinary shares at an issue price of \$0.115 (11.5 cents) per share for conversions of Series A Convertible Notes.

On 9 February 2015 the Company announced that it had issued a total of 2 million unlisted options exercisable at \$0.27 (27 cents) per option on or before 31 December 2017. The options were granted as consideration for interest amounts repayable on shareholder loans received during the year.

On 11 March 2015 the Company issued 5,000 Series B Convertible Notes at an issue price of A\$100.00 per note ('Notes') with sophisticated and professional investors.

On 13 April 2015 the Company issued 1,437,648 fully paid ordinary shares at an issue price of \$0.115 (11.5 cents) per share for conversions of Series A Convertible Notes and 60,000 fully paid ordinary shares at an issue price of \$0.15 (15 cents) per share for the conversion of unlisted employee options.

On 20 May 2015 issued 50,000 fully paid ordinary shares at an issue price of \$0.15 (15 cents) per share upon the conversion of unlisted employee options.

There were no other significant changes in the state of affairs of the company during the financial year.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2015 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Likely developments and expected results of operations

The Company will focus on the following activities:

- Submission of license application for India launch of RTI-plex
 - first commercial sales late Q4 CY15/early CY2016
- Release of AmpaSand Version 2.1
- Commence and complete PapType ~2,000 patient US screening study
 - focus upon screening approval indication for PapType
- Further progress manufacturing scale-up activities, AmpaSand Version 3.0 development and adoption of 384-well plate format
- Finalise appropriately structured exclusive partnering agreement with global IVD company
- Enter into ASR customer supply in the US and approved Kit supply into other markets
- Continue development of further AmpaSand based tests
 - STI-plex, BBV-plex plus 2 other AmpaSand assays
- Continue sales of AmpaSand based assays
 - deliver record sales growth year on year

Environmental regulation

The company is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Genera Biosystems Limited
Directors' report
30 June 2015

Information on directors

Name:	Lou Panaccio
Title:	Chairman - appointed Non-executive Director 25 November 2010, Executive Chairman from 31 July 2011 to 23 October 2014.
Qualifications:	B. Ec., CA
Experience and expertise:	Over 30 years management experience in business and healthcare services. He is currently the Executive Chairman of Health Networks Australia, Non-executive director of ASX-listed Sonic Healthcare Limited (appointed June 2005), Non-executive director of Yarra Community Housing Limited and Non-executive Chairman of the Inner Eastern Community Health Service in Victoria. He was also the Chief Executive Officer and an executive director of Melbourne Pathology for 10 years to 2001. Since July 2014 he has been the Chairman of ASX-listed Avita Medical Limited.
Other current directorships:	Non-Executive Director of Sonic Healthcare Limited. Chairman of Avita Medical Limited.
Former directorships (last 3 years):	None.
Special responsibilities:	Member of the Audit and Risk Committee and Nomination and Remuneration Committee.
Interests in shares:	920,283 fully paid ordinary shares.
Interests in options:	300,000 options exercisable at \$0.50, expiry 28/11/2016. 2,500,000 options exercisable at \$0.15, expiry 2/12/2017.
Name:	Karl Poetter
Title:	Executive Director - appointed 25 September 2007
Qualifications:	BA, PhD
Experience and expertise:	Chief Scientific Officer of Genera Biosystems. Formerly, Senior Research Scientist with the joint Australian Genome Research Facility/Walter and Eliza Hall Institute for Medical Research programme for new technology development in genomic science. Scientific Advisory Board member for MycroLab Pty Ltd, the CRC for Diagnostics and member of the Executive Committee of the Victorian Infection & Immunity Network. Author or joint author of ten patents and fourteen peer-reviewed publications.
Other current directorships:	None.
Former directorships (last 3 years):	None.
Special responsibilities:	Member of the Nomination and Remuneration Committee.
Interests in shares:	1,711,914 fully paid ordinary shares.
Interests in options:	300,000 options exercisable at \$0.15, expiry 2/12/2017.
Name:	David Symons
Title:	Director (Non-executive) - appointed 15 August 2008
Qualifications:	LLB (Hons), BComm
Experience and expertise:	Currently senior advisor with Cato Counsel. Over 15 years experience in private equity, investment banking, corporate management and financial journalism. Previously held executive roles at ABN AMRO Capital, Macquarie Bank, Merrill Lynch and Promina Group. Prior to the IPO of Genera, David sat on the Company's Board from October 2007 through to March 2008.
Other current directorships:	None.
Former directorships (last 3 years):	None.
Special responsibilities:	Chairman of the Audit and Risk Committee and member of the Nomination and Remuneration Committees.
Interests in shares:	1,119,704 fully paid ordinary shares.
Interests in options:	1,250,000 options exercisable at \$0.15, expiry 2/12/2017.

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30 June 2015

Name: Jim Kalokerinos
Title: Director (Non-executive) - appointed 25 November 2010
Qualifications: B.SC., E. Econ., FAICD
Experience and expertise: Over 30 years' experience in business development and sales and marketing, for scientific distribution, in-vitro diagnostics and medical devices companies both in Australia and internationally. He was co-founder of Techlab Enterprises, Pacific Diagnostics, and Panbio Ltd (former ASX PBO). He is currently Non-executive Director for ProGel Pty Ltd, Aussie Colours Pty Ltd TenasiTech Pty Ltd and CPR Pharma Services Pty Ltd, and is a Director of Brisbane Angels Group. He is also on the investment committee for Terra Rossa Capital and Chair of the scientific advisory for Nano-Nouvelle Pty Ltd.

Other current directorships: None.
Former directorships (last 3 years): None.
Special responsibilities: Member of the Audit and Risk Committee, Nomination and Remuneration Committee.
Interests in shares: 549,088 fully paid ordinary shares.
Interests in options: 300,000 options exercisable at \$0.50, expiry 28/11/2016. 300,000 options exercisable at \$0.15, expiry 2/12/2017.

Name: Richard Hannebery
Title: Chief Executive Officer – appointed 23 October 2014, Director (executive) - appointed 14 May 2013
Qualifications: BA/Econ., Grad Dip Econ
Experience and expertise: Mr Hannebery has over 20 years' experience in commercial and financial advisory services specialising in hands-on management for early stage and emerging growth companies and has previously held executive roles with Merrill Lynch, Credit Suisse and JT Campbell & Co. Richard currently works in an advisory capacity with Lodge Partners, a boutique firm specialising in healthcare and technology. He has more than 10 years' experience as a specialist in healthcare technology and intellectual property based businesses focussing on financing, strategy development and its implementation as well as commercialisation. Richard was previously a board member of Genera from 2005 to 2008 and currently serves as a director of Australian Continence Solutions Pty Limited and its operating Company Nurturecare (Aust) Pty Limited whilst also serving as a Director of Micro-X Pty Ltd.

Other current directorships: None.
Former directorships (last 3 years): None.
Special responsibilities: Member of Nomination and Remuneration Committee.
Interests in shares: 4,513,546 fully paid ordinary shares.
Interests in options: 2,500,000 options exercisable at \$0.15, expiry 2/12/2017.

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company secretary

Melanie Leydin is a Chartered Accountant and is a Registered Company Auditor. She Graduated from Swinburne University in 1997, became a Chartered Accountant in 1999 and since February 2000 has been the principal of chartered accounting firm, Leydin Freyer. In the course of her practice she audits listed and unlisted public companies involved in the resources industry. Her practice also involves outsourced company secretarial and accounting services to public companies in the resources sector. This involves preparation of statutory financial statements, annual reports, half year reports, stock exchange announcements and quarterly ASX reporting and other statutory requirements. Melanie has 23 years experience in the accounting profession and is a director and company secretary for a number of oil and gas, junior mining and exploration entities listed on the Australian Stock Exchange.

Genera Biosystems Limited
Directors' report
30 June 2015

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') held during the year ended 30 June 2015, and the number of meetings attended by each director were:

	Full Board		Nomination and Remuneration Committee		Audit and Risk Committee	
	Attended	Held	Attended	Held	Attended	Held
Mr Lou Panaccio	7	7	-	-	2	2
Dr Karl Poetter	7	7	-	-	-	-
Mr Richard Hannebery	7	7	-	-	-	-
Mr David Symons	7	7	-	-	2	2
Mr Jim Kalokerinos	7	7	-	-	2	2

Held: represents the number of meetings held during the time the director held office.

Remuneration report (audited)

The remuneration report details the key management personnel remuneration arrangements for the company, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

a) Remuneration Policy

The Board's policy regarding remuneration of the key management personnel of the Company has been designed to align director and executive objectives with shareholder and business objectives by providing both a fixed and variable remuneration component and offering long-term incentives based on key performance areas through the Company Employee Share Option Plan (ESOP). All options are issued under this ESOP. The Board believes the remuneration policy, to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the Company, as well as create goal congruence between directors, executives, and shareholders.

The Board, through the Remuneration Committee, is responsible for determining the appropriate remuneration package for the Chief Executive Officer (CEO) or Executive Chairman (EC) and the Chief Scientific Officer, and the CEO/EC is in turn responsible for determining the appropriate remuneration packages for the senior management team.

All executives are eligible to receive a base salary (which is based on factors such as experience and comparable industry information), fringe benefits, options, and performance incentives. The Board reviews the CEO's/EC's remuneration package from the Remuneration Committee recommendations, and the CEO/EC reviews the other senior executives' remuneration packages, annually by reference to the Company's performance, executive performance, and comparable information within the industry.

The performance of executives is measured against criteria agreed annually with each executive and is based predominantly on the overall success of the Company in achieving its broader corporate goals. Bonuses and incentives are linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses, and options, and can require changes to the CEO's/EC's recommendations. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

Directors, executives, staff and approved specialist advisors/contractors who are involved with the business are all entitled to participate in the ESOP.

Any Australian-resident executives or directors serving as an employee receive a superannuation guarantee contribution required by the government, which is currently 9.5%, and do not receive any other retirement benefits.

All remuneration paid to directors and executives is valued at the cost to the Company and expensed. Options are valued using the Black-Scholes methodology or binominal model as appropriate.

The Board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment, and responsibilities. The Board as a whole determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties, and accountability. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. The director fee pool size from which annual payments are made is currently set at \$400,000. Fees for non-executive directors are not linked to the performance of the Company but are subject to peer review via the Remuneration Committee. However, to align directors' interests with shareholder interests, the directors participate in the Company ESOP. As from 1 July 2011, the directors agreed to defer the receipt of portions of their fees until such time as the Company achieved a monetisation event.

At the Company's 2013 Annual General Meeting of shareholders, it was approved that Directors could convert monthly fees into shares.

Directors converted monthly fees into shares until November 2014, after which the directors' fees have been paid in cash. Refer to the accompanying financial statements for additional details.

Genera Biosystems Limited
Directors' report
30 June 2015

b) Performance Based Remuneration

As part of each executive's remuneration package there is a performance-based component. This is based on the executive meeting their responsibilities under the annual Business Plan related to the financial performance, R&D, operations and regulatory requirements to commercialise the Company's IP. The measurement of the Company's performance is achieved via periodic board assessments of the Company's progress through its business plan, and by reference to its financial position. An individual member of staff's performance assessment is done by reference to their contribution to the Company's overall achievements. The intention of this program is to facilitate goal congruence between executives with that of the business and shareholders. Generally, the executive's performance-based remuneration is tied to the Company's performance as reflected by successful achievement of certain key milestones as they relate to its operating activities, as well as the Company's overall financial position. As the Company has generally been in a development phase it has not been in a position to generate operating profits, therefore remuneration policy has not been linked to such measurements of financial performance.

ASX listing rules require the aggregate non-executive directors remuneration be determined periodically by a general meeting. The most recent determination was at the Annual General Meeting held on 28 November 2014, where the shareholders approved an aggregate remuneration of \$400,000.

Use of remuneration consultants

During the year ended 30 June 2015 the Company did not engage any remuneration consultants.

Voting and comments made at the company's 2014 Annual General Meeting ('AGM')

At the 2014 AGM, 99% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2014. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration

This report details the nature and amount of remuneration for each director of the Company.

Amounts of remuneration

Details of the remuneration of key management personnel of the company are set out in the following tables.

The key management personnel of the company consisted of the following directors of the company:

- Mr Lou Panaccio – Chairman (Executive Chairman 1 July 2014 – 23 October 2014)
- Dr Karl Poetter - Executive Director and Chief Scientific Officer
- Mr Richard Hannebery – Chief Executive Officer (appointed 23 October 2014), Executive Director
- Mr David Symons - Director (non-executive)
- Mr Jim Kalokerinos - Director (non-executive)

	Short-term benefits			Post-employment benefits	Share-based payments		Total
	Cash salary and fees	Bonus	Non-monetary	Super-annuation	Shares	Performance Rights	
2015	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
David Symons	24,000	-	-	-	12,000	-	36,000
Jim Kalokerinos	21,918	-	-	3,222	12,000	-	37,140
<i>Executive Directors:</i>							
Lou Panaccio	43,836	-	-	6,444	24,000	-	74,280
Dr Karl Poetter	73,210	-	-	8,386	7,534	-	89,130
Richard Hannebery*	129,000	-	-	-	24,000	328,756	481,756
	291,964	-	-	18,052	79,534	328,756	718,306

Genera Biosystems Limited
Directors' report
30 June 2015

- * Subject to shareholder approval, Mr Hannebery has an entitlement to performance rights that have vesting conditions determined by satisfaction of service and performance objectives. As at 30 June 2015 these performance rights have not been granted, however an expense has been recorded in accordance with Accounting Standards reflecting the provision of relevant services by Mr Hannebery during the year ended 30 June 2015.

	Short-term benefits			Post-employment benefits	Share-based payments		Total
	Cash salary and fees \$	Bonus \$	Non-monetary \$	Super-annuation \$	Shares \$	Options \$	
2014							
<i>Non-Executive Directors:</i>							
David Symons	-	-	-	-	36,000	82,500	118,500
Jim Kalokerinos	2,752	-	-	3,030	33,000	19,800	58,582
<i>Executive Directors:</i>							
Lou Panaccio	5,505	-	-	6,059	66,000	165,000	242,564
Dr Karl Poetter	-	-	-	6,969	82,874	19,800	109,643
Richard Hannebery	-	-	-	-	84,000	165,000	249,000
	8,257	-	-	16,058	301,874	452,100	778,289

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2015	2014	2015	2014	2015	2014
<i>Non-Executive Directors:</i>						
David Symons	100%	100%	-%	-%	-%	-%
Jim Kalokerinos	100%	100%	-%	-%	-%	-%
<i>Executive Directors:</i>						
Richard Hannebery	32%	100%	68%	-%	-%	-%
Lou Panaccio	100%	100%	-%	-%	-%	-%
Dr Karl Poetter	100%	100%	-%	-%	-%	-%

Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name:	Richard Hannebery
Title:	Executive Director/Chief Executive Officer
Agreement commenced:	October 2014
Term of agreement:	No fixed term.
Details:	Annual salary is \$180,000. Richard may be entitled to an annual performance bonus based on achievement of key performance indicators at the discretion of the Board. The Board has also agreed to issue 2,000,000 Performance Rights to Mr Hannebery, subject to shareholder approval. Details of the vesting conditions of these performance rights are set out on page 18 in this Remuneration Report.
Name:	Karl Poetter
Title:	Executive Director/Chief Science Officer
Agreement commenced:	2002
Term of agreement:	No fixed term
Details:	Annual salary is \$80,750.

Genera Biosystems Limited
Directors' report
30 June 2015

Key management personnel have no entitlement to redundancy payments in the event of removal for misconduct.

Share-based compensation

Issue of shares

Details of shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2015 are set out below:

Name	Date	Shares	Issue price	\$
Lou Panaccio	15 July 2014	20,216	\$0.296	6,000
Karl Poetter	15 July 2014	25,384	\$0.296	7,534
Richard Hannebery	15 July 2014	20,216	\$0.296	6,000
Jim Kalokerinos	15 July 2014	10,108	\$0.296	3,000
David Symons	15 July 2014	10,108	\$0.296	3,000
Lou Panaccio	14 August 2014	19,785	\$0.303	6,000
Karl Poetter	14 August 2014	24,843	\$0.303	7,535
Richard Hannebery	14 August 2014	19,785	\$0.303	6,000
Jim Kalokerinos	14 August 2014	9,893	\$0.303	3,000
David Symons	14 August 2014	9,893	\$0.303	3,000
Lou Panaccio	15 September 2014	21,164	\$0.283	6,000
Richard Hannebery	15 September 2014	21,164	\$0.283	6,000
Jim Kalokerinos	15 September 2014	10,582	\$0.283	3,000
David Symons	15 September 2014	10,582	\$0.283	3,000
Lou Panaccio	10 October 2014	22,043	\$0.272	6,000
Richard Hannebery	10 October 2014	22,043	\$0.272	6,000
Jim Kalokerinos	10 October 2014	11,021	\$0.272	3,000
David Symons	10 October 2014	11,021	\$0.272	3,000
Lou Panaccio	11 November 2014	22,910	\$0.262	6,000
Richard Hannebery	11 November 2014	22,910	\$0.262	6,000
Jim Kalokerinos	11 November 2014	11,455	\$0.262	3,000
David Symons	11 November 2014	11,455	\$0.262	3,000

The shares listed above were issued to directors in lieu of cash fees payable to the respective directors. Accordingly, the issues of these shares were not dependent upon the satisfaction of a performance condition.

Options

There were no options over ordinary shares issued to directors and other key management personnel as part of compensation that were outstanding as at 30 June 2015.

Performance rights

There were no performance rights over ordinary shares issued to directors and other key management personnel as part of compensation that were outstanding as at 30 June 2015.

Genera Biosystems Limited
Directors' report
30 June 2015

There were no performance rights over ordinary shares granted to or vested by directors and other key management personnel as part of compensation during the year ended 30 June 2015.

However, on 23 October 2014 the Company agreed to issue 2,000,000 performance rights to executive director Mr Richard Hannebery upon his appointment as Chief Executive Officer (CEO). The issue of the proposed performance rights is subject to shareholder approval, given Mr Hannebery's continuing role as a director of the Company. As at the date of this report shareholder approval for the issue of the proposed performance rights has not yet been given and this approval will be sought at the Company's 2015 Annual General Meeting scheduled to be held in November 2015. Accordingly none of these proposed performance rights were granted, or had vested, during the year ended 30 June 2015.

Following shareholder approval, the vesting of the proposed performance rights will take place in three tranches, which are conditional upon Mr Hannebery achieving specified service periods and meeting specified performance objectives, and the Company meeting specified performance targets, as documented in the Company's ASX release dated 23 October 2014, a summary of which is as follows:

The 2,000,000 Rights are to vest in the following manner:

- | | |
|------------|--|
| Tranche A. | 25% vest on 30 June 2015 based on a Performance Period of 15 October 2014 to 15 March 2015; |
| Tranche B. | 25% vest on 30 September 2015 based on a Performance Period of 15 October 2014 to 15 September 2015; |
| and | |
| Tranche C. | 50% vest on 31 March 2016 based on a Performance Period of 15 October 2014 to 15 March 2016. |

The vesting of the Rights will be conditional upon the achievement of the KPI-related vesting conditions (described below) in the Relevant Performance Period and 50% of Tranche C Rights will be subject to a total shareholder return (TSR) performance measure. This performance measure tests the TSR of Genera over the period to March 2016 compared to the TSR of the S&P ASX Small Ordinaries Accumulation Index (Index).

All tranches are conditional upon Mr Hannebery still being employed by the Company at the applicable Vesting Dates.

The vesting of Rights are dependent upon Key Performance Indicators (KPIs) set by the Board being achieved over the relevant Performance Period.

The KPIs are as follows:

- a) advance the Company's Strategic Commercial Collaboration with Beckman Coulter (BEC) and subsequent commercialisation of Genera's AmpaSand MDx platform on the chosen BEC instrumentation platform(s);
- b) advance other commercial partner discussions including distribution agreements of AmpaSand based tests in jurisdictions outside of Australia and New Zealand;
- c) complete the Predictors 3 PapType HPV screening study to best position PapType for a screening indication and successfully submit an application for PapType for inclusion on the Medicare Benefits Schedule;
- d) pursue commercial supply agreements for AmpaSand based tests with pathology customers in Australia and NZ;
- e) pursue, negotiate and execute a global licensing agreement with a well credentialed multinational IVD company;
- f) fully support Genera's commercial partner's product launches of AmpaSand based tests through validation, certification and pre-launch activities;
- g) manage existing partnerships and execute further commercial arrangements to build Shareholder value in respect to the commercialisation of the AmpaSand MDx platform, including expansion of Genera's diagnostic test menu; and
- h) manage the Company's capital and finances in a prudent manner and secure appropriate personnel to execute the Company's plans.

Although the proposed performance rights were not granted during the year ended 30 June 2015, the Company is required by applicable Accounting Standards to estimate the fair value of the rights at the time that Mr Hannebery began to render services pursuant to his appointment as CEO, that is, as from 23 October 2014, and to recognise the relevant part of that value as expenses over the period during which he renders services to the Company. Accordingly, an amount of \$328,756 was recognised as an expense by the Company during the year ended 30 June 2015 and has been classified as an employee benefits expense and as an item of share-based remuneration.

Additional information

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2015	2014	2013	2012	2011
Share price at financial year end (\$)	0.33	0.34	0.10	0.17	0.18

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the company held during the financial year by each director and other members of key management personnel of the company, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
<i>Ordinary shares</i>					
Mr Lou Panaccio	734,165	106,118	80,000	-	920,283
Dr Karl Poetter	1,661,687	50,227	-	-	1,711,914
Mr Richard Hannebery	3,234,690	106,118	1,172,738	-	4,513,546
Mr David Symons	1,026,645	53,059	40,000	-	1,119,704
Mr Jim Kalokerinos	456,029	53,059	40,000	-	549,088
	<u>7,113,216</u>	<u>368,581</u>	<u>1,332,738</u>	<u>-</u>	<u>8,814,535</u>

Option holding

The number of options over ordinary shares in the company held during the financial year by each director and other members of key management personnel of the company, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Exercised	Expired	Balance at the end of the year
<i>Options over ordinary shares</i>					
Mr Lou Panaccio*	2,800,000	-	-	-	2,800,000
Dr Karl Poetter*	300,000	-	-	-	300,000
Mr Richard Hannebery*	2,500,000	-	-	-	2,500,000
Mr David Symons* **	1,500,000	-	-	(250,000)	1,250,000
Mr Jim Kalokerinos*	600,000	-	-	-	600,000
	<u>7,700,000</u>	<u>-</u>	<u>-</u>	<u>(250,000)</u>	<u>7,450,000</u>

* All options held at the end of the financial year were vested and exercisable.

** The 250,000 expired options held by David Symons were granted in the financial year ended 30 June 2010.

Other transactions with key management personnel and their related parties

Transactions with related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Mr Richard Hannebery became an Executive director of the Company in May 2013 and CEO of the Company in October 2014. EG Capital Pty Ltd and Lodge Corporate Pty Ltd, entities related to Mr Hannebery, were engaged by the Company to assist in the raising of capital over a number of years. Mr Hannebery is a Director and beneficiary of EG Capital Pty Ltd and a contractor to and partial beneficiary of Lodge Corporate Pty Ltd. The following transactions occurred with these related parties:

	2015 \$
Payments for goods and services:	
Payment for capital and fund raising services provided by EG Capital Pty Ltd	20,652
Payment for capital and fund raising services provided by Lodge Corporate Pty Ltd	122,000

This concludes the remuneration report, which has been audited.

Genera Biosystems Limited
Directors' report
30 June 2015

Shares under option

Unissued ordinary shares of the company under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
28 November 2011	28 November 2016	\$0.500	600,000
1 December 2012	1 December 2015	\$0.150	100,000
3 December 2013	2 December 2017	\$0.150	6,850,000
9 February 2015	31 December 2017	\$0.270	2,000,000
			<u>9,550,000</u>

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

Shares under performance rights

There were no unissued ordinary shares of the company under performance rights outstanding at the date of this report.

Shares issued on the exercise of options

The following ordinary shares of the company were issued during the year ended 30 June 2015 and up to the date of this report on the exercise of options granted:

Date options granted	Exercise price	Number of shares issued
1 December 2012	\$0.150	110,000

Shares issued on the exercise of performance rights

There were no ordinary shares of the company issued on the exercise of performance rights during the year ended 30 June 2015 and up to the date of this report.

Indemnity and insurance of officers

No indemnities have been given, during or since the end of the financial year, for any person who is or has been an officer or auditor of the Company.

The Company has paid a premium to insure each of the directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the Company, other than conduct involving a wilful breach of duty in relation to the Company.

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

Indemnity and insurance of auditor

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

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 company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Non-audit services

There were no non-audit services provided during the financial year by the auditor.

Officers of the company who are former partners of Grant Thornton

There are no officers of the company who are former partners of Grant Thornton.

Genera Biosystems Limited
Directors' report
30 June 2015

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 22.

Auditor

Grant Thornton continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in blue ink, appearing to be 'Lou Panaccio', written over a horizontal line.

Mr Lou Panaccio
Chairman

30 September 2015

The Rialto, Level 30
525 Collins St
Melbourne Victoria 3000

Correspondence to:
GPO Box 4736
Melbourne Victoria 3001

T +61 3 8320 2222
F +61 3 8320 2200
E info.vic@au.gt.com
W www.grantthornton.com.au

Auditor's Independence Declaration

To the Directors of Genera Biosystems Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Genera Biosystems Limited for the year ended 30 June 2015, I declare that, to the best of my knowledge and belief, there have been:

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



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



B. A. Mackenzie
Partner - Audit & Assurance

Melbourne, 30 September 2015

Grant Thornton Audit Pty Ltd ACN 130 913 594
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Genera Biosystems Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2015

	Note	2015 \$	2014 \$
Revenue	4	370,534	206,893
Other income	5	967,204	451,566
Expenses			
Laboratory expenses		(264,992)	(175,169)
Travel and accommodation		(27,076)	(22,805)
Employee benefits expense		(1,661,346)	(1,532,458)
Depreciation and amortisation expense	6	(600,672)	(676,498)
Licence and royalty expense		(120,647)	-
Professional fees		(223,799)	(110,177)
Other expenses		(238,545)	(185,645)
Finance costs	6	(898,510)	(230,817)
Rent expense		(91,625)	(186,848)
Loss before income tax expense		(2,789,474)	(2,461,958)
Income tax expense	7	-	-
Loss after income tax expense for the year attributable to the owners of Genera Biosystems Limited		(2,789,474)	(2,461,958)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the owners of Genera Biosystems Limited		<u>(2,789,474)</u>	<u>(2,461,958)</u>
		Cents	Cents
Basic earnings per share	28	(2.95)	(2.89)
Diluted earnings per share	28	(2.95)	(2.89)

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

Genera Biosystems Limited
Statement of financial position
As at 30 June 2015

	Note	2015 \$	2014 \$
Assets			
Current assets			
Cash and cash equivalents		1,486,582	592,538
Trade and other receivables	8	646,596	101,069
Inventories		8,241	8,241
Other	9	66,525	74,171
Total current assets		<u>2,207,944</u>	<u>776,019</u>
Non-current assets			
Property, plant and equipment	10	348,700	313,679
Intangibles	11	3,498,818	3,698,828
Deferred tax	12	334,588	392,933
Total non-current assets		<u>4,182,106</u>	<u>4,405,440</u>
Total assets		<u>6,390,050</u>	<u>5,181,459</u>
Liabilities			
Current liabilities			
Trade and other payables	13	701,713	297,968
Borrowings	14	2,407,707	1,206,077
Provisions	15	188,569	169,074
Total current liabilities		<u>3,297,989</u>	<u>1,673,119</u>
Non-current liabilities			
Deferred tax	16	334,588	392,933
Provisions	17	47,263	32,659
Total non-current liabilities		<u>381,851</u>	<u>425,592</u>
Total liabilities		<u>3,679,840</u>	<u>2,098,711</u>
Net assets		<u>2,710,210</u>	<u>3,082,748</u>
Equity			
Issued capital	18	25,982,940	24,158,260
Reserves	19	1,056,151	622,890
Accumulated losses	20	(24,328,881)	(21,698,402)
Total equity		<u>2,710,210</u>	<u>3,082,748</u>

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

Genera Biosystems Limited
Statement of changes in equity
For the year ended 30 June 2015

	Issued capital \$	Share Option Reserve \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2013	23,310,324	255,382	(19,321,036)	4,244,670
Loss after income tax expense for the year	-	-	(2,461,958)	(2,461,958)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(2,461,958)	(2,461,958)
<i>Transactions with owners in their capacity as owners:</i>				
Issue of ordinary shares	911,595	-	-	911,595
Capital raising expenses	(63,659)	-	-	(63,659)
Issue of options	-	452,100	-	452,100
Transfer of expired options	-	(84,592)	84,592	-
Balance at 30 June 2014	<u>24,158,260</u>	<u>622,890</u>	<u>(21,698,402)</u>	<u>3,082,748</u>
	Issued capital \$	Share Option Reserve \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2014	24,158,260	622,890	(21,698,402)	3,082,748
Loss after income tax expense for the year	-	-	(2,789,474)	(2,789,474)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(2,789,474)	(2,789,474)
<i>Transactions with owners in their capacity as owners:</i>				
Issue of ordinary shares	1,477,845	-	-	1,477,845
Issue of Series B Convertible Notes (Equity component)	300,425	-	-	300,425
Capital raising expenses	(58,658)	-	-	(58,658)
Share based payments	105,068	263,500	-	368,568
Transfer of expired and exercised options	-	(158,995)	158,995	-
Issue of performance rights	-	328,756	-	328,756
Balance at 30 June 2015	<u>25,982,940</u>	<u>1,056,151</u>	<u>(24,328,881)</u>	<u>2,710,210</u>

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

Genera Biosystems Limited
Statement of cash flows
For the year ended 30 June 2015

	Note	2015 \$	2014 \$
Cash flows from operating activities			
Receipts from customers		300,511	124,100
R&D tax concession received		504,121	451,566
Payments to suppliers and employees		(1,778,029)	(1,467,903)
Net GST recovered from the ATO		-	43,839
Interest received		17,016	2,133
Interest paid		(11)	-
		<u> </u>	<u> </u>
Net cash used in operating activities	27	<u>(956,392)</u>	<u>(846,265)</u>
Cash flows from investing activities			
Payments for property, plant and equipment	10	(140,263)	(700)
Payments for purchase of intangibles	11	<u>(295,543)</u>	<u>(229,678)</u>
		<u> </u>	<u> </u>
Net cash used in investing activities		<u>(435,806)</u>	<u>(230,378)</u>
Cash flows from financing activities			
Proceeds from issue of shares and options	18	16,500	629,253
Proceeds from issue of convertible notes		2,455,000	1,000,000
Payments for share and convertible note issue costs		<u>(185,258)</u>	<u>(88,398)</u>
		<u> </u>	<u> </u>
Net cash from financing activities		<u>2,286,242</u>	<u>1,540,855</u>
		<u> </u>	<u> </u>
Net increase in cash and cash equivalents		894,044	464,212
Cash and cash equivalents at the beginning of the financial year		<u>592,538</u>	<u>128,326</u>
		<u> </u>	<u> </u>
Cash and cash equivalents at the end of the financial year		<u><u>1,486,582</u></u>	<u><u>592,538</u></u>

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

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

New, revised or amending Accounting Standards and Interpretations adopted

There were no new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB'), that are mandatory for the current reporting period, that affect the financial position or performance of the company.

Going concern

The financial report has been prepared on a going concern basis. This contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business even though the Company has experienced operating losses of \$2,789,474 during the year ended 30 June 2015 (2014 - \$2,461,958) and had a net current asset deficiency of \$1,090,045 (2014 - \$897,100). Cash reserves were \$1,486,582 at 30 June 2015 (2014 - \$592,538).

The Directors are of the opinion that the existing cash reserves, further revenues and, if required, additional capital to be raised within the next 12 months will provide the Company with adequate funds to ensure its continued viability and operate as a going concern.

The Genera Board continues to believe that the opportunities for the Company are substantial. Specifically, the Board considers the AmpaSand platform technology and associated product suite to have significant commercial potential with a robust intellectual property position encompassing a range of granted patents both in the US and other jurisdictions. The Board is committed to the process of crystallising value for shareholders through an appropriately structured commercialisation process that may in due course lead to a monetisation event.

The Board is confident, given current circumstances, that existing cash reserves will provide Genera adequate time to undertake the formal commercialisation process and also to raise further capital to enable the Company to conclude a significant commercial agreement or achieve a monetisation event.

The Company continues to closely monitor expenditure, and the Board is confident that it will be able to manage its cash resources appropriately without negatively impacting upon planned activities.

In light of the matters referred to above, the Directors are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recognised in the financial report as at 30 June 2015. Accordingly, no adjustments have been made to the financial report relating to the recoverability and classification of the asset carrying amounts and classification of liabilities that might be necessary should the Company not continue as a going concern.

Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Note 1. Significant accounting policies (continued)

Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Sale of goods

Revenue from the sale of goods is recognised when there is persuasive evidence, usually in the form of an executed sales agreement, or other written confirmation, at the time of delivery of the goods to customer, indicating that there has been a transfer of significant risks and rewards to the customer, no further work or processing is required, the quantity and quality of the goods has been determined, the price is fixed and generally title has passed.

Rendering of services

Revenue from the rendering of a service is recognised upon delivery of the service to the customer.

Research and development contributions

Revenue comprising contributions by third parties collaborating with the Company in research and development projects is recognised:

- Where applicable, by reference to the achievement of specified milestones by the Company, as provided for in the relevant contract agreement; or
- Where the relevant contract does not specify that revenue is payable by reference to milestones, by reference to the estimated percentage of completion by the Company of the total services or works to be carried out by the Company pursuant to the contract.

Government grants

Grants from the government, including R&D tax incentive income, are recognised as revenue at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the Profit or Loss over the period necessary to match them on a systematic basis with the costs that they are intended to compensate.

Government grants whose primary condition is for the Company to purchase property, plant and equipment are included in non-current liabilities as deferred income and are credited to the Profit or Loss on a straight line basis over the expected lives of the related assets.

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs are recognised in the Profit or Loss of the period in which it becomes receivable.

Government grant monies received and held by the Company before they can be recognised as revenue are recorded as liabilities in the Company's financial statements.

Interest

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

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established. R&D tax incentive income is accounted for in accordance with the accounting policies set out in "Government Grants", above.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Note 1. Significant accounting policies (continued)

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or 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 nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Other receivables are recognised at amortised cost, less any provision for impairment.

Inventories

Finished goods are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Note 1. Significant accounting policies (continued)

The depreciable amount of all fixed assets including capitalised lease assets is depreciated over their useful lives to the Company commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Plant and equipment	37.5% reducing balance
---------------------	------------------------

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the company. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Leases

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

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the company will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Research and development

Expenditure during the research phase of a project is recognised as an expense when incurred.

Development costs are capitalised only when technical feasibility studies identify that the project will develop an intangible asset that will be completed and available for use or sale, that there are adequate technical, financial and other resources to complete the development, that it will deliver future economic benefits and these benefits can be measured reliably.

Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project. The useful life has been determined to be twelve years and amortisation is over that period on a straight line basis.

Note 1. Significant accounting policies (continued)

Licenses, patents, trademarks and software

Licenses, patents, trademarks and software are recognised at cost of acquisition. Licenses, patents, trademarks and software have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Licenses, patents and trademarks are amortised over their useful life of fifteen years on a straight line basis. Software is amortised over its useful life of twelve years on a straight line basis.

Trade and other payables

These amounts represent liabilities for goods and services provided to the company prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Financial liabilities

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

On the issue of the convertible notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders equity as a convertible note reserve, net of transaction costs. The carrying amount of the conversion option is not remeasured in the subsequent years. The corresponding interest on convertible notes is expensed to profit or loss.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Share-based payments

Share-based compensation benefits are provided to employees via the Company ESOP and performance rights.

The fair value of options granted under the Company ESOP is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

Note 1. Significant accounting policies (continued)

The fair value at grant date is independently determined using a 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.

The fair value of the options granted is adjusted to reflect market vesting conditions, but excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each reporting date, the Company revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate. The estimated fair value of performance rights valued and recognised in the year ended 30 June 2015 was determined using a combination of a Monte Carlo Simulation and a Geometric Brownian Motion model.

The impact of the revision to original estimates, if any, is recognised in the profit or loss with a corresponding adjustment to equity.

Under the ESOP, options may be issued to employees after a qualifying period of two years or such time considered by the Remuneration Committee. When granted they vest two years after the grant date unless otherwise specified by the Remuneration Committee.

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 principal market; or in the absence of a principal 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 interests. 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 are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Issued capital

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.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Genera Biosystems Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Note 1. Significant accounting policies (continued)

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

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

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the company for the annual reporting period ended 30 June 2015. The company's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the company, are set out below.

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The company will adopt this standard from 1 January 2018 and it is not expected to materially impact the company's performance.

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2017. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The company will adopt this standard from 1 January 2017 and it is not expected to have a material impact on the company's financial performance.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions

The company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is generally determined by using either the Binomial or Black-Scholes model where appropriate, taking into account the terms and conditions upon which the instruments were granted, however other valuation models may be used where appropriate. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Provision for impairment of receivables

The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtors financial position.

Fair value measurement hierarchy

The company is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

Estimation of useful lives of assets

The company determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The company assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the company and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Income tax

The company is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the company considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Note 2. Critical accounting judgements, estimates and assumptions (continued)

Employee benefits provision

As discussed in note 1, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Note 3. Operating segments

Management has determined, based on the reports reviewed by the chief operating decision maker, the CEO, that are used to make strategic decisions, that Genera Biosystems Limited operates in one operating segment being the development and commercialisation of a portfolio of molecular diagnostic test technologies in Australia.

Note 4. Revenue

	2015	2014
	\$	\$
<i>Sales revenue</i>		
Sales of diagnostic kits	344,728	204,730
<i>Other revenue</i>		
Other fees	8,790	-
Interest	17,016	1,425
Other revenue	-	738
	<u>25,806</u>	<u>2,163</u>
Revenue	<u><u>370,534</u></u>	<u><u>206,893</u></u>

Note 5. Other income

	2015	2014
	\$	\$
R&D tax incentive income	<u><u>967,204</u></u>	<u><u>451,566</u></u>

Genera Biosystems Limited
Notes to the financial statements
30 June 2015

Note 6. Expenses

	2015	2014
	\$	\$
Loss before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Plant and equipment	105,119	201,006
<i>Amortisation</i>		
Development costs	261,947	261,939
Patents, licenses and trademarks	201,104	181,051
Software development costs	32,502	32,502
Total amortisation	495,553	475,492
Total depreciation and amortisation	600,672	676,498
<i>Finance costs</i>		
Interest on shareholders loans - share based payment	263,500	-
Interest on convertible notes	581,427	216,749
Amortisation of debt issuance costs	53,572	14,068
Other interest paid in cash	11	-
Finance costs expensed	898,510	230,817
<i>Rental expense relating to operating leases</i>		
Minimum lease payments	89,400	186,848
<i>Superannuation expense</i>		
Defined contribution superannuation expense	80,216	75,773
<i>Share-based payments expense</i>		
Share-based payments expense (including interest on shareholder loans)	697,324	753,974
<i>Research costs</i>		
Research costs	224,076	133,597

Note 7. Income tax expense

	2015	2014
	\$	\$
<i>Income tax expense</i>		
Current tax	-	-
Deferred tax	-	-
	<u>-</u>	<u>-</u>
Aggregate income tax expense	<u>-</u>	<u>-</u>
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Loss before income tax expense	(2,789,474)	(2,461,958)
Tax at the statutory tax rate of 30%	(836,842)	(738,587)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Share-based payments	253,478	-
Non-deductible share option/performance rights expense	98,627	137,460
Non-deductible R&D expenses for current year R&D tax incentive	308,722	362,557
Other non-deductible expenses	26,581	1,799
Non-assessable R&D tax incentive receivable	(290,161)	(135,441)
Other tax adjustment	91,462	(79,199)
	<u>(348,133)</u>	<u>(451,411)</u>
Current year tax losses not recognised	348,133	451,411
Income tax expense	<u>-</u>	<u>-</u>
	2015	2014
	\$	\$
<i>Tax losses not recognised</i>		
Unused tax losses for which no deferred tax asset has been recognised	20,588,117	19,003,359
Potential tax benefit @ 30%	6,176,435	5,701,008

The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

Note 8. Current assets - trade and other receivables

	2015	2014
	\$	\$
Trade receivables	142,877	89,870
Other receivables	24,708	-
R&D tax incentive receivable	463,083	-
	<u>487,791</u>	<u>-</u>
GST receivable	15,928	11,199
	<u>646,596</u>	<u>101,069</u>

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Note 9. Current assets - other

	2015 \$	2014 \$
Prepayments	<u>66,525</u>	<u>74,171</u>

Note 10. Non-current assets - property, plant and equipment

	2015 \$	2014 \$
Plant and equipment - at cost	1,359,252	1,226,347
Less: Accumulated depreciation	<u>(1,010,552)</u>	<u>(912,668)</u>
	<u><u>348,700</u></u>	<u><u>313,679</u></u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Plant and equipment \$	Total \$
Balance at 1 July 2013	514,568	514,568
Additions	117	117
Depreciation expense	<u>(201,006)</u>	<u>(201,006)</u>
Balance at 30 June 2014	313,679	313,679
Additions	140,263	140,263
Write off of assets	(123)	(123)
Depreciation expense	<u>(105,119)</u>	<u>(105,119)</u>
Balance at 30 June 2015	<u><u>348,700</u></u>	<u><u>348,700</u></u>

Note 11. Non-current assets - intangibles

	2015 \$	2014 \$
Development - at cost	3,143,360	3,143,360
Less: Accumulated amortisation	<u>(1,534,797)</u>	<u>(1,272,850)</u>
	<u>1,608,563</u>	<u>1,870,510</u>
Patents and trademarks - at cost	3,244,088	2,948,546
Less: Accumulated amortisation	<u>(1,537,128)</u>	<u>(1,336,024)</u>
	<u>1,706,960</u>	<u>1,612,522</u>
Software - at cost	390,021	390,021
Less: Accumulated amortisation	<u>(206,726)</u>	<u>(174,225)</u>
	<u>183,295</u>	<u>215,796</u>
	<u><u>3,498,818</u></u>	<u><u>3,698,828</u></u>

Note 11. Non-current assets - intangibles (continued)

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Development costs \$	Patents, trademarks and licenses \$	Software \$	Total \$
Balance at 1 July 2013	2,131,749	1,563,895	248,298	3,943,942
Additions	700	229,678	-	230,378
Amortisation expense	(261,939)	(181,051)	(32,502)	(475,492)
Balance at 30 June 2014	1,870,510	1,612,522	215,796	3,698,828
Additions	-	295,543	-	295,543
Amortisation expense	(261,947)	(201,104)	(32,502)	(495,553)
Balance at 30 June 2015	<u>1,608,563</u>	<u>1,706,961</u>	<u>183,294</u>	<u>3,498,818</u>

Note 12. Non-current assets - deferred tax

	2015 \$	2014 \$
<i>Deferred tax asset comprises temporary differences attributable to:</i>		
Amounts recognised in profit or loss:		
Tax losses brought to account	126,370	253,663
Accrued expenses and other items	50,613	10,500
Provision for leave entitlement	70,749	60,521
Superannuation payable	8,956	5,657
Intellectual property	<u>77,900</u>	<u>62,592</u>
Deferred tax asset	<u>334,588</u>	<u>392,933</u>

Note 13. Current liabilities - trade and other payables

	2015 \$	2014 \$
Trade payables	701,713	277,968
Other payables	<u>-</u>	<u>20,000</u>
	<u>701,713</u>	<u>297,968</u>

Refer to note 21 for further information on financial instruments.

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Note 14. Current liabilities - borrowings

	2015 \$	2014 \$
Convertible Note Debt	2,071,173	989,328
Accrued Interest Thereon	336,534	216,749
	<u>2,407,707</u>	<u>1,206,077</u>

Refer to note 21 for further information on financial instruments.

Refer to note 22 for further information about the convertible note debt.

Note 15. Current liabilities - provisions

	2015 \$	2014 \$
Annual leave	139,598	124,059
Long service leave	48,971	45,015
	<u>188,569</u>	<u>169,074</u>

Note 16. Non-current liabilities - deferred tax

	2015 \$	2014 \$
<i>Deferred tax liability comprises temporary differences attributable to:</i>		
Amounts recognised in profit or loss:		
Research and development	277,123	328,194
Software	54,988	64,739
Debt-raising costs	2,477	-
Deferred tax liability	<u>334,588</u>	<u>392,933</u>

Note 17. Non-current liabilities - provisions

	2015 \$	2014 \$
Long service leave	<u>47,263</u>	<u>32,659</u>

Note 18. Equity - Issued capital

	2015 Shares	2014 Shares	2015 \$	2014 \$
Ordinary shares - fully paid	<u>99,492,001</u>	<u>90,056,902</u>	<u>25,982,940</u>	<u>24,158,260</u>

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Note 18. Equity - Issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2013	83,090,708		23,310,324
Issue to professional and sophisticated investors to raise working capital	5 August 2013	1,230,989	\$0.105	129,255
Share issue to Directors in lieu of Directors fees - May 2013	3 December 2013	69,767	\$0.086	6,000
Share issue to Directors in lieu of Directors fees - June 2013	3 December 2013	54,054	\$0.111	6,000
Share issue to Directors in lieu of Directors fees - July 2013	3 December 2013	88,546	\$0.102	9,000
Share issue to Directors in lieu of Directors fees - Aug 2013	3 December 2013	296,561	\$0.086	25,534
Share issue to Directors in lieu of Directors fees - Sep 2013	3 December 2013	269,915	\$0.095	25,534
Share issue to Directors in lieu of Directors fees - Oct 2013	3 December 2013	279,365	\$0.091	25,534
Share issue to Directors in lieu of Directors fees - Nov 2013	3 December 2013	234,041	\$0.109	25,534
Share issue to Directors in lieu of Directors fees - Dec 2013	24 January 2014	180,324	\$0.142	25,534
Share issue to Directors in lieu of Directors fees - Jan 2014	12 February 2014	193,440	\$0.132	25,534
Share issue to Directors in lieu of Directors fees - Feb 2014	14 March 2014	253,817	\$0.101	25,534
Share issue to Directors in lieu of Directors fees - Mar 2014	10 April 2014	239,305	\$0.107	25,534
Share issue to Directors in lieu of Directors fees - Apr 2014	14 May 2014	194,768	\$0.131	25,534
Placement to raise working capital	28 May 2014	3,225,807	\$0.155	500,000
Share issue to Directors in lieu of Directors fees - May 2014	6 June 2014	131,687	\$0.194	25,534
Shares issued under Employee Share Scheme	30 June 2014	23,808	\$0.252	6,000
Share issue costs for above items		-		(63,659)
Balance	30 June 2014	90,056,902		24,158,260
Shares issued to Directors in lieu of Directors fees - June 2014	15 July 2014	86,032	\$0.300	25,534
Shares issued to Directors in lieu of Directors fees - July 2014	14 August 2014	84,198	\$0.300	25,534
Shares issued to Directors in lieu of Directors fees - August 2014	15 September 2014	63,492	\$0.280	18,000
Shares issued to Directors in lieu of Directors fees - September 2014	10 October 2014	66,128	\$0.270	18,000
Shares issued to Directors in lieu of Directors fees - October 2014	11 November 2014	68,730	\$0.260	18,000
Series A Convertible Notes converted to shares	31 December 2014	7,518,871	\$0.115	1,206,150
Series A Convertible Notes converted to shares	13 April 2015	1,437,648	\$0.115	255,195
Exercise of ESOP options	13 April 2015	60,000	\$0.150	9,000
Exercise of ESOP options	20 May 2015	50,000	\$0.150	7,500
Equity component of Series B Convertible Notes		-	\$0.000	300,425
Capital raising costs		-		(58,658)
Balance	30 June 2015	<u>99,492,001</u>		<u>25,982,940</u>

Note 18. Equity - Issued capital (continued)

Ordinary shares

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

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

Share buy-back

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

Capital risk management

The company's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The company would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment. The company is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The company is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

The capital risk management policy remains unchanged from the 2014 Annual Report.

Note 19. Equity - reserves

	2015	2014
	\$	\$
Share option reserve	<u>1,056,151</u>	<u>622,890</u>
<i>Movements in reserves</i>		
Movements in each class of reserve during the current and previous financial year are set out below:		
	Share option reserve \$	
Balance at 1 July 2013	255,382	
Employee benefits expense	452,100	
Transfer to accumulated losses	<u>(84,592)</u>	
Balance at 30 June 2014	622,890	
Share-based payments	263,500	
Employee benefits expense	328,756	
Transfer to accumulated losses	<u>(158,995)</u>	
Balance at 30 June 2015	<u>1,056,151</u>	

Note 20. Equity - accumulated losses

	2015 \$	2014 \$
Accumulated losses at the beginning of the financial year	(21,698,402)	(19,321,036)
Loss after income tax expense for the year	(2,789,474)	(2,461,958)
Transfer from options reserve	158,995	84,592
	<u> </u>	<u> </u>
Accumulated losses at the end of the financial year	<u>(24,328,881)</u>	<u>(21,698,402)</u>

Note 21. Financial instruments

Market risk

Foreign currency risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's functional currency. The Company's foreign transactions are immaterial and it is not exposed to foreign currency risk.

Price risk

The company is not exposed to any significant price risk.

Interest rate risk

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's cash deposits with floating interest rates. These financial assets with variable rates expose the Company to interest rate risk. The convertible notes have a fixed interest rate. All other financial assets and liabilities in the form of receivables and payables are non-interest bearing. The Company does not engage in any hedging or derivative transactions to manage interest rate risk.

In regard to its interest rate risk, the Company continuously analyses its exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative investments and the mix of fixed and variable interest rates.

At the balance date the Company had the following financial assets and liabilities exposed to Australian variable interest rate risk that are not designated in cash flow hedges:

Cash at bank of \$1,486,582 (2014: \$592,538).

The sensitivity of the cash at bank balance to changes in interest rate (of +/-1%) equates to +/- \$14,866 (2014: +/- \$5,925). The sensitivity of 1% is based on reasonable, possible changes, over a financial year, using the observed range of actual historical short term deposit rate movements and management's expectation of future movements.

The convertible bonds have a fixed interest rate of 40% and therefore there is no interest rate risk.

Trade receivables and trade payables are non-interest bearing.

Credit risk

Credit risk arises from cash and cash equivalents and outstanding trade and other receivables. The cash balances are held in financial institutions with high ratings and the trade and other receivables relate to:

- (i) amounts receivable from a substantial trade debtor with a strong credit standing; and
- (ii) goods and services tax owed from the Australian Tax Office (ATO).

The Company has assessed that there is minimal risk that the cash and trade and other receivables balances are impaired.

Liquidity risk

Vigilant liquidity risk management requires the company to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

Note 21. Financial instruments (continued)

The company manages liquidity risk by maintaining adequate cash reserves by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

The Company does not have a short term financing facility.

Trade payables are generally payable on 30 day terms.

Remaining contractual maturities

The following tables detail the company's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

2015	Weighted average interest rate %	Less than 1 month \$	1 - 3 months \$	3 months - 1 year \$	1 - 2 years \$	Remaining contractual maturities \$
Non-derivatives						
<i>Non-interest bearing</i>						
Trade and other payables	-%	701,713	-	-	-	701,713
<i>Interest-bearing - fixed rate</i>						
Convertible notes payable	30.00%	-	-	-	4,225,000	4,225,000
Total non-derivatives		701,713	-	-	4,225,000	4,926,713

2014	Weighted average interest rate %	Less than 1 month \$	1 - 3 months \$	3 months - 1 year \$	1 - 2 years \$	Remaining contractual maturities \$
Non-derivatives						
<i>Non-interest bearing</i>						
Trade and other payables	-%	179,752	67,311	50,905	-	297,968
<i>Interest-bearing - fixed rate</i>						
Convertible notes payable	40.00%	-	-	-	1,216,749	1,216,749
Total non-derivatives		179,752	67,311	50,905	1,216,749	1,514,717

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

The cash flows shown in relation to Convertible Notes outstanding at 30 June 2015 assume that the notes are not converted to shares and are redeemed in full at their maturity date of 31 December 2016 at the contracted redemption value of 169% of the face value of the notes.

The Convertible Notes outstanding at 30 June 2014 were fully converted to shares during the year ended 30 June 2015 and no cash outflows arose, or will arise, in relation to those notes.

Fair value of financial instruments

For financial assets and liabilities, the fair value approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form. The Company has no financial assets where carrying amount exceeds fair values at reporting date.

Note 22. Borrowings

	2015 \$	2014 \$
Series A Convertible Notes	-	1,216,749
Series B Convertible Notes	2,536,407	-
	<u>2,536,407</u>	<u>1,216,749</u>

(a) Series A Convertible Notes

During the previous financial year the Company raised \$1.0 million through the issue of 10,000 Series A unlisted convertible notes with a face value of \$100 per note. The notes had a maturity date of 30 June 2015, and accrued interest at a rate of 40% per annum in the event of redemption.

On 31 December 2014, 8,347 of these convertible notes were converted to 7,518,871 fully paid ordinary shares at a conversion price of \$0.115 per share. The remaining 1,653 of these notes were converted to 1,497,648 fully paid ordinary shares at a conversion price of \$0.115 per share on 13 April 2015.

In accordance with the accounting standards the notional interest of \$220,306 (2014 - \$216,749) payable in the event of redemption has been expensed during the period and this amount, plus all accumulated interest from the 2014 financial year, has been written back to equity upon conversion of the convertible notes into ordinary shares. No cash interest has been paid, or is payable, by the Company to holders of Series A notes.

The notes were not listed on the ASX.

(b) Series B Convertible Notes

During the financial year, the Company successfully placed 25,000 Series B Convertible Notes at an issue price of A\$100.00 per note ('Notes') with sophisticated investors and professional investors. The notes have a maturity date of 30 December 2016, and accrue interest at a rate of 30% per annum in the event of redemption. They can be early converted to shares at the election of the note holder, no earlier than 1 May 2015, at a conversion price of \$0.25 per share prior to 31 July 2015 and \$0.23 after 31 July 2015.

These notes have a mixture of debt and equity features and as such a component of this funding has been recognised in Issued Capital.

The classification as being a current liability relates to note holders having the right to convert to fully paid ordinary shares after 1 May 2015. The notes are not redeemable by note holders until 31 December 2016 unless the Company is in receipt of no less than \$7.5 million of cash proceeds resulting from a licensing transaction.

The notes are not listed on the ASX.

Ranking

The Notes are secured by a general security deed over all the assets and undertakings of the Company.

Adjustments

The Notes conversion terms shall be adjusted for any bonus issues or capital reconstructions.

Voting

Noteholders will not be entitled to vote in respect of the Notes until converted into Shares.

Note 22. Borrowings (continued)

(c) Shareholder loans

During the half year, the Company borrowed \$250,000 from shareholders in November 2014 for short term funding. The Company granted 2 million options at an exercise price of \$0.27, expiring at 31 December 2017. These options have been fair valued at \$0.13 cents per option and recognised in the profit or loss as finance costs using the effective interest rate method. In valuing the options a volatility of 80% has been applied.

At 31 December 2014, \$50,000 was repaid via a subscription to the Series B Convertible Notes. The remaining funding was repaid on 6 January 2015 once the proceeds of the Series B Convertible Notes were received.

Note 23. Key management personnel disclosures

Compensation

The aggregate compensation made to directors and other members of key management personnel of the company is set out below:

	2015	2014
	\$	\$
Short-term employee benefits	291,964	8,257
Post-employment benefits	18,052	16,058
Share-based payments	408,290	753,974
	<u>718,306</u>	<u>778,289</u>

Note 24. Contingent liabilities

For the period 30 June 2011 to 15 August 2013, certain directors of the Company agreed to forgo part of their fees until such time as the Company achieves a "monetisation event", being a commercial agreement with a third party that delivers material revenue to Company, including, but not limited to, a licensing or sales agreement relating to the Company's products. The total amount of directors' fees forgone as at 30 June 2015 was \$437,500 (2013: \$437,500. This amount has not been provided for in the Company's accounts as at 30 June 2015 as it will become payable only in the event that a monetisation event occurs.

Note 25. Related party transactions

Parent entity

Genera Biosystems Limited is the parent entity.

Key management personnel

Disclosures relating to key management personnel are set out in note 23 and the remuneration report in the directors' report.

Transactions with related parties

Transactions with related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Mr Richard Hannebery became an Executive director of the Company in May 2013 and CEO of the Company in October 2014. EG Capital Pty Ltd and Lodge Corporate Pty Ltd, entities related to Mr Hannebery, were engaged by the Company to assist in the raising of capital over a number of years. Mr Hannebery is a Director and beneficiary of EG Capital Pty Ltd and a contractor to and partial beneficiary of Lodge Corporate Pty Ltd.

Note 25. Related party transactions (continued)

The following transactions occurred with these related parties:

	2015	2014
	\$	\$
Payment for goods and services:		
Payment for capital and fund raising services provided by EG Capital Pty Ltd	20,652	44,204
Payment for capital and fund raising services provided by Lodge Corporate Pty Ltd	122,000	21,000

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Note 26. Events after the reporting period

No matter or circumstance has arisen since 30 June 2015 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Note 27. Reconciliation of loss after income tax to net cash used in operating activities

	2015	2014
	\$	\$
Loss after income tax expense for the year	(2,789,474)	(2,461,958)
Adjustments for:		
Depreciation and amortisation	600,795	690,295
Share-based payments	697,324	753,974
Interest charged on convertible notes	581,427	216,749
Amortisation of debt issuance costs	53,572	-
Change in operating assets and liabilities:		
Increase in trade and other receivables	(545,527)	(38,012)
Decrease in prepayments	7,646	19,050
Increase in trade and other payables	364,916	3,424
Increase/(Decrease) in employee benefits	72,929	(29,787)
Net cash used in operating activities	<u>(956,392)</u>	<u>(846,265)</u>

Note 28. Earnings per share

	2015 \$	2014 \$
Loss after income tax attributable to the owners of Genera Biosystems Limited	<u>(2,789,474)</u>	<u>(2,461,958)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>94,434,507</u>	<u>85,243,215</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>94,434,507</u>	<u>85,243,215</u>
	Cents	Cents
Basic earnings per share	(2.95)	(2.89)
Diluted earnings per share	(2.95)	(2.89)

Note 29. Share-based payments

The Company may, from time to time, issue shares to third parties as consideration for goods and/or services provided to the Company by those parties.

A total of 368,581 fully paid ordinary shares were issued to Directors of the Company during the year, in lieu of cash fees, with total consideration of \$79,534 as identified in key management personnel disclosures and the remuneration report in the directors' report.

In 2014, a total of 2,485,589 shares were issued, which equated to a total consideration of \$301,874.

The Company may, from time to time, issue Directors and employees with unlisted options to acquire shares in the Company at a fixed price. Each option when exercised will then entitle the option holder to one share in Genera Biosystems Limited. All options are exercisable on or before an expiry date, do not carry any voting or dividend rights and are not transferable except on death of the option holder.

No options were issued to Directors or employees during the 2015 financial year. During the 2014 financial year, options were issued to Directors following shareholder approval sought at the Company's 2013 Annual General Meeting of shareholders held in November 2013.

During the year interest payable by the Company on loans from shareholders with a value of \$263,500 (2014 - Nil) was settled by the issue of options in lieu of cash payments.

During the year capital/convertible note raising fees with a value of \$45,000 (2014 - Nil) were settled by the issue of convertible notes in lieu of cash payments.

A share option plan has been established by the company and approved by shareholders at a general meeting, whereby the company may, at the discretion of the Nomination and Remuneration Committee, grant options over ordinary shares in the company to certain key management personnel of the company. The options are issued for nil consideration and are granted in accordance with performance guidelines established by the Nomination and Remuneration Committee.

Note 29. Share-based payments (continued)

Set out below are summaries of options granted:

2015

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired	Balance at the end of the year
10/07/2009	10/07/2014	\$0.500	300,000	-	-	(300,000)	-
10/07/2009	10/07/2014	\$0.625	250,000	-	-	(250,000)	-
28/11/2011	28/11/2016	\$0.500	600,000	-	-	-	600,000
01/12/2012	01/12/2015	\$0.150	210,000	-	(110,000)	-	100,000
03/12/2013	02/12/2017	\$0.150	6,850,000	-	-	-	6,850,000
09/02/2015	31/12/2017	\$0.270	-	2,000,000	-	-	2,000,000
			8,210,000	2,000,000	(110,000)	(550,000)	9,550,000
Weighted average exercise price			\$0.203	\$0.270	\$0.150	\$0.556	\$0.197

2014

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired	Balance at the end of the year
10/07/2009	10/07/2014	\$0.500	300,000	-	-	-	300,000
10/07/2009	10/07/2014	\$0.625	250,000	-	-	-	250,000
28/11/2011	28/11/2016	\$0.500	600,000	-	-	-	600,000
01/12/2012	01/12/2015	\$0.150	210,000	-	-	-	210,000
03/12/2013	02/12/2017	\$0.150	-	6,850,000	-	-	6,850,000
12/03/2009	12/03/2014	\$0.625	175,000	-	-	(175,000)	-
29/01/2009	28/11/2014	\$0.625	563,108	-	-	(563,108)	-
			2,098,108	6,850,000	-	(738,108)	8,210,000
Weighted average exercise price			\$0.524	\$0.150	\$0.000	\$0.625	\$0.203

The weighted average share price during the financial year was \$0.2728 (2014: \$0.1301).

The weighted average remaining contractual life of options outstanding at the end of the financial year was 2.36 years (2014: 2.73 years).

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at Grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
09/02/2015	31/12/2017	\$0.250	\$0.270	82.14%	-%	2.62%	\$0.132

Note 29. Share-based payments (continued)

There were no performance rights over ordinary shares granted to or vested by directors and other key management personnel as part of compensation during the year ended 30 June 2015.

However, on 23 October 2014 the Company agreed to issue 2,000,000 performance rights to executive director Mr Richard Hannebery upon his appointment as Chief Executive Officer. The issue of the proposed performance rights is subject to shareholder approval, given Mr Hannebery's continuing role as a director of the Company. As at the date of this report shareholder approval for the issue of the proposed performance rights has not yet been given and this approval will be sought at the Company's 2015 Annual General Meeting scheduled to be held in November 2015. Accordingly none of these proposed performance rights were granted, or had vested, during the year ended 30 June 2015.

Although the proposed performance rights were not granted during the year ended 30 June 2015, the Company is required by applicable Accounting Standards to estimate the fair value of the rights at the time that Mr Hannebery began to render services pursuant to his appointment as CEO, that is, as from 23 October 2014, and to recognise the relevant part of that value as expenses over the period during which he renders services to the Company. Accordingly, an amount of \$328,756 was recognised as an expense by the Company during the year ended 30 June 2015 and has been classified as an employee benefits expense and as an item of share-based remuneration.

For the performance rights recognised during the current financial year, the relevant valuation model inputs used to determine the fair value at the valuation date, are as follows:

Valuation date	Propose vesting date	Share price at grant date	Exercise price	Fair value at grant date
23/10/2014	30/06/2015	\$0.280	\$0.000	\$0.280
23/10/2014	30/09/2015	\$0.280	\$0.000	\$0.280
23/10/2014	31/03/2016	\$0.280	\$0.000	\$0.280

Genera Biosystems Limited
Directors' declaration
30 June 2015

In the directors' opinion:

- the attached financial statements and notes, and the Remuneration report set out on pages 14 to 19 of the Directors' report, comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the company's financial position as at 30 June 2015 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



Mr Lou Panaccio
Chairman

30 September 2015

The Rialto, Level 30
525 Collins St
Melbourne Victoria 3000

Correspondence to:
GPO Box 4736
Melbourne Victoria 3001

T +61 3 8320 2222
F +61 3 8320 2200
E info.vic@au.gt.com
W www.grantthornton.com.au

Independent Auditor's Report To the Members of Genera Biosystems Limited

Report on the financial report

We have audited the accompanying financial report of Genera Biosystems Limited (the "Company"), which comprises the statement of financial position as at 30 June 2015, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the company.

Directors' responsibility 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. The Directors' responsibility also includes 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. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's opinion

In our opinion:

- a the financial report of Genera Biosystems Limited is in accordance with the Corporations Act 2001, including:
 - i giving a true and fair view of the Company's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 1 in the financial report which indicates that the company incurred a net loss of \$2,789,474 during the year ended 30 June 2015, as of that date, the company's current liabilities exceeded its current assets by \$1,090,045 and cash outflows from operating and investing activities equates to \$1,392,198. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.

Report on the remuneration report

We have audited the remuneration report included in pages 13-19 of the directors' report for the year ended 30 June 2015. 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.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Genera Biosystems Limited for the year ended 30 June 2015, complies with section 300A of the Corporations Act 2001.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



B.A. Mackenzie
Partner - Audit & Assurance

Melbourne, 30 September 2015

Genera Biosystems Limited
Shareholder information
30 June 2015

The shareholder information set out below was applicable as at 24 September 2015.

Refer to the Company's Corporate Governance Statement at <http://generabiosystems.com/investor-information/#corporate-governance>.

Distribution of equity securities

Analysis of number of equity security holders by size of holding:

	Number of holders of ordinary shares	Number of holders of options over ordinary shares	Number of holders of convertible notes
1 to 1,000	38	-	19
1,001 to 5,000	146	-	7
5,001 to 10,000	116	-	-
10,001 to 100,000	319	2	-
100,001 and over	149	8	-
	<u>768</u>	<u>10</u>	<u>26</u>
Holding less than a marketable parcel	<u>58</u>	<u>-</u>	<u>-</u>

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares Number held	% of total shares issued
DURBIN SUPERANNUATION PTY LTD (DURBIN FAMILY S FUND A/C)	10,030,000	10.07
JPS DISTRIBUTION PTY LTD (RAFF SUPER FUND A/C)	7,559,524	7.59
UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	4,654,600	4.67
THE WALTER AND ELIZA HALL INSTITUTE OF MEDICAL RESEARCH LTD	2,998,513	3.01
PUJURI PTY LIMITED	2,176,800	2.19
MISS ROBYN GOULD	2,005,000	2.01
SONIC HEALTHCARE LIMITED	2,000,000	2.01
DR KARL POETTER	1,711,914	1.72
J P MORGAN NOMINEES AUSTRALIA LIMITED	1,612,711	1.62
MR LUCIUS ORSINI	1,513,000	1.52
DAHLONEGA PTY LTD (DICKENS A/C)	1,488,824	1.50
BLUE JADE PTY LTD	1,466,804	1.47
GATEWAY CAPITAL PTY LTD	1,436,306	1.44
MR DAVID FREDERICK OAKLEY	1,380,646	1.39
FOLIGNO PTY LIMITED (REINHARDT SUPER FUND A/C)	1,368,128	1.37
MR CYRUS ADAGGRA	1,347,083	1.35
PHILIP CRAMER PTY LTD (SUPERANNUATION FUND A/C)	1,147,013	1.15
SILICA INVESTMENTS PTY LTD	1,014,083	1.02
MR GEORGE GREGORY BOTICA	1,000,000	1.00
W & C SUPERANNUATION PTY LTD (WALSH SUPER FUND A/C)	979,836	0.98
	<u>48,890,785</u>	<u>49.10</u>

Genera Biosystems Limited
Shareholder information
30 June 2015

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares with various expiry dates and exercise prices	9,525,000	10
Convertible notes with a face value of \$100 per Note, conversion price of \$0.23 per note, maturity date of 31 December 2016.	25,000	26

Substantial holders

Substantial holders in the Company, as disclosed in substantial holding notices given to the Company, are set out below:

	Ordinary shares Number held
Durbin Superannuation Pty Ltd	9,250,000
JPS Distribution Pty Ltd (Raff Family A/C)	7,559,524

Voting rights

The voting rights attached to each class of equity securities are set out below:

Ordinary shares

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

Unquoted options

There are no voting rights attached to unquoted options.

Unquoted convertible notes

There are no voting rights attached to unquoted convertible notes.