Appendix 4E

Preliminary final report

1. Company details

Name of entity

SUN BIOMEDICAL LIMITED

ABN or equivalent company reference	Financial year ended ('reporting period')	Financial year ended ('previous corresponding period')
18 001 285 230	30 June 2014	30 June 2013

2. Results for announcement to the market

Key information	12 months ended 30 June 2014 $	12 months ended 30 June 2013 $	Increase/ (decrease) %	Amount change $
Revenues/(losses) from ordinary activities	62,220	(63,420)	198.11	125,640
Loss from ordinary activities after tax attributable to members	527,978	517,098	2.10	(10,880)
Net loss for the period attributable to members	527,978	517,098	2.10	(10,880)
Net tangible asset/(deficiency) per share	0.004	0.005		

3. Consolidated statement of profit or loss and other comprehensive income
Refer to attached consolidated financial statements.

4. Consolidated statement of financial position
Refer to attached consolidated financial statements.

5. Consolidated statement of cash flows
Refer to attached consolidated financial statements.

6. Consolidated statement of changes in equity
Refer to attached consolidated financial statements.

7. Dividends/Distributions
No dividends declared in current or prior year.

8. Details of dividend reinvestment plan
N/A

9. Details of entities over which control has been gained or lost during the period

No such movements for the year.

10. Details of associates and joint venture entities

N/A

11. Any other significant information needed by an investor to make an informed assessment of the Company's financial performance and financial position

Refer to attached consolidated financial statements.

12. Foreign entities

Refer to attached consolidated financial statements.

13. Commentary on results and explanatory information

Sun Biomedical Limited ('the Company') and its controlled entities ('the Group') incurred a net loss from operations for the financial year ended 30 June 2014 of $527,978 (2013: $517,098).

During the financial year, the Group implemented a strategy to pursue the low cost development of its Oraline® product whilst also looking for new opportunities to add to its biotechnology portfolio. Some of the key features of the financial year ended 30 June 2014 included:

Oraline® development progress

- The successful change of Oraline®4 design and manufacture to address shortcomings with saliva flow in the test housing.
- Finalisation of the design of the next generation Oraline®6 two-strip drug-testing.
- NATA approved laboratory test of the Oraline® product.

Convertible note facility:

On 5 July 2013, the $500,000 convertible note facility with Malachite Resources Limited matured and the convertible note facility was repaid in full on the same date.

Sale of investment in Malachite Resources Limited:

On 17 July 2013, the Company sold its entire investment (23,512,887 fully paid ordinary shares) in Malachite Resources Limited.

14. Audit

This report is based on accounts which have been audited and the audit report is included in the attached consolidated financial statements.

Mr Howard Digby
Chairman
25 August 2014

Sun Biomedical Limited

ACN 001 285 230

and its controlled entities

Annual report for the financial year ended 30 June 2014

Corporate directory

Board of Directors

Mr Howard Digby	Executive Chairman
Dr Anton Uvarov	Executive Director
Mr Evan Cross	Non-Executive Director
Mr Peter Webse	Non-Executive Director

Company Secretary
Mr Peter Webse

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Postal Address
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Website
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West Perth, Western Australia 6005

Share Registry
Automic Registry Services
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Perth, Western Australia 6000

ASX Code: SBN

Annual report for the financial year ended 30 June 2014

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Directors' report

The directors of Sun Biomedical Limited ("Sun Biomedical" or "the Company") and its controlled entities ("the Group") submit herewith the annual report of the Group for the financial year ended 30 June 2014. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Information about the directors

The names and particulars of the directors of the Group during or since the end of the financial year are:

Name	**Particulars**
Mr Howard Digby *B.Eng (Hons)*	Executive Chairman, joined the Board in January 2013 in a non-executive capacity. Mr Digby has held a number of management positions in Australia and the Asia Pacific region, mostly in the information technology industry. He started out his career for IBM Perth and Sydney before joining Adobe (NSDQ: ADBE), Gartner (NYSE: IT) and then serving as managing director for the Economist Group based in Hong Kong. He was Chairman of the Business Software Alliance, an industry lobby group and a board member of the British Chamber of Commerce Policy Unit. Mr Digby is currently a non-executive director of Cynata Therapeutics Limited and is a WA committee member for AusBiotech.
Dr Anton Uvarov *MBA, PhD*	Executive Director, joined the Board in November 2013. Dr Uvarov has significant experience as an equity analyst in the healthcare sector, both domestically and internationally. Prior to moving to Australia, he was with Citigroup Global Markets where he spent two years as a member of New York based biotechnology team. Dr Uvarov holds a PhD degree in Biotechnology and Medical Genetics from the University of Manitoba and an MBA degree from the University of Calgary, Canada. Dr Uvarov previously served as non-executive director of Acuvax Limited (ASX: ACU) and is currently a non-executive director of Actinogen Limited (ASX: ACW).
Mr Evan Cross *B.Bus, CA, FAICD*	Non Executive Director, Chartered Accountant, joined the Board in March 2012. Mr Cross has extensive corporate finance experience having worked in the investment banking industry in Australia and the USA. Mr Cross is an executive director of the private investment firm, Greenday Corporate Pty Ltd.
Mr Peter Webse *B.Bus, FGIA, FCIS, FCPA, MAICD*	Non Executive Director, joined the Board in January 2013 in a non-executive capacity. Mr Webse has over 23 years' company secretarial experience and is the managing director of Platinum Corporate Secretariat Pty Ltd, a company specialising in providing company secretarial, corporate governance and corporate advisory services. Mr Webse is also a non executive director of Cynata Therapeutics Limited.
Mr Terry Cuthbertson *B.Bus, ACA*	Chartered Accountant, joined the Board in September 2009 in a non-executive capacity and Chairman-elect. Mr Cuthbertson resigned during the year.

The above named directors held office during the whole of the financial year and since the end of the financial year except for:

- Dr Anton Uvarov – appointed 20 November 2013
- Mr Terry Cuthbertson – resigned 19 September 2013

Directorships of other listed companies

Directorships of other listed companies held by directors in the 3 years immediately before the end of the financial year are as follows:

Name	Company	Period of directorship
Howard Digby	Cynata Therapeutics Limited	Since 2012
Anton Uvarov	Actinogen Limited	Since 2013
	Acuvax Limited	2013-2014
Evan Cross	ISS Group Limited*	2013-2014
Peter Webse	Cynata Therapeutics Limited	Since 2012
	Blina Minerals NL	2012-2014
Terry Cuthbertson	Malachite Resources Limited	Since 2012

** ISS Group Limited was delisted in August 2013 following the merger by scheme of arrangement with P2ES Holdings Inc.*

Directors' shareholdings

The following table sets out each director's relevant interest in shares, debentures and rights or options in shares or debentures of the Company or a related body corporate as at the date of this report:

Directors	Fully paid ordinary shares Number	Share options Number
Howard Digby	3,000,000	-
Anton Uvarov[1]	-	-
Evan Cross	27,550,462	-
Peter Webse	1,450,000	-

[1] Appointed 20 November 2013

Share options granted to directors and senior management

During and since the end of the financial year, no share options were granted to directors and other key management personnel.

Company Secretary

Peter Webse *B.Bus, FGIA, FCIS, FCPA, MAICD*

Peter was appointed as company secretary of Sun Biomedical Limited on 1 February 2013. Peter is the Managing Director of Platinum Corporate Secretariat Pty Ltd, a company specialising in providing company secretarial, corporate governance and corporate advisory services. Peter acts as Company Secretary for a number of ASX listed resource and biotech companies.

Dividends

No dividends have been paid or declared since the start of the financial year and the directors have not recommended the payment of a dividend in respect of the financial year.

Shares under option or issued on exercise of options

Details of unissued shares or interests under option as at the date of this report are:

Issuing entity	Number of shares under option	Class of shares	Exercise price of option	Expiry date of options
Sun Biomedical Limited	20,857,143	Ordinary	$0.007	31 December 2017

The holders of these options do not have the right, by virtue of the option, to participate in any share issue or interest issue of the Company or of any other body corporate or registered scheme.

No shares were issued during the year or since the end of the financial year as a result of exercise of an option (2013: nil).

Indemnification of officers and auditors

During the financial year, the Company paid a premium in respect of a contract insuring the directors of the Company (as named above), the company secretary, and all executive officers of the Company and of any related body corporate against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

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

Directors' meetings

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member). During the financial year, 10 board meetings were held.

	Board of Directors	
Directors	Held	Attended
Howard Digby	10	10
Anton Uvarov	5	5
Evan Cross	10	9
Peter Webse	10	10
Terry Cuthbertson	2	2

Proceedings on behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or 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 any part of those proceedings.

Non-audit services

The auditor did not perform any non-audit services during the financial year.

Auditor's independence declaration

The auditor's independence declaration is included on page 13 of the financial report.

Operating and financial review

Principal activities

The Group's principal activity during the course of the financial year was the commercialisation of new improved versions of its Oraline® hand held multi drug test device and looking to increase its biotechnology investments.

Operating results

The consolidated loss of the Group for the financial year, after providing for income tax, amounted to $527,978 (2013: $517,098).

Review of operations

Summary

During the twelve months to 30 June 2014, the Board implemented a strategy to pursue the low cost development of its Oraline® product whilst also looking for new opportunities to add to its biotechnology portfolio. In this regard, the Company selected "Oraline®4", as an initial product, to address known performance issues with earlier versions and conducted further research and development on the product.

Product modifications were made to improve upon the Oraline® drug test housings and further work was conducted to secure suitable test strip suppliers and to address the remaining issues with existing strips. In addition, the Company commenced work on its new 6 Drug version of the Oraline® product and continues to research suitable biotechnology opportunities as part of its strategy.

Background on Drug Testing

The global market for "drugs of abuse" testing is projected to grow to approximately US$3.4 billion by the end of 2018. The USA market currently makes up over 70% of worldwide demand. Oraline® has enjoyed solid brand recognition in the USA and Canada, as it has in other countries including Australia.

Sun Biomedical Limited is actively engaged in the process of commercialising its biotechnology assets and, in particular, the Oraline® saliva drug test, with the objective to develop Oraline® into a cost effective, competitive and highly functional drug testing product that addresses unique market needs.

Oraline® is targeted at workplace, institutional and law enforcement agencies in testing for illicit drug use. For workplace use, saliva screens are the most convenient and effective tests and are applied predominately in mining and oil and gas worksites. Saliva testing is also being used in sporting clubs as a quick and accurate method of drug testing, when compared to urine sampling. Currently, the main drug groups targeted are:

- Opiates (e.g. Heroin), THC (Cannabinoids);
- Amphetamines (including Cocaine);
- Methamphetamines; and
- MDMH (Ecstasy).

Oraline® also has the potential to detect so-called "legal" party drugs and synthetic drug substitutes.

Oraline®4 is a test which has 4 Drug tests on the one strip. Oraline®6 is a dual strip version with 3 Drug tests on each strip.

The Company has also conducted research of future paradigms for drug testing, including hybrid electronic devices (cartridges attached to an electronic reader), biosensors and "lab on chip" technology as it applies to applications in drug testing.

Overview of Company strategy

While at the core of the Company's biotechnology business is the development of workplace drug testing solutions, the Board is cognisant that therapeutic products represent a more attractive opportunity for the Company, with less competition, better ability to differentiate, higher margins and significant value inflection as the product moves through the development pipeline. With this in mind, the Company's strategy is to operate a lean, low cost model using outsourcing where possible, for the cost effective development of Oraline®, whilst continuing to do extensive research on therapeutic assets with the intention to acquire or licence.

Oraline® Development Progress

The following took place during the financial year:

1. successful change of Oraline®4 design and manufacture to address shortcomings with saliva flow in the test housing;
2. entering into of agreements with a new manufacturer for test housings and immunoassay strips (strips);
3. identification of back up suppliers for both housings and strips and potential future partners;
4. update of all trademarks and patents to ensure full assignability to the Company and the extension of trademark protection in desired jurisdictions;
5. finalisation of the design of the next generation Oraline®6 two-strip drug-testing unit; and
6. NATA approved laboratory test of the Oraline® product.

The first round of independent NATA certified testing confirmed good flow performance but results showed that further tuning of the test strips within the device was needed. The Group ended the year engaged in three (3) major courses of action with regards to the Oraline® product:

1. working with current strip supplier to rectify strip performance issues;
2. sourcing of alternative strip suppliers in parallel; and
3. the go ahead to prototype and test the new Oraline®6 product.

Additional Biotechnology Assets

During the financial year, the Group evaluated a number of new biotechnology investment opportunities, without securing an acquisition. The Group continues its search with particular emphasis on technologies, devices or therapies in the area of Asthma and other respiratory diseases.

Financial position

	Year ended 30 June 2014 $	**Year ended 30 June 2013** $
Cash and cash equivalents	1,199,254	1,152,511
Net assets / total equity	1,179,160	1,707,138
Contributed equity	30,286,353	30,286,353
Accumulated losses	(29,265,172)	(28,737,194)

The increase in cash and cash equivalents was largely the result of the repayment of the convertible note facility by Malachite Resources Limited and the sale of quoted shares in Malachite Resources Limited (*refer to note 12 for more information*).

The decrease in net assets/total equity was a result of costs incurred in business development and corporate administration expenses offset by interest income and a gain from the disposal of equity investments (*refer to note 6 and 7 for more information of the revenue streams*).

The directors believe the Group is in a strong and stable financial position to expand and grow its current operations.

Significant changes in state of affairs

There were no significant changes in the state of affairs of the Group during the financial year. The board has reaffirmed its commitment to the Group's undertaking as a biotechnology business.

Events after the reporting period

There has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Future developments, prospects and business strategies

Disclosure of detailed information on likely developments in the operations of the Group and the expected results of operations have not been included in this annual financial report because the directors believe it would likely to result in unreasonable prejudice to the Group. The Group will continue with the process of identifying and assessing potential new investment opportunities for its future growth prospects with a focus on biotechnology consistent with the main undertaking.

Environmental issues

The Group's operations are not subject to significant environmental regulation under the Australian Commonwealth or State Law.

Remuneration report

This audited remuneration report sets out information about the remuneration of Sun Biomedical Limited's key management personnel for the financial year ended 30 June 2014. The term 'key management personnel' refers to those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group. The prescribed details for each person covered by this report are detailed below under the following headings:

- key management personnel
- remuneration policy
- relationship between the remuneration policy and Company performance
- remuneration of key management personnel
- key terms of employment contracts.

Key management personnel

The directors and other key management personnel of the Group during or since the end of the financial year were:

Non-executive directors	Position
Mr Evan Cross	Non-executive director
Mr Peter Webse	Non-executive director
Mr Terry Cuthbertson (resigned 19 September 2013)	Non-executive director

Executive directors	Position
Mr Howard Digby	Executive Chairman
Dr Anton Uvarov (appointed 20 November 2013)	Executive director

Except as noted, the named persons held their current position for the whole of the financial year and since the end of the financial year.

Remuneration policy

The board of directors of the Company is currently responsible for determining and reviewing compensation arrangements for key management personnel. The Company does not currently operate a Remuneration Committee. The remuneration policy, which is set out below, is designed to promote superior performance and long-term commitment to the Group.

Non-executive director remuneration

Non-executive directors are remunerated by way of fees, in the form of cash, non-cash benefits, superannuation contributions or salary sacrifice into equity and do not normally participate in schemes designed for the remuneration of executives.

Shareholders approval must be obtained in relation to the overall limit set for the non-executive directors' fees. The maximum aggregate remuneration approved by shareholders for non-executive directors is $250,000 per annum. The directors set the individual non-executive director fees within the limit approved by shareholders. Non-executive directors are not provided with retirement benefits.

Executive director remuneration

Executive directors receive a base remuneration which is at market rates, and may be entitled to performance based remuneration, which is determined on an annual basis.

Overall remuneration policies are subject to the discretion of the board and can be changed to reflect competitive and business conditions where it is in the interests of the Company and shareholders to do so. Executive remuneration and other terms of employment are reviewed annually by the board having regard to the performance, relevant comparative information and expert advice.

The board's remuneration policy reflects its obligation to align executive remuneration with shareholders' interests and to retain appropriately qualified executive talent for the benefit of the Company. The main principles are:

(a) remuneration reflects the competitive market in which the Company operates;
(b) individual remuneration should be linked to performance criteria if appropriate; and
(c) executives should be rewarded for both financial and non-financial performance.

The total remuneration of executives consists of the following:

(a) salary – executives receive a fixed sum payable monthly in cash plus superannuation at 9.25% of salary;
(b) cash at risk component – executives may participate in share and option schemes generally made in accordance with thresholds set in plans approved by shareholders if deemed appropriate. However, the board considers it appropriate to issue shares and options to executives outside of approved schemes in exceptional circumstances; and
(c) other benefits – executives may, if deemed appropriate by the board, be provided with a fully expensed mobile phone and other forms of remuneration.

The board has not formally engaged the services of a remuneration consultant to provide recommendations when setting the remuneration received by directors or other key management personnel during the financial year.

Relationship between the remuneration policy and company performance
The board considers that at this time, evaluation of the Group's financial performance using generally accepted measures such as profitability, total shareholder return or per company comparison are not relevant as the Group is at an early stage in the implementation of a corporate strategy that includes the identification and acquisition of new business opportunities as outlined in the directors' report.

The table below sets out summary information about the Group's earnings and movements in shareholder wealth for the five years to 30 June 2014:

	30 June 2014 $	**30 June 2013 $**	**30 June 2012 $**	**30 June 2011 $**	**30 June 2010 $**
Investment income	40,647	97,582	160,284	127,832	28,838
Net profit/(loss) before tax	(527,978)	(517,098)	(386,070)	5,656	(347,767)
Net profit/(loss) after tax	(527,978)	(517,098)	(386,070)	5,656	(347,767)
Share price at start of year	0.004	0.01	0.01	0.01	0.03
Share price at end of year	0.007	0.004	0.01	0.01	0.01
Basic and diluted earnings/(loss) per share (cents)	(0.159)	(0.2042)	(0.2332)	0.0002	(0.02)

Remuneration of key management personnel

2014	Short-term employee benefits		Post-employment benefits	Share-based payment		Value of options as proportion of remunerat-ion
	Salary & fees $	Other $	Superannua-tion $	Options $	Total $	
Non-executive directors						
Evan Cross	36,000	-	-	-	36,000	-
Peter Webse[1]	36,000	48,000	-	-	84,000	-
Terry Cuthbertson[2]	9,000	-	-	-	9,000	-
Executive directors						
Howard Digby[3]	46,865	-	4,335	-	51,200	-
Anton Uvarov[4]	33,715	-	3,119	-	36,834	-
Total	**161,580**	**48,000**	**7,454**	**-**	**217,034**	**-**

[1] Amounts in 'Other' represents company secretarial services provided through Platinum Corporate Secretariat Pty Ltd, an entity in which Peter Webse is the sole director. The agreement commenced 1 February 2013

[2] Resigned 19 September 2013

[3] Appointed as Executive Chairman on 11 November 2013, previously Non-Executive Chairman

[4] Appointed 20 November 2013

2013	Short-term employee benefits		Post-employment benefits	Share-based payment		Value of options as proportion of remunerat-ion
	Salary & fees $	Other $	Superannua-tion $	Options $	Total $	
Non-executive directors						
Howard Digby[1]	9,939	-	895	-	10,834	-
Terry Cuthbertson[2]	21,667	-	-	7,574	29,241	25.9%
Evan Cross	21,667	-	-	-	21,667	-
Peter Webse[3]	10,833	23,750	-	-	34,583	-
Peter Herd[4]	17,500	-	-	7,574	25,074	30.2%
Gary Stewart[4]	17,500	-	-	7,574	25,074	30.5%
Total	**99,106**	**23,750**	**895**	**22,722**	**146,473**	**15.51%**

[1] Appointed 22 January 2013

[2] Resigned as Chairman on 22 January 2013, remained as non-executive director

[3] Appointed 22 January 2013. Amounts in 'Other' represents company secretarial services provided through Platinum Corporate Secretariat Pty Ltd, an entity in which Peter Webse is the sole director. The agreement commenced 1 February 2013

[4] Resigned 22 January 2013

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

Bonuses and share-based payments granted as compensation for the current financial year

Bonuses
No bonuses were paid to key management personnel during the financial year (2013: $nil).

Incentive share-based payments arrangements
During the financial year, the following share-based payment arrangements were in existence:

Option series	Grant date	Expiry date	Grant date fair value	Vesting date
1	22 January 2013	31 December 2017	$0.0076	Vested at date of grant

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

No share options were issued to key management personnel during the year (2013: 3,000,000) and no share options were exercised during the year (2013: nil).

Key terms of employment contracts
On 11 November 2013, Mr Howard Digby, who was Non-Executive Chairman, was appointed Executive Chairman and his remuneration and other terms of appointment were formalised in an executive service agreement, the key terms and conditions of which are:

- Term of agreement – 6 months commencing 11 November 2013 and monthly thereafter until terminated by the Company.
- Payment of termination benefits on early termination by the employer, other than gross misconduct and other specified events, equal to two weeks base salary or two weeks' notice.
- Remuneration will be $5,000 per month inclusive of superannuation.

On 20 November 2013, Dr Anton Uvarov was appointed Executive Director and his remuneration and other terms of appointment were formalised in an executive service agreement, the key terms and conditions of which are:

- Term of agreement – 6 months commencing 20 November 2013 and monthly thereafter until termination by the Company.
- Payment of termination benefits on early termination by the employer, other than gross misconduct and other specified events, equal to two weeks base salary or two weeks' notice.
- Remuneration will be $5,000 per month inclusive of superannuation.

On appointment to the board, all non-executive directors are required to sign a letter of appointment with the Company. The letter of appointment summarises the board policies and terms, including compensation relevant to the office or director.

Mr Peter Webse's services as company secretary are provided through Platinum Corporate Secretariat Pty Ltd ("Platinum Corporate"). The agreement with Platinum Corporate commenced 1 February 2013. Platinum Corporate is paid a fee of $4,000 per month (excluding GST) for the provision of company secretarial services. Services, if any, outside the scope of the engagement are charged at the rate of $250 per hour as agreed from time to time. The agreement is subject to two months' notice of termination.

Key management personnel equity holdings

Fully paid ordinary shares of Sun Biomedical Limited

2014	Balance at 1 July No.	Granted as compensation No.	Received on exercise of options No.	Net other change No.	Balance at 30 June No.
Howard Digby	3,000,000	-	-	-	3,000,000
Anton Uvarov[1]	-	-	-	-	-
Evan Cross	32,107,144	-	-	(4,556,682)	27,550,462
Peter Webse	1,450,000	-	-	-	1,450,000
Terry Cuthbertson[2]	-	-	-	-	-

[1] Appointed on 20 November 2013

[2] Resigned on 19 September 2013

2013	Balance at 1 July No.	Granted as compensation No.	Received on exercise of options No.	Net other change No.	Balance at 30 June No.
Howard Digby[1]	N/A	-	-	3,000,000	3,000,000
Terry Cuthbertson	-	-	-	-	-
Evan Cross[2]	318,750,000	-	-	(286,642,856)	32,107,144
Peter Webse[1]	N/A	-	-	1,450,000	1,450,000

[1] Appointed on 22 January 2013

[2] Evan Cross shareholding, held in the name of Fullerton Private Capital Pty Ltd and Manhattan Investments Pty Ltd was consolidated in October 2012 and new shares were issued pursuant to participation in the rights issue conducted by the Company. In the 2012 financial year, Fullerton Private Capital Pty Ltd and Manhattan Investments Pty Ltd held 300,000,000 and 18,750,000 ordinary shares respectively

Share options of Sun Biomedical Limited

2014	Balance at 1 July No.	Granted as compens-ation No.	Exercised No.	Balance on resignation No.	Balance at 30 June No.	Balance vested at 30 June No.	Vested and exercisable No.	Options vested during year No.
Howard Digby	-	-	-	-	-	-	-	-
Anton Uvarov[1]	-	-	-	-	-	-	-	-
Evan Cross	-	-	-	-	-	-	-	-
Peter Webse	-	-	-	-	-	-	-	-
Terry Cuthbertson[2]	1,000,000	-	-	(1,000,000)	-	-	-	-

[1] Appointed 20 November 2013

[2] Resigned 19 September 2013

Key management personnel equity holdings (continued)

Share options of Sun Biomedical Limited (continued)

2013	Balance at 1 July No.	Granted as compens-ation No.	Exerci-sed No.	Balance on resignation No.	Balance at 30 June No.	Balance vested at 30 June No.	Vested and exercisable No.	Options vested during year No.
Howard Digby[1]	N/A	-	-	-	-	-	-	-
Terry Cuthbertson	-	1,000,000	-	-	1,000,000	1,000,000	1,000,000	1,000,000
Evan Cross	-	-	-	-	-	-	-	-
Peter Webse[1]	N/A	-	-	-	-	-	-	-
Peter Herd[2]	-	1,000,000	-	(1,000,000)	-	1,000,000	1,000,000	1,000,000
Gary Stewart[2]	-	1,000,000	-	(1,000,000)	-	1,000,000	1,000,000	1,000,000

[1] Appointed on 22 January 2013

[2] Resigned on 22 January 2013

This directors' report, incorporating the remuneration report, is signed in accordance with a resolution made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the directors

Howard Digby
Chairman
Perth, 25 August 2014

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25 August 2014

Board of Directors
Sun Biomedical Limited
Level 2, 1 Walker Avenue
WEST PERTH WA 6005

Dear Directors

RE: SUN BIOMEDICAL LIMITED

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Sun Biomedical Limited.

As Audit Director for the audit of the financial statements of Sun Biomedical Limited for the year ended 30 June 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely
STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)

Samir Tirodkar
Director

Stantons International Audit and Consulting Pty Ltd
trading as
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Chartered Accountants and Consultants

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SUN BIOMEDICAL LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Sun Biomedical Limited, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

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* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In note 3, the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that 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 that we 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.

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.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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*.

Opinion

In our opinion:

(a) the financial report of Sun Biomedical Limited is in accordance with the *Corporations Act 2001*, including:

 (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the consolidated financial report also complies with International Financial Reporting Standards as disclosed in note 3.

Report on the Remuneration Report

We have audited the remuneration report included in pages 7 to 12 of the directors' report for the year ended 30 June 2014. 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

Opinion
In our opinion the remuneration report of Sun Biomedical Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)

Stantons International

Samir Tirodkar
Director

West Perth, Western Australia
25 August 2014

Directors' declaration

The directors declare that:

(a) in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

(b) in the directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 3 to the financial statements;

(c) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Group; and

(d) the directors have been given the declarations required by s.295A of the Corporations Act 2001.

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

On behalf of the directors

Howard Digby
Chairman
Perth, 25 August 2014

Consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2014

	Note	Consolidated Year ended 30 June 2014 $	Consolidated Year ended 30 June 2013 $ (restated)
Continuing operations			
Revenue	6	40,647	97,582
Other gains/(losses)	7	21,573	(153,667)
Research and development expenses		(131,963)	(2,982)
Business development expenses		(76,529)	(119,193)
Commercialisation expenses		(87,390)	(8,399)
Corporate administration expenses	8	(294,316)	(330,439)
Loss before income tax	8	**(527,978)**	**(517,098)**
Income tax expense	9	-	-
Loss for the year		**(527,978)**	**(517,098)**
Other comprehensive income, net of income tax			
Items that will not be reclassified subsequently to profit or loss		-	-
Items that may be reclassified subsequently to profit or loss		-	-
Other comprehensive income for the year, net of income tax		**-**	**-**
Total comprehensive loss for the year		**(527,978)**	**(517,098)**
Loss attributable to:			
Owners of Sun Biomedical Limited		**(527,978)**	**(517,098)**
Total comprehensive loss attributable to:			
Owners of Sun Biomedical Limited		**(527,978)**	**(517,098)**
Loss per share:			
Basic and diluted (cents per share)	10	0.1594	0.2042

Notes to the consolidated financial statements are included on pages 21 to 42.

Consolidated statement of financial position as at 30 June 2014

	Note	Consolidated 30 June 2014 $	Consolidated 30 June 2013 $
Current assets			
Cash and cash equivalents	22	1,199,254	1,152,511
Trade and other receivables	11	14,401	6,883
Other financial assets	12	-	594,052
Total current assets		**1,213,655**	**1,753,446**
Total assets		**1,213,655**	**1,753,446**
Current liabilities			
Trade and other payables	14	28,231	46,308
Provisions	15	6,264	-
Total current liabilities		**34,495**	**46,308**
Total liabilities		**34,495**	**46,308**
Net assets		**1,179,160**	**1,707,138**
Equity			
Issued capital	16	30,286,353	30,286,353
Reserves	17	157,979	157,979
Accumulated losses		(29,265,172)	(28,737,194)
Total equity		**1,179,160**	**1,707,138**

Notes to the consolidated financial statements are included on pages 21 to 42.

Consolidated statement of changes in equity for the year ended 30 June 2014

	Issued Capital $	Reserves $	Accumulated losses $	Total $
Balance at 1 July 2012	**29,399,862**	**-**	**(28,220,096)**	**1,179,766**
Loss for the year	-	-	(517,098)	(517,098)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	**-**	**-**	**(517,098)**	**(517,098)**
Issue of shares	1,158,990	-	-	1,158,990
Share issue costs	(272,499)	-	-	(272,499)
Recognition of share-based payments	-	157,979	-	157,979
Balance at 30 June 2013	**30,286,353**	**157,979**	**(28,737,194)**	**1,707,138**
Balance at 1 July 2013	**30,286,353**	**157,979**	**(28,737,194)**	**1,707,138**
Loss for the year	-	-	(527,978)	(527,978)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	**-**	**-**	**(527,978)**	**(527,978)**
Issue of shares	-	-	-	-
Share issue costs	-	-	-	-
Balance at 30 June 2014	**30,286,353**	**157,979**	**(29,265,172)**	**1,179,160**

Notes to the consolidated financial statements are included on pages 21 to 42.

Consolidated statement of cash flows for the year ended 30 June 2014

		Consolidated	
		Year ended	
	Note	30 June 2014 $	30 June 2013 $
Cash flows from operating activities			
Payments to suppliers and employees		(315,810)	(408,494)
Research and development costs paid		(295,882)	-
Interest received		42,810	102,594
Net cash used in operating activities	22	(568,882)	(305,900)
Cash flows from investing activities			
Net proceeds from sale of equity investments		115,625	7,335
Proceeds from redemption of loan investments		500,000	275,000
Net cash provided by investing activities		615,625	282,335
Cash flows from financing activities			
Proceeds from issue of equity instruments of the Company		-	1,158,990
Payment for share issue costs		-	(137,243)
Net cash provided by financing activities		-	1,021,747
Net increase in cash and cash equivalents		**46,743**	**998,182**
Cash and cash equivalents at the beginning of the year		1,152,511	154,329
Cash and cash equivalents at the end of the year	22	**1,199,254**	**1,152,511**

Notes to the consolidated financial statements are included on pages 21 to 42.

Notes to the consolidated financial statements for the year ended 30 June 2014

1. General information

Sun Biomedical Limited ("the Company") is a listed public company incorporated in Australia. The address of its registered office and principal place of business is disclosed in the corporate directory to the annual report.

The principal activities of the Company and its controlled subsidiaries ("the Group") are described in the directors' report.

2. Application of new and revised Accounting Standards

2.1 New and revised AASBs affecting amounts reported and/or disclosed in the financial statements

In the current year, the Group has applied a number of new and revised AASBs issued by the Australian Accounting Standards Board (AASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2013.

AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'	This standard removes the individual key management personnel disclosure requirements in AASB 124 'Related Party Disclosures'. As a result, the Group only discloses the key management personnel management compensation in total and for each of the categories required in AASB 124. In the current year, the individual key management personnel disclosure previously required by AASB 124 is now disclosed in the remuneration report due to an amendment to Corporations Regulations 2001 issued in June 2013.
AASB 10 'Consolidated Financial Statements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	AASB 10 replaces the parts of AASB 127 'Consolidated 'and Separate Financial Statements' that deal with consolidated financial statements and provides a revised definition of "control" such that an investor controls an investee when a) it has power over an investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee, and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. This may result in an entity having to consolidate an investee that was not previously consolidated and/or deconsolidate an investee that was consolidated under previous accounting pronouncements. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. There have been no changes to the treatment of investees compared to prior year.

2. Application of new and revised Accounting Standards (cont'd)

2.1 New and revised AASBs affecting amounts reported and/or disclosed in the financial statements (cont'd)

AASB 12 'Disclosure of Interests in Other Entities' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	AASB 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of AASB 12 has resulted in more extensive disclosures in the consolidated financial statements.
AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'	The Group has applied AASB 13 for the first time in the current year. AASB 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of AASB 13 is broad; the fair value measurement requirements of AASB 13 apply to both financial instrument items and non-financial instrument items for which other AASBs require or permit fair value measurements and disclosures about fair value measurements, except for share based payment transactions that are within the scope of AASB 2 'Share-based Payments', leasing transactions that are within the scope of AASB 117 'Leases', and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

2.2 Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', and the relevant amending standards[1]	1 January 2017	30 June 2018
AASB 1031 'Materiality' (2013)	1 January 2017	30 June 2018
AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'	1 January 2014	30 June 2015
AASB 2013-3 'Amendments to AASB 135 – Recoverable Amount Disclosures for Non-Financial Assets'	1 January 2014	30 June 2015
AASB 2013-4 'Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting'	1 January 2014	30 June 2015
AASB 2013-5 'Amendments to Australian Accounting Standards – Investment Entities'	1 January 2014	30 June 2015

2.2 Standards and Interpretations in issue not yet adopted (cont'd)

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments'	1 January 2014	30 June 2015

[1] The AASB has issued the following versions of AASB 9 and the relevant amending standards;

- AASB 9 'Financial Instruments' (December 2009), AASB 2009-11 'Amendments to Australian Accounting Standards arising from AASB 9', AASB 2012-6 'Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures'
- AASB 9 'Financial Instruments' (December 2010), AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)', AASB 2012-6 'Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosure'.
- In December 2013 the AASB issued AASB 2013-9 'Amendment to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments', Part C – Financial Instruments. This amending standard has amended the mandatory effective date of AASB 9 to 1 January 2017. For annual reporting periods beginning before 1 January 2017, an entity may early adopt either AASB 9 (December 2009) or AASB 9 (December 2010) and the relevant amending standards.

At the date of authorisation of the financial statements, the following IASB Standards and IFRIC Interpretations were also in issue but not yet effective, although Australian equivalent Standards and Interpretations have not yet been issued.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
Narrow-scope amendments to IAS 19 Employee Benefits entitled Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)	1 July 2014	30 June 2015
Annual Improvements to IFRSs 2010-2012 Cycle	1 July 2014	30 June 2015
Annual Improvements to IFRSs 2011-2013 Cycle	1 July 2014	30 June 2015
IFRS 14 Regulatory Deferral Accounts	1 January 2016	30 June 2017

The Company has not yet fully assessed the impact of the new Standards not yet adopted but does not expect a material impact on the financial statements.

3. Significant accounting policies

3.1 Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations and comply with other requirements of the law.

The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Company and the Group comply with International Financial Reporting Standards ("IFRS").

The financial statements were authorised for issue by the directors on 25 August 2014.

3. Significant accounting policies (cont'd)

3.2 Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for certain financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for goods and services. The consolidated financial statements have been prepared on a going concern basis. All amounts are presented in Australian dollars, unless otherwise noted.

Fair value is 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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Group takes into account the characteristics of the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2, leasing transactions that are within the scope of AASB 117, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 2 or value in use in AASB 136.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holdings of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and

any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3.4 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

<u>Interest income</u>

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts though the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3.5 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3.6 Employee benefits

Short-term and long-term employee benefits

A liability is recognised for benefits accrued to employees in respect of wages and salaries and annual leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of short-term employee benefits are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

3.7 Share-based payments arrangements

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 19.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

3.8 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

3.8.1 Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using the tax rates that have been enacted or substantively enacted by the end of the reporting period.

3.8.2 Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same authority and the Group intends to settle its current tax assets and liabilities on a net basis.

3.8.3 Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3.9 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.10 Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3.10.1 Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

3.10.1.1 <u>Financial assets at FVTPL</u>

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and AASB 139 'Financial Instruments: Recognition and Measurement' permits the entire combined contract to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item.

3.10.1.2 Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

3.10.1.3 Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets that are carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial asset that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve.

3.10.1.4 Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

3.10.2 Financial liabilities and equity instruments

3.10.2.1 Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

3.10.2.2 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group of entity are recognised at the proceeds received, net of direct issue costs.

3.10.2.3 Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

3.10.2.4 Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and AASB 139 'Financial Instruments: Recognition and Measurement' permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item.

3.10.2.5 Other financial liabilities

Other financial liabilities, including borrowings and trade and other payables, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

3.10.2.6 Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3.11 Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified within operating cash flows.

3.12 Comparative amounts

When current period balances have been classified differently within current period disclosures when compared to prior periods, comparative disclosures have been restated to ensure consistency of presentation between periods.

3.13 Reclassification of expenses

During the year, the Company performed a review of its financial statements and now presents an analysis of expenses recognised in the consolidated statement of profit or loss and other comprehensive income using a classification based on their function within the Group rather than their nature. A classification of expenses by function is considered to be more relevant to users. Comparatives balances have been reclassified to ensure consistency with the current year presentation.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period on which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

5. Segment information

The Group operates in one business segment and one geographical segment, namely the maintenance of patents relating to drug detection devices in Australia only. AASB 8 'Operating Segments' states that similar operating segments can be aggregated to form one reportable segment. However, none of the operating segments currently meet any of the prescribed quantitative thresholds, and as such do not have to be reported separately. The Group has therefore decided to aggregate all its reporting segments into one reportable operating segment.

The revenue and results of this segment are those of the Group as a whole and are set out in the consolidated statement of profit or loss and other comprehensive income. The segment assets and liabilities are those of the Group and set out in the consolidated statement of financial position.

6. Revenue

	2014 $	2013 $
Interest received	40,647	97,582

7. Other gains/(losses)

	2014 $	2013 $
Rollover fee received	-	27,500
Gain on disposal of equity investments	21,573	7,335
Unrealised loss on equity instruments	-	(188,502)
	21,573	(153,667)

8. Loss for the year

Loss for the year has been arrived at after charging the following items of expenses:	**2014** $	**2013** $
		(restated)
Corporate administration expenses		
Company secretary fees	(48,000)	(35,987)
Directors fees	(81,000)	(111,890)
Legal and professional fees	(5,108)	(34,087)
Share registry fees	(17,403)	(55,166)
Insurance expenses	(18,481)	(14,657)
Other administration expenses	(124,324)	(78,652)
	(294,316)	(330,439)

9. Income taxes relating to continuing operations

9.1 Income tax recognised in profit or loss

	2014 $	2013 $
Current tax	-	-
Deferred tax	-	-
	-	-

The income tax expense for the year can be reconciled to the accounting profit as follows:

	2014 $	2013 $
Loss before tax from continuing operations	(527,978)	(517,098)
Income tax expense calculated at 30% (2013: 30%)	(158,393)	(155,129)
Effect of expenses that are not deductible in determining taxable loss	(22,482)	96,396
Effect of unused tax losses not recognised as deferred tax assets	180,875	58,733
	-	-

The tax rate used for the 2014 and 2013 reconciliations above is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law.

9.2 Income tax recognised directly in equity

	2014 $	2013 $
Current tax		
Share issue costs	-	-
Deferred tax		
Share issue costs deductible over 5 years	-	-
	-	-

9.3 Unrecognised deferred tax assets

	2014 $	2013 $
Unused tax losses (revenue) for which no deferred tax assets have been recognised	5,738,926	5,136,007
Potential tax benefit at 30%	1,721,678	1,540,802
Net temporary differences	11,920	121,630

All unused tax losses were incurred by Australian entities.

This benefit for tax losses will only be obtained if the specific entity carrying forward the tax losses derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised, and the Company complies with the conditions for deductibility imposed by tax legislation.

10. Loss per share

	2014 $	2013 $
Basic and diluted loss per share (cents per share)	0.1594	0.2042

10.1 Basic and diluted loss per share

The loss and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	2014 $	2013 $
Loss for the year attributable to owners of the Company	(527,978)	(517,098)

	2014 No.	2013 No.
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	331,140,008	253,226,606

11. Trade and other receivables

	2014 $	2013 $
Other receivables	3,386	6,730
Prepayments	11,015	153
	14,401	6,883

At the reporting date, none of the receivables are past due.

12. Other financial assets

	2014 $	2013 $
Investments carried at fair value		
Convertible notes (i)	-	500,000
Quoted shares (ii)	-	94,052
	-	594,052
Loans and receivables from controlled entities		
Sun Biomedical Australia Pty Ltd	49,427	49,427
MDM Technologies Pty Ltd	13,729	13,729
Impairment provision	(63,156)	(63,156)
	-	-

(i) The convertible notes of $500,000 to Malachite Resources Limited (ASX: MAR) carrying an interest rate of 15% per annum matured on 5 July 2013.
(ii) The Company sold 23,512,887 quoted shares in Malachite Resources Limited (ASX: MAR) during the year. The profit on sale of the shares has been recognised in the consolidated statement of profit or loss and other comprehensive income.

13. Subsidiaries

Name of subsidiary	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group	
		2014	2013
Sun Biomedical Australia Pty Ltd	Australia	100%	100%
MDM Technologies Pty Ltd	Australia	100%	100%
Sun Biomedical Laboratories Inc.	USA	100%	100%

The registration of the Group's wholly-owned subsidiary Harrington Group USA Incorporation (Harrington Group) was permanently revoked effective 6 January 2005. Harrington Group was registered in the state of Nevada.

All the above named subsidiaries are dormant.

14. Trade and other payables

	2014 $	2013 $
Trade creditors	2,146	5,709
Sundry creditors and accrued expenses	26,085	40,599
	28,231	46,308

15. Provisions

	2014 $	2013 $
Annual leave	6,264	-

16. Issued capital

	2014 $	2013 $
331,140,008 fully paid ordinary shares (2013: 331,140,008 shares)	30,286,353	30,286,353

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value.

Fully paid ordinary shares	2014		2013	
	No.	$	No.	$
Balance at beginning of year	331,140,008	30,286,353	2,317,969,628	29,399,862
Reduced after 1 for 14 consolidation (i)	-	-	(2,152,399,624)	-
Issue of shares (ii)	-	-	165,570,004	1,158,990
Share issue costs	-	-	-	(272,499)
Balance at end of year	331,140,008	30,286,353	331,140,008	30,286,353

(i) A 1 for 14 share consolidation was effected on 2 October 2012 to reduce share price volatility and negative perceptions associated with a low share price.
(ii) A non-renounceable rights issue of $0.007 per share to existing shareholders was effected on 14 December 2012.

Fully paid ordinary shares carry one vote per share and carry a right to dividends.

17. Reserves

Share-based payments	2014 $	2013 $
Balance at beginning of year	157,979	-
Arising on share-based payments	-	157,979
Balance at end of year	157,979	157,979

Further information about share-based payments is set out in note 19.

18. Financial instruments

18.1 Capital management

The Group manages its capital to ensure entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2013.

The Group is not subject to any externally imposed capital requirements.

Given the nature of the business, the Group monitors capital on the basis of current business operations and cash flow requirements.

18.2 Categories of financial instruments

Financial assets	2014 $	2013 $
Cash and cash equivalents	1,199,254	1,152,511
Trade and other receivables	3,386	6,730
Available-for-sale financial assets	-	594,052
	1,202,640	1,753,293
Financial liabilities		
Trade and other payables	28,231	46,308
	28,231	46,308

The fair value of the above financial instruments approximates their carrying values.

18.3 Financial risk management objectives

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of those risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

The board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Group's risk management policies and objectives are therefore designed to minimise the potential impacts of these risks on the Group where such impacts may be material. The board receives monthly financial reports through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The overall objective of the board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility.

18.4 Market risk

Market risk for the Group arises from the use of interest bearing financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rate (see 18.5 below).

18.5 Interest rate risk management

Interest rate risk arises on cash and cash equivalents and receivables from related parties. The Group does not enter into any derivative instruments to mitigate this risk. As this is not considered a significant risk for the Group, no policies are in place to formally mitigate this risk.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end on the reporting period.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's loss for the year ended 30 June 2014 would increase/decrease by $11,993 (2013: $11,525)

18.6 Other price risks

The Group is exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather than trading purposes. The Group does not actively trade these investments.

Equity price sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 5% higher/lower, the Group's loss for the year ended 30 June 2014 would have been unaffected as the Group had no equity instruments at the reporting date (2013: increase/decrease by $4,702).

18.7 Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

18.8 Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Group's short-, medium- and long-term funding and liquidity management requirements. The Group manages liquidity by maintaining adequate banking facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

Contractual cash flows						
	Carrying Amount	Less than 1 month	1-3 months	3-12 months	1 year to 5 years	Total contractual cash flows
	$	$	$	$	$	$
2014						
Trade and other payables	28,231	-	28,231	-	-	28,231
2013						
Trade and other payables	46,308	-	46,308	-	-	46,308

19. Share-based payments

19.1 Employee share option plan

Options may be issued to external consultants or non-related parties without shareholders' approval, where the annual 15% capacity pursuant to ASX Listing Rule 7.1 has not been exceeded. Options cannot be offered to a director or an associate except where approval is given by shareholders at a general meeting.

No options were issued during the financial year (2013: 17,857,143 options issued to external consultants and 3,000,000 options issued to directors and/or associates).

Each option issued converts into one ordinary share of Sun Biomedical Limited on exercise. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The following share-based payment arrangements were in existence during and prior reporting periods:

Option series	Number	Grant date	Grant date fair value $	Exercise price $	Expiry date	Vesting date
1	20,857,143	22 January 2013	0.0076	0.007	31 December 2017	At grant date

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

19.2 Fair value of share options granted in the year

No options were granted during the year (2013: 20,857,143). The fair value of options granted in the 2013 financial year was independently determined using the Black-Scholes option pricing model.

The model inputs for options granted in the 2013 financial year were as follows:

Input	Series 1
Grant date share price	$0.010
Exercise price	$0.0076
Expected volatility	90%
Option life	4 years
Dividend yield	n/a
Risk-free interest rate	2.94%

19.3 Movements in shares options during the year

The following reconciles the share options outstanding at the beginning and end of the year:

	2014		2013	
	Number of options No.	Weighted average exercise price $	Number of options No.	Weighted average exercise price $
Balance at beginning of the year	20,857,143	0.0076	-	-
Granted during the year	-	-	20,857,143	0.0076
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Balance at end of year	**20,857,143**	**0.0076**	**20,857,143**	**0.0076**
Exercisable at end of year	**20,857,143**	**0.0076**	**20,857,143**	**0.0076**

19.4 Shares options exercised during the year

No share options were exercised during the year (2013: nil).

19.5 Share options outstanding at the end of the year

The share options outstanding at the end of the year had a weighted average exercise price of $0.0076 and a weighted average remaining contractual life of 1,280 days (2013: 1,645 days).

20. Key management personnel

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

	2014 $	2013 $
Short-term employee benefits	209,580	122,856
Post-employment benefits	7,454	895
Share-based payments	-	22,722
	217,034	146,473

Short term employee benefits

These amounts include fees paid to non-executive directors as well as salary and paid leave benefits awarded to executive directors.

Post-employment benefits

These amounts are superannuation contributions made during the year.

Further information in relation to KMP remuneration can be found in the remuneration report contained in the directors' report.

21. Related party transactions

21.1 Entities under the control of the Group

The Group consists of the parent entity, Sun Biomedical Limited and its wholly-owned subsidiaries MDM Technologies Pty Ltd, Sun Biomedical Australia Pty Ltd and Sun Biomedical Laboratories Inc. USA.

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

21.2 Key management personnel

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity, are considered key management personnel.

For details of disclosures relating to key management personnel, refer to the remuneration report contained in the directors' report and note 20.

21.3 Other related party transactions

In prior financial years, the Company entered into Convertible Note Subscription Agreements with Malachite Resources Limited (ASX: MAR) and Mint Wireless Limited (ASX: MNW), in which Mr Terry Cuthbertson held the position of non-executive director. (*Refer to note 12 for further information*). During the financial year, the convertible notes in MAR matured and the Company received the funds. Mr Terry Cuthbertson resigned as director of the Company on 19 September 2013.

All transactions between the Company and related parties are on an arms-length basis.

22. Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents include cash on hand and in banks, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated statement of financial position as follows:

	2014 $	2013 $
Cash and bank balances	1,199,254	1,152,511

22. Cash and cash equivalents (cont'd)

22.1 Reconciliation of loss for the year to net cash flows from operating activities

	2014 $	2013 $
Cash flow from operating activities		
Loss for the year	(527,978)	(517,098)
Adjustments for:		
Profit from disposal of equity investments	(21,573)	(7,335)
Rollover fee received on shares	-	(27,500)
Unrealised equity investment loss	-	188,502
Share-based payments	-	22,723
Movements in working capital		
Decrease in other receivables	3,344	8,519
(Increase)/decrease in prepayments	(10,862)	14,504
(Decrease)/increase in trade and other payables	(18,077)	11,785
Increase in provisions	6,264	-
Net cash outflows from operating activities	(568,882)	(305,900)

There were no non-cash financing or investing activities during the year.

23. Commitments and contingencies

There are no significant commitments and contingencies at balance date in the current or prior reporting periods.

24. Remuneration of auditors

Auditor of the parent entity

	2014 $	2013 $
Audit or review of the financial statements	21,111	21,000

The auditors of Sun Biomedical Limited are Stantons International.

25. Events after the reporting period

There has not been any matter or circumstance that has arisen since the end of the financial year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

26. Parent entity information

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements. Refer to note 3 for a summary of significant accounting policies relating to the Group.

Financial position

	2014 $	2013 $
Assets		
Current assets	1,213,655	1,753,446
Total assets	1,213,655	1,753,446
Liabilities		
Current liabilities	28,231	46,308
Provisions	6,264	-
Total liabilities	34,495	46,308
Equity		
Issued capital	30,286,353	30,286,353
Reserves	157,979	157,979
Accumulated losses	(29,265,172)	(28,737,194)
Total equity	1,179,160	1,707,138
Financial performance		
Loss for the year	(527,978)	(517,098)

Commitments and contingencies

There were no material commitments and contingencies at the reporting date for the parent company.

27. Approval of financial statements

The financial statements were approved by the board of directors and authorised for issue on 25 August 2014.

Corporate Governance Statement

Introduction

The Company has adopted comprehensive systems of control and accountability as the basis for the administration of corporate governance. The Board is committed to administering the policies and procedures with openness and integrity and pursuing the true spirit of corporate governance commensurate with the Company's needs. The Board has adopted a corporate governance framework which it considers to be suitable given the size, history and strategy of the Company. To the extent applicable, the Company has adopted The Corporate Governance Principles and Recommendations with 2010 Amendments (2nd Edition) ("Recommendations") as published by ASX Corporate Governance Council. As the Company's activities develop in size, nature and scope, the size of the Board and the implementation of additional corporate governance structures will be given further consideration. The Company's corporate governance policy documents have been posted on its website, www.sunbiomed.com.

In accordance with ASX Listing Rule 4.10.3, the Company is required to disclose the extent to which it has followed the Recommendations during the financial year. The Company's compliance with and departure from the Recommendations are set out below.

Principles & Recommendations	Comment
Principle 1 - Lay solid foundations for management and oversight	
1.1 Establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	The Board is responsible for the overall corporate governance of the Company. The Board has adopted a Board Charter that formalises its roles and responsibilities and defines the matters are reserved for the Board and specific matters that are delegated to management. A summary of those matters is set out in this Corporate Governance Statement.
1.2 Disclose the process for evaluating the performance of senior executives.	The Board has established a policy on Performance Evaluation Practices for its senior executives, which is available on the Company's website. The Company currently has only one senior executive, the Executive Chairman. The Board reviews the performance of the Executive Chairman annually against specific performance measures set at the commencement of each financial year. No formal performance review of the Executive Chairman has taken place due to the late timing of his appointment to an executive capacity. However, the Board has regularly monitored the performance of the Executive Chairman, on an informal basis, during the tenure of his appointment.
1.3 Provide the information indicated in the Guide to reporting on Principle 1.	A copy of the Board Charter is available on the Company's website and is summarized in this Corporate Governance Statement.
Principle 2 - Structure the board to add value	
2.1 A majority of the board should be independent directors.	The Company did not have a majority of independent Directors during the reporting period. The Board is currently comprised of Mr Howard Digby, Executive Chairman, Dr Anton Uvarov, Executive Director, Mr Evan Cross and Mr Peter Webse, both of whom are Non-Executive Directors. Mr Digby, who was the Non-Executive Chairman of the Company, was considered to be independent until his appointment as Executive Chairman on 10 November 2013. Dr Uvarov is not considered independent as he is an Executive Director the Company. Mr Cross is not considered independent on the basis that he is a shareholder and director of Fullerton Private Capital Pty Ltd, a substantial shareholder of the Company. Mr Webse is not considered independent due to his role as managing director of Platinum Corporate Secretariat Pty Ltd, which provides Mr Webse's services as Company Secretary to the Company. Mr Terry Cuthbertson, who was a Non-Executive Director of the Company until 19 September 2013, was considered to be independent as he was not a member of management and was free of any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the independent exercise of his judgement.

2.2	The chair should be an independent director.	The Chairman of the Board, Mr Howard Digby, is not an independent Director for the reasons set out in 2.1 above.
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	The roles of chair and chief executive office are performed by the same individual, Mr Howard Digby, following his appointment as Executive Chairman on 11 November 2013. Although not appointed as Chief Executive Officer, as Executive Chairman, Mr Digby performs the primary executive function for the Company. Prior to his appointment as Executive Chairman, Mr Digby was Non-Executive Chairman of the Company.
2.4	The board should establish a nomination committee.	The Board has not established a separate nomination committee. The full Board presently performs the function of a nomination committee. A separate nomination committee may be established when appropriate, as the Company's activities develop in size, nature and scope and where increased efficiency and effectiveness can be derived from having a separate committee. The Board has adopted a Nomination Committee Charter which it follows when considering matters that would usually be considered by a nomination committee. A copy of the Nomination Committee Charter is available on the Company's website.
2.5	Disclose the process for evaluating the performance of the board, its committees and individual directors.	The Board has established a policy on Performance Evaluation Practices for the Board, and Committees (when put in place) and individual Directors, which is available on the Company's website. An informal process has been established to review and evaluate the performance of the Board. Given the size of the Company, the Board is continuously reviewing the role of the Board and assessing its performance over the previous period. The Chairman has the primary responsibility for conducting performance appraisals of the Non-Executive Directors. Evaluation of the Non-Executive Directors is carried out on a continuing and informal basis. The Company will put in place a formal process for evaluating the Non-Executive Directors as and when the level of the Company's operations justifies it.
2.6	Provide the information indicated in the Guide to reporting on Principle 2.	The skills, experience and expertise of each Director are set out in the Directors' Report in this Annual Report. The Company does not have any independent Directors. A Director is considered to be independent where he substantially satisfies the test for independence set out in the ASX Corporate Governance Principles and Recommendations. Refer to 2.1 above. Members of the Board are able to take independent professional advice at the expense of the Company, subject to the prior approval of the Chairman. Mr Howard Digby was appointed as Non-Executive Chairman on 22 January 2013 and as Executive Chairman on 11 November 2013. Mr Evan Cross was appointed as a Non-Executive Director on 3 March 2012. Mr Peter Webse was appointed as a Non-Executive Director on 22 January 2013. Dr Anton Uvarov was appointed as an Executive Director on 20 November 2013. Mr Terry Cuthbertson resigned as a Non-Executive Director on 19 September 2013. The Board has not established a Nomination Committee for the reasons set out in 2.4 above. The Board regularly reviews its mix of skills and experience in light of the Company's principal activities and direction, and is cognisant of its Diversity Policy, should the need arise for changes to the composition of the Board.

Principle 3 - Promote ethical and responsible decision-making		
3.1	Establish a code of conduct and disclose the code or a summary of the code as to: ▪ the practices necessary to maintain confidence in the company's integrity ▪ the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders ▪ the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	The Board has established a Code of Conduct which provides a framework for decisions and actions in relation to ethical conduct of the Company's Directors, officers and employees. A copy of the Code of Conduct is available on the Company's website. The Code of Conduct sets out the principles covering appropriate conduct in a variety of contexts and outlines the minimum standard of behaviour expected from management and employees. All employees are responsible for reporting circumstances that may involve a breach of the code of conduct. The Company has also adopted a Securities Trading Policy that establishes a procedure for dealings in the Company's securities by Directors, senior executives, employees and related parties, and also dealings in securities of other entities with whom the Company may have business dealings. The Securities Trading Policy is further described at the end of this Corporate Governance Statement under the section titled "Dealing in Company Securities". A copy of the Securities Trading Policy is available on the Company's website.
3.2	Establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measureable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them.	The Company has established a Diversity Policy and is committed to workplace diversity. A copy of the Diversity Policy is available on the Company's website.
3.3	Disclose in each annual report the measureable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress in achieving them.	The Company is at a stage of its development such that the application of measurable objectives in relation to gender diversity, at the various levels of the Company's business, is not considered to be appropriate nor practical.
3.4	Disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	The Company has included the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board at the end of this Corporate Governance Statement, under the section titled "Diversity".
3.5	Provide the information indicated in the Guide to reporting on Principle 3.	The Company has provided explanations of departures from Recommendations in relation to Principle 3 and has noted that copies of the Code of Conduct, Securities Trading Policy and the Diversity Policy are available on the Company's website.
Principle 4 - Safeguard integrity in financial reporting		
4.1	The Board should establish an audit committee.	The Board believes that the Company is not currently of sufficient size, nor its financial affairs of such complexity to justify the formation of an audit committee. The full Board undertakes the functions normally associated with an audit committee. Each year the Board will review the necessity or ability to establish a separate audit committee and, if appropriate, delegate certain responsibilities to such committee. The Board has adopted an Audit Committee Charter which it follows when considering matters that would usually be considered by an audit committee.
4.2	The audit committee should have a formal charter.	The Board has adopted a separate Audit Committee Charter to assist it in performing the relevant functions of an audit committee. The Charter sets out the roles and responsibilities of the audit committee
4.3	Provide the information indicated in the Guide to reporting on Principle 4.	The Company has not established a separate audit committee for the reasons outlined above. Therefore, it has not disclosed the names and qualifications of the committee, but has disclosed that the functions normally carried out by the audit committee are performed by the full Board. The Audit Committee Charter, which contains procedures for the selection and appointment of the external auditor, and for the rotation of external audit engagement partners, is available on the Company's website.

Principle 5 - Make timely and balanced disclosure		
5.1	Establish written policies designed to ensure compliance with the ASX Listing Rule disclosure requirements, as well as ensuring accountability at a Senior Executive level for that compliance and disclose those policies or a summary of those policies.	The Company has established a Continuous Disclosure Policy to ensure that it complies with the continuous disclosure regime under the ASX Listing Rules and the Corporations Act 2001 (Cth). Under the terms of the Continuous Disclosure policy, the Managing Director (or the Chairman where the Company does not have one) and the Company Secretary are primarily responsible for making decisions about what information should be disclosed publicly under the policy. Approval is sought from the Board on all significant matters. Employees must inform the Managing Director, Chairman or Company Secretary of any potentially material price or value sensitive information as soon as they become aware of it.
5.2	Provide the information indicated in Guide to Reporting on Principle 5.	A copy of the Continuous Disclosure Policy is available on the Company's website.
Principle 6 - Respect the rights of shareholders		
6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	The Company has designed a Shareholder Communication Policy for promoting effective communication with shareholders and encouraging their participation at general meetings. The Company uses its website, quarterly, interim and annual reports, market announcements, notices of meetings and the annual general meeting. In addition, the Company's auditor attends annual general meetings of the Company to answer any questions raised by shareholders about the conduct of the audit and preparation and content of the auditor's report.
6.2	Provide the information indicated in the Guide to reporting on Principle 6.	The Company's Shareholder Communication Policy is available on its website.
Principle 7 - Recognise and manage risk		
7.1	Establish policies for the oversight and management of material business risks and disclose a summary of those policies.	The Company has established policies for the oversight and management of material business risks. The Board is responsible for an ongoing assessment of the effectiveness of risk management and internal compliance and control. The Risk Management and Internal Compliance and Control Policy is available on the Company's website and is summarised at the end of this Corporate Governance Statement under the section titled "Risk".
7.2	The Board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	The Board has required management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. Management reports to the Board regularly as to the effectiveness of the Company's management of its material business risks.
7.3	The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	The Board has received a statement from the Executive Chairman and the Chief Financial Officer equivalent that the declaration provided in accordance with section 295A of the Corporations Act 2001 (Cth) is founded on a sound system of risk management and internal control and that the system is operating efficiently and effectively in all material respects in relation to the financial reporting risks.

7.4	Provide the information indicated in the *Guide to reporting on Principle 7*.	Management has reported to the Board as to the effectiveness of the Company's management of its material business risks. The Company has received a statement of assurance from the Executive Chairman and Chief Financial Officer equivalent. The Risk Management and Internal Compliance and Control Policy is available on the Company's web site and is summarised in this Corporate Governance Statement under the section titled 'Risk'.
Principle 8 - Remunerate fairly and responsibly		
8.1	The Board should establish a remuneration committee.	The Board has not established a separate remuneration committee. The full Board presently performs the function of a remuneration committee. A separate remuneration committee may be established when appropriate, as the Company's activities develop in size, nature and scope and where increased efficiency and effectiveness can be derived from having a separate committee. The Board has adopted a Remuneration Committee Charter which it follows when considering matters that would usually be considered by a remuneration committee. A copy of the Remuneration Committee Charter is available on the Company's website.
8.2	The remuneration committee should be structured so that it: ▪ consists of a majority of independent directors ▪ is chaired by an independent director ▪ has at least three members	Refer to 8.1 above.
8.3	Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	The Company has separate policies relating to the remuneration of Non-Executive Directors and that of Executive Directors and senior executives. This information is detailed in the Remuneration Report, which forms part of the Directors' Report in this Annual Report.
8.4	Provide the information indicated in the *Guide to reporting on Principle 8*.	The Company has not established a remuneration committee for the reasons outlined above. The Company does not have any schemes for retirement benefits other than superannuation for Non-Executive Directors. Explanations for departures from Recommendations 8.1 and 8.2 are set out above. A copy of the Remuneration Committee Charter, which is followed by the Board, is available on the Company's website. The Securities Trading Policy, a copy of which is available on the Company's website, prohibits the hedging of risk of fluctuation of the value of the Company's securities.

Unless stated otherwise, Sun Biomedical Limited's corporate governance practices were in place for the full financial year ended 30 June 2014 and to the date of signing the Directors' Report in this Annual Report.

For further information on corporate governance policies adopted by Sun Biomedical Limited, refer to our website, www.sunbiomed.com. A summary of the principal corporate governance practices is set out below.

The Role of the Board and Management

The Board is responsible for guiding and monitoring Sun Biomedical Limited on behalf of shareholders by whom they are elected and to whom they are accountable.

The Board is responsible for, and has the authority to determine all matters relating to strategic direction, policies, practices, establishing goals for management and the operation of the Company.

The monitoring and ultimate control of the business of the Company is vested in the Board. The Board's primary responsibility is to oversee the Company's business activities and management for the benefit of the Company's shareholders.

The Board delegates responsibility for the day to day operations and administration of the Company to the Executive Chairman. In addition to formal reporting structures, members of the Board are encouraged to have direct communications with management and other employees within the Company to facilitate the carrying out of their duties as Directors.

Composition of the Board

The Company's Constitution governs the regulation of meetings and proceedings of the Board.

The Board determines its size and composition, subject to the terms of the Constitution. The Board does not believe that it should establish a limit on tenure other than stipulated in the Company's Constitution.

While tenure limits can help to ensure that there are fresh ideas and viewpoints available to the Board, they hold the disadvantage of losing the contribution of Directors who have been able to develop, over a period of time, increasing insight in the Company and its operations and, therefore, an increasing contribution to the Board as a whole. Where practical, it is intended that the Board should comprise a majority of independent Non-Executive Directors and comprise Directors with a broad range of skills, expertise and experience from a diverse range of backgrounds. Where practical, it is also intended that the Chair should be an independent Non-Executive Director. The Board regularly reviews the independence of each Director in light of the interests disclosed to the Board.

The Board only considers Directors to be independent where they are independent of management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to interfere with, the exercise of their unfettered and independent judgment. The Board has adopted a definition of independence based on that set out in Principle 2 of the ASX Corporate Governance Revised Principles and Recommendations. The Board reviews the independence of each Director in light of interests disclosed to the Board, including their participation in Board activities associated with related entities, from time to time.

In accordance with the definition of independence above, the Company does not currently have any independent Directors. The Board considers that the composition of the existing Board is nevertheless appropriate given the scope and size of the Company's operations and the skills matrix of the existing Board members.

Further details on each Director can be found in the Directors' Report in this Annual Report.

Committees of the Board

Given the Company's current size and nature, the Board considers that the current board is a cost effective and practical method of directing and managing the Company. Accordingly, the duties of the committees below are currently undertaken by the full Board:

- Audit Committee;
- Remuneration Committee; and
- Nomination Committee.

The above Committees may be established when appropriate, as the Company's activities develop in size, nature and scope, and where increased efficiency and effectiveness can be derived from having separate Committees.

Access to Advice

The Board, Committees, if any, or individual Directors may seek independent professional advice as considered necessary at the expense of the Company, subject to prior approval of the Executive Chairman, which shall not be unreasonably withheld. A copy of such advice received is made available to all members of the Board.

Dealings in Company Securities

The Company has adopted a Securities Trading Policy outlining when Directors, senior management and other employees may deal in the Company's securities and contains procedures to reduce the risk of insider trading.

The Securities Trading Policy has been issued to ASX and a copy is available on the Company's website.

Risk

The Company has established a Risk Management and Internal Compliance and Control Policy, which puts frameworks in place to recognise and oversee the Company's risk and internal compliance and controls. The Company's process of risk management and internal compliance and control includes:

(a) establishing the Company's goals and objectives, and implementing and monitoring strategies and policies to achieve these goals and objectives;

(b) continuously identifying and reacting to risks that might impact upon the achievement of the Company's goals and objectives, and monitoring the environment for emerging factors and trends that affect these risks;

(c) formulating risk management strategies to manage identified risks and designing and implementing appropriate risk management policies and internal controls; and

(d) monitoring the performance of, and continuously improving the effectiveness of, risk management systems and internal compliance and controls, including an ongoing assessment of the effectiveness of risk management and internal compliance and control.

Within the identified risk profile of the Company, comprehensive practices are in place that are directed towards achieving the following objectives:

(a) effectiveness and efficiency in the use of the Company's resources,

(b) compliance with applicable laws and regulations; and

(c) preparation of reliable published financial information.

The Board oversees an ongoing assessment of the effectiveness of risk management and internal compliance and control.

The responsibility for undertaking and assessing risk management and internal control effectiveness is delegated to management. Management is required by the Board to report back regularly on the efficiency and effectiveness of risk management, inter alia, by benchmarking the Company's performance against industry standards.

Performance

An informal process has been established to review and evaluate the performance of the Board. Given the size of the Company, the Board is continuously reviewing the role of the Board, assessing its performance over the previous period, including comparison with others, and examining ways in which the Board can better perform its duties. The review will incorporate the performance of the Board.

The review may include consideration of the following measures:

- comparison of the performance of the Board against the requirements of the Board Charter;
- assessment of the Board over the previous twelve months having regard to the corporate strategies, operating plans and the annual budget;
- review of the Board's interaction with management;
- identification of any particular goals and objectives of the Board for the next year;
- review the type and timing of information provided to the Directors; and
- identification of any necessary or desirable improvements to Board or committee charters.

The method and scope of the performance evaluation will be set by the Board and may include a Board self-assessment checklist to be completed by each Director. The Board may also use an independent adviser to assist in the review.

The Executive Chairman will have primary responsibility for conducting performance appraisals of Non-Executive Directors, in conjunction with them, having particular regard to:

- contribution to Board discussion and function;
- degree of independence including relevance of any conflicts of interest;
- availability for and attendance at Board meetings and other relevant events;
- contribution to Company strategy;
- membership of and contribution to any Board committees; and
- suitability to Board structure and composition.

Evaluation of the Board is carried out on a continuing and informal basis. The Company will put in place a formal process for evaluating Non-Executive Directors as and when the level of the Company's operations justifies it.

The Board will annually review the performance of the Executive Chairman and the Managing Director (if appointed). At the commencement of each financial year, the Board and Executive Chairman will agree, where applicable, a set of generally Company specific performance measures to be used in the review of the forthcoming year.

These will include:

- financial measures of the Company's performance;
- the extent to which key operational goals and strategic objectives are achieved;
- development of management and staff;
- compliance with legal and Company policy requirements; and
- achievement of key performance indicators.

The Executive Chairman was appointed to the role in November 2013. Accordingly, due to the late timing of the appointment, no performance review of the Executive Chairman was conducted.

Non-Executive Director Remuneration

Non-Executive Directors are normally remunerated by way of fees, in the form of cash, non-cash benefits, superannuation contributions or salary sacrifice into equity and do not normally participate in schemes designed for the remuneration of executives.

Shareholder approval must be obtained in relation to the overall limit set for Non-Executive Directors' fees.

The maximum aggregate remuneration approved by shareholders for Non-Executive Directors is $250,000 per annum. The Directors set the individual Non-Executive Directors fees within the limit approved by shareholders.

Non-Executive Directors are not provided with retirement benefits.

For a more comprehensive explanation of the Company's remuneration framework and the remuneration received by Directors and Executives in the current period, please refer to the Remuneration Report, which forms part of the Directors' Report in this Annual Report.

There is no scheme to provide retirement benefits to Non-Executive (or Executive) Directors.

The duties of the Remuneration Committee are currently undertaken by the full Board, which is responsible for determining and reviewing compensation arrangements for the Directors themselves and the Executive Chairman.

ASX Additional Information as at 7 August 2014

Ordinary share capital

331,140,008 fully paid ordinary shares are held by 1,517 individual shareholders.

Each ordinary share is entitled to vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

Options

20,857,143 unlisted $0.007 options expiring 31 December 2017 are held by 7 individual option holders.

Unlisted option holders holding more than 20% of the above options – Celtic Capital Pty Ltd <The Celtic Capital A/C> who holds 8,928,573 options representing 42.81% of the options on issue.

Options do not carry a right to vote.

Distribution of holdings

Category (size of holding)	Number of ordinary shares	Number of holders
1 – 1,000	101,811	276
1,001 – 5,000	856,733	334
5,001 – 10,000	1,215,729	168
10,001 – 100,000	17,888,020	480
100,001 and over	311,077,715	259
	331,140,008	**1,517**

Unmarketable parcels

There are 1,180 shareholdings held in less than the marketable parcels.

Substantial shareholders

	Number of shares	% holding
1. Mr Jason Peterson	39,022,535	11.78

Restricted securities

The Company has no restricted securities on issue.

On-Market buy-back

There is no current on-market buy-back.

Twenty (20) largest shareholders of quoted equity securities

		Fully paid ordinary shares	
	Ordinary shareholders	**Number**	**Percentage (%)**
1.	Mr Jason Peterson & Mrs Lisa Peterson <J&L Peterson S/F A/C>	29,957,209	9.05
2.	Fullerton Private Capital Pty Limited	15,747,901	4.76
3.	Tisia Nominees Pty Ltd < The Henderson Family A/C>	15,000,000	4.53
4.	Denlin Nominees Pty Ltd	15,000,000	4.53
5.	JK Nominees Pty Ltd <JK A/C>	15,000,000	4.53
6.	Mr Andrew McMillan & Mrs Sally McMillan <The McMillan Super Fund A/C>	12,653,666	3.82
7.	Manhattan Investments Pty Ltd	11,802,560	3.56
8.	Professional Payment Services Pty Ltd	6,500,000	1.96
9.	Mr Terence Peter Williamson & Ms Jonine Maree Jancey <The Wiljan Super Fund A/C>	6,462,318	1.95
10.	Intercorp Pty Ltd	5,320,884	1.61
11.	Facilitate Corporation Pty Ltd	5,000,000	1.51
12.	Coltrange Pty Ltd	4,851,073	1.46
13.	TCH Holdings Pty Ltd <The Travis Investment A/C>	4,000,000	1.21
14.	Mr Andrew Pape	4,000,000	1.21
15.	Mr Nicolo Floyd Bontempo <Bontempo Family A/C>	3,868,574	1.17
16.	Forsyth Barr Custodians Ltd <Forsyth Barr Ltd – Nominee A/C>	3,706,382	1.12
17.	Australian Global Capital P/L	3,571,429	1.08
18.	Intercorp Pty Ltd	3,434,105	1.04
19.	Mr Kevin Harvey Payne & Mrs Ruth Linda Payne <KP Family Fund A/C>	3,285,714	0.99
20.	Mr Steven John Salway	3,000,000	0.91
		172,161,815	**51.99**