Stirling
PRODUCTS LIMITED

AND CONTROLLED ENTITIES

ANNUAL FINANCIAL REPORT

30 JUNE 2011

ABN 32 077 105 429

CONTENTS

CORPORATE DIRECTORY

HEAD COMPANY	Stirling Products Limited
DIRECTORS	Peter Dykes – Director Peter Torney - Director Timothy Shaw - Director
COMPANY SECRETARY	Elizabeth Hunt
REGISTERED & PRINCIPAL OFFICE	Level 11, 216 St Georges Terrace Perth WA 6000
TELEPHONE	+61 8 491 0389
FACSIMILE	+61 8 463 6103
SHARE REGISTER	Security Transfer Registrars Pty Ltd 770 Canning Highway Applecross WA 6153
AUDITORS	K S Black & Co. 6/350 Kent Street Sydney NSW 2000
SOLICITORS	Thomson Geer Level 25, 1 OÇonnell Street Sydney NSW 2000
STOCK EXCHANGE	Australian Securities Exchange Limited Code: STI – Fully ordinary paid shares, STIO - Options

DIRECTORS' REPORT

The Directors present their report together with the financial report of Stirling Products Limited and of the Group, consisting of the Company, its Subsidiaries and the Group's interest in associates and jointly controlled entities for the financial year ended 30 June 2011.

Directors

The directors of the Company at any time during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

PETER BOONEN
MANAGING DIRECTOR (CEASED 19 OCTOBER 2015)

Peter Boonen is a businessman with over 30 years of experience in the business, property, investment banking and equity markets in Australia, USA, Canada, UK and China. During the year, Peter was responsible for the Company's management and ongoing development strategy.

GULSHAN JUGROO
EXECUTIVE DIRECTOR AND CHIEF FINANCIAL OFFICER (RESIGNED 1 JUNE 2011)

Gulshan Jugroo graduated with an Honours in Accounting (Major) and Business Information Systems (Minor) from the Middlesex University in the UK. He has completed Level 2 of ACCA at FTC in London, UK and has a Masters of Business in Accounting from the Victoria University in Melbourne. Gulshan has previously held accounting appointments in Mauritius and the UK.

NEIL COVEY
EXECUTIVE DIRECTOR (RESIGNED 30 JUNE 2011)

Neil Covey has a strong depth of expertise in international sales and management in the healthcare market. His previous experience includes senior positions in sales, marketing and business development positions with companies including Astra and Knoll Pharmaceuticals and he also formally served as the Head of Sales and also of Marketing for Bayer in Australia.

PROF GLYN TONGE
INDEPENDENT NON-EXECUTIVE DIRECTOR (RESIGNED 30 JUNE 2011)

Prof Glyn Tonge has held positions as principal of a number of private equity firms in the UK, Australia, Europe and Asia. His previous experience also includes global responsibility for corporate finance in the health care sector of ING Barings, Baring Brothers & Co Ltd and Baring Brothers International Ltd. He is currently a director of two UK listed companies. Prof Tonge holds a PHD, Doctor of University, is a Chartered Biologist and is a Fellow of the Royal Institute of London and a Fellow of the Royal Society of Medicine.

PETER DYKES
NON-EXECUTIVE DIRECTOR (APPOINTED 17 SEPTEMBER 2015)

Peter has over 20 years' experience in advising and building ASX-listed companies. He started his career with KPMG in the Taxation Division, later establishing KPMG's Technology Advisory practice in Sydney. There he advised large public and private companies on funding via private equity, government grants and tax incentive programs for research and development. Peter went on to establish a boutique technology advisory practice, advising many of Australia's largest ASX-listed and foreign corporates – including BHP, Telstra, Boral, General Motors Holden and Ford. He progressed to executive and board roles with a number of early-stage ASX-listed technology companies, having principally invested in each of these to develop, commercialise and successfully exit. Peter is also a non-executive director for Exalt Resources Limited (ASX:ERD) and Capital Mining Limited (ASX:CMY). He holds a Bachelor of Business (Accounting) from Victoria University (RMIT) and is a Fellow of the Tax Institute of Australia.

PETER TORNEY
NON-EXECUTIVE DIRECTOR (APPOINTED 17 SEPTEMBER 2015)

Mr Torney is a stockbroker with over 10 years experience in the Australian financial services industry during which time he has been involved in a number of successful stockbroking and equity capital markets businesses. Mr Torney has experience in retail and institutional broking, capital raisings, share placements and initial public offerings in Australia and Asia, as well as assisted in dual listings on the OTCQX (USA). Prior to entering the Equity market, Mr Torney has been involved in the advertising, real estate, finance, publishing and beef cattle production industries. Mr Torney has held numerous directorships in both public and private companies. Mr Torney is also a former director of RKS Consolidated Ltd and Dourado Resources Limited.

TIMOTHY SHAW
NON-EXECUTIVE DIRECTOR (APPOINTED 17 SEPTEMBER 2015)

Mr. Shaw is a Ph.D. Candidate in the field of ethics at the University of Sydney where he holds a Australian Postgraduate Award scholarship for exceptional research potential. Along with his research interests he is a sophisticated investor with a focus on technical innovation and emerging technologies. Mr. Shaw has experience in optimising company structure and function and holds a Masters degree in Commerce. He is also a member by invitation of the academic honour society Beta Gamma Sigma for his achievements in the field of business development.

Directors' Shareholdings

The following table sets out each Director's relevant interest in shares and options in shares of the Company as at the date of this report.

Director	Interest in Securities at the date of this Report	
	Ordinary Shares	Options
Peter Boonen *	23,438	-
Peter Dykes*	2,000,000	-
Peter Torney	1,200,000	-
Timothy Shaw	-	-

* Includes related party

Peter Boonen holds 7,813 ordinary shares personally. Peter Boonen is a Director of P & J Boonen Pty Limited as Trustee for the Boonen Family Superannuation Fund which holds 15,625 ordinary shares.

Peter Dykes is a Director of Poipu Bay Pty Ltd which holds 2,000,000 ordinary shares.

Company Secretaries

JOHN DIASINOS (APPOINTED 12 APRIL 2010, RESIGNED 19 OCTOBER 2015)

John Diasinos was appointed to the position of Company Secretary and has previously held Company Secretary roles with other listed and unlisted public companies over the past 20 years. He has experience in Corporate Governance, Compliance and Risk Management. John Diasinos is a Fellow Chartered Institute of Secretaries and a Member of the National Institute of Accountants and holds a Master of Commercial Law.

ELIZABETH HUNT (APPOINTED 19 OCTOBER 2015)

Elizabeth (BSc, MAcc, GIA(Cert), GAICD) has over fifteen years' corporate and accounting experience including IPO management, governance and risk, company secretarial matters and financial accounting. Elizabeth is also company secretary of a number of ASX listed companies.

Dividends Paid or Recommended

No dividends have been declared, provided for or paid in respect of the financial year ended 30 June 2011 (2010: nil).

Directors' Meetings

The following table sets out the number of meetings of the Company's Directors held during the financial year ended 30 June 2011 and the number of meetings attended by each Director.

Director	Directors' Meetings		Remuneration & Nomination Committee	Corporate Governance Committee
Total Meetings Held	8		-	-
	Meetings Held Whilst in Office	**Number of Meetings Attended**	**Number of Meetings Attended**	**Number of Meetings Attended ***
Directors				
Peter Boonen	8	8	-	-
Gulshan Jugroo (resigned 01/06/2011)	6	6	-	-
Neil Covey (resigned 30/06/2011)	8	8	-	-
Glyn Tonge (resigned 30/06/2011)	8	6	-	-

DIRECTORS' REPORT
(continued)

Corporate Governance

A copy of the Company's corporate governance statement is available on the Company's website (www.stirlingproductsltd.com.au)

Principal Activities

The principal activity of the Group as at the balance date has not changed from the previous financial year, focussing on expanding its interests in animal health and healthcare industries.

FINANCIAL REVIEW

The total loss of the Group attributable to members for the year ended 30 June 2011 was $12,086,079 (2010: $7,868,484).

Overall, there was a net decrease in cash held by the Group during the year of $218,936 (2010: net decrease $695,905). At 30 June 2011, the Group had cash assets of $21,800 (2010: $240,736).

Review of Operations

During the year, the Group progressed as a growing and integrated, global healthcare group.

Significant Changes in the State of Affairs

The significant changes in the state of affairs of the Group during the year were:

- On 15 July 2010 the Company received advice of the Patent issue and publication by the Australian Patents Office for its R-Salbutamol obesity drug candidate. The Patent is for use of the Company's R-Salbutamol as a Method of Decreasing Fat Deposits.
- On 22 July 2010 the Company advised that it proposed to acquire a controlling interest in TeleMedCare Holdings Pty Limited and associated companies. Initial funding for the transaction has been arranged through an 18 month $1.2 million private funding facility with an interest payable at 1% per month, convertible to shares at an average 1 cent per share. An establishment fee of $20,000 is payable by the Company.
- On 3 August 2010 the Company announced that it had acquired 65% controlling interest in TeleMedCare Holdings Pty Ltd, Australia's most recognised brand in remote patient monitoring equipment and services.
- On 10 August 2010 the Company announced that it has commitments of $3.9 million in funding including the renegotiated terms of the funding as per 22 July 2010 announcement.
- On 26 August 2010 the Company issued 5,000,000 ordinary shares to the value of $40,000 for the settlement of terminated lease agreement.
- On 31 August 2010 a share placement was completed raising $300,000 in working capital through the issue of 30,000,000 ordinary shares at $0.01 each.
- On 16 September 2010 the Company announced that it had conditionally acquired the business and assets of Halcion Pty Ltd, Australia's fastest growing pathology business. The acquisition Heads of Agreement provides for a payment of a total $3,305,000 with an 80% interest in Halcion to be acquired in consideration of $2,645,000 and to be settled through the issue of 264.5 million shares in the Company. The acquisition of the balance 20% interest held through a co-operative is subject to the co-operative in a meeting in accordance with their constitution agreeing to accept a further 66 million shares in consideration of the balance $660,000. Finalisation of the transaction is subject to ongoing due diligence to be completed within 30 days and also the issue of the consideration shares subject to the shareholder approval.
- On 14 September 2010 a share placement was completed raising $100,000 in working capital through the issue of 10,000,000 ordinary shares at $0.01 each.
- On 25 September 2010 the Company announced that it had appointed New York Crucible Capital to raise a total of US$10,000,000 for an equity position in the TeleMedCare Group. The TeleMedCare group raising will be non-dilutive to Company's shareholders and is expected to close before the end of 2010.
- On 25 September 2010 the Company announced that subject to a shareholder approval, it had reached an agreement with Global Trading Strategies Pty Ltd to take up a long-term cornerstone investment of up to 19.9% interest with shares to be subscribed for at $0.008 each and a 1:2 attaching options exercisable at $0.008 on or before 31 December 2015.
- On 27 October 2010 a share placement was completed raising $499,765 in working capital through the issue of 62,470,537 ordinary shares at $0.008 each.
- On 23 November 2010 the Company advised that it will not be proceeding with the planned acquisition of the Halcion Pty Ltd, as announced on 16 September 2010. The Company also advised that it has formally terminated all relationship with Global Trading Strategies Pty Ltd and will not be proceeding with the planned placement as announced on 25 September 2010.

DIRECTORS' REPORT
(continued)

- On 29 November 2010 the Company announced that its Canadian subsidiary, Stirling Pharma Inc was granted the Establishment Licence allowing the Company to commence its operations as a cGMP pharmaceutical manufacturer with a full approval for the manufacture, packaging and distribution of pharmaceutical drugs for human or veterinary use.
- On 14 December 2010 the Company announced that it was in the process of securing a funding of up to $6 million, through a placement of sophisticated investors and through a rights issue to shareholders.
- On 22 December 2010 the Company announced that the previously announced funding with New York broker on 25 September 2010, on advice has increased from $10 million to $15 million. The expected closing date has been extended until the end 2011 first quarter.
- On 10 March 2011 the Company announced the closure of $3 million placement funding with an expected oversubscription. The placement was completed at $0.004 per share with an attaching 1:2 option exercisable on or before 31 December 2015.
- On 6 April 2011 the Company announced the offer for the eligible shareholders to participate in a Share Purchase Plan ("SPP") for a minimum subscription of $2,000 up to a maximum subscription of $15,000 worth of shares at $0.004 per share.
- On 13 May 2011 the Company announced that it had received a total of $630,764 in subscriptions from the Share Purchase Plan.
- On 30 May 2011 the Company announced that together with its joint venture partner, Zodiac Capital Limited, it has entered into a conditional agreement with Canadian based Immune Network Limited with regard to STI exclusively licensed ImmunoXel product together with an improved formulation of ImmunoXel developed through recent work by Immune Network.
- On 2 June 2011 the Company announced the resignation of an Executive Director, Mr Gulshan Jugroo.
- On 15 June 2011 the Company announced that together with its joint venture partner, Zodiac Capital Limited, it has entered into a conditional Agreement with a St Petersburg based Cice Group company for the exclusive use of the joint venture's licensed High Density Aerosol (HDA) for the pulmonary delivery of a proprietary for of deltaran, used for treatment of brain damage, dementia and Alzheimer's disease.
- On 22 June 2011 the Company announced the conditional Purchase Offer Term Sheet with Group Neat of Spain for the sale of 80% of TeleMedCare for $3,000,000. The terms of sale are subject to the completion of due diligence and the agreement of the respective Boards to the transaction. The Company is also further required to provide that the sale be clear of all encumbrances, and present a balance sheet free of debt, promissory notes and other liabilities.

Post Balance Date Events

- On 25 July 2011 Mr Robert Whitton of William Buck was appointed Voluntary Administrator by the Company effective immediately.
- On 23 August 2011 the Company was suspended from Official Quotation on Australian Stock Exchange ("ASX").
- On 17 November 2011 Voluntary Administrator for the Company announced that on 6 October 2011, creditors resolved to execute a Deed of Company Arrangement ("DOCA") which was executed on 27 October 2011. The DOCA provides for the recapitalisation and relisting of the company on ASX.
- On 3 February 2012 Voluntary Administrator for the Company announced that the Company's creditors have accepted a proposal for the relisting of the company on the ASX, submitted by Virtus Capital Pty Ltd. The proposal to the shareholders, will seek for the consolidation of existing shares via a shareholder meeting.
- On 5 July 2012, the ASX advised Virtus the Business Case presented required further revision in order to satisfy the ASX Listing Rules. By November 2012 Virtus advised STI it was unable to complete the relisting.
- On 15 November 2012, creditors resolved to vary the existing DOCA and resolved to accept a proposal submitted by Autus Capital Pty Ltd ("Autus"). A varied DOCA was executed on 4 December 2012. Following failed attempts to relist the company and find suitable injections of assets and cash, Autus nominated Montrose Investments Group Pty Ltd ("Montorse") around August 2013 as it nominee to complete the DOCA. Montrose has continued to work with an interested party to inject into STI cash and assets.
- On 15 January 2014 STI notified shareholders that as a result of negotiations undertaken by the Montrose entered into a binding Letter of Intent with the owners of a new method in virus detection technology known as REVAC (Rapid Enhanced Viral Amplification Culture). Due diligence and documentation of the transaction is currently underway and upon successful completion, the transaction will be subject to shareholders approval at a General Meeting held pursuant to Listing Rule 11.1.3.
- On 17 September 2015, the DOCA was concluded on the establishment of the Creditors'Trust Fund and control of the company returned to the Company's directors and officers. The Company announced the appointment of Peter Dykes, Peter Torney and Timothy Shaw as directors.
- On 27 November 2015, the Company announced it has entered into share sale and purchase agreement (Agreement) to acquire 100% of the issued capital of Mx360 Group Pty Limited which is a start-up technology development company with a specific focus on developing an internet based trading platform for application globally.

Contingent liabilities

The Company is not aware of any contingent liabilities as at the date of this report.

DIRECTORS' REPORT
(continued)

Future Developments

On 27 November 2015, the Company announced it has entered into share sale and purchase agreement (Agreement) to acquire 100% of the issued capital of Mx360 Group Pty Limited (Mx360), which is a start-up technology development company with a specific focus on developing an internet based trading platform for application globally (Acquisition).

In consideration for Stirling acquiring Mx360, Stirling has agreed issue to Mx360 shareholders, 80,000,000 Stirling shares at a deemed issue price of $0.10 per share.

Completion of the Acquisition is subject to a number of conditions, including:

- the Mx360 Shareholders providing written confirmation from any relevant counterparties that none of the material contracts of Mx360's business will be terminated as a result of the Proposed Transaction and procuring the written consents of material contract counterparties or third parties to the Proposed Transaction (if required);
- the completion of the Public Offer;
- the Company entering into employment agreements with each of Wesley Culley and James McCarron;
- Mx360the release of all encumbrances over Mx360 Shares and the assets and undertaking of Mx360;
- the Company obtaining any regulatory approvals and satisfying all requirements under the Corporations Act and the ASX Listing Rules (including all appropriate or necessary waivers) for the transactions contemplated by:
    - the Acquisition Agreement;
    - the Prospectus;
    - the Public Offer; and
    - this Notice of Meeting.
- STI Shareholders approving all of the Resolutions set out in the Notice of Meeting;
- STI conducting due diligence on Mx360 and satisfying itself as to the assets, liabilities, financial position and prospects of Mx360 and its business;
- the Mx360 Shareholders entering into any restriction agreements required by the ASX or the Company;
- there being no material adverse change in relation to the business of Mx360, or Mx360 in the period up to Completion (in each case, other than the transactions contemplated in the Acquisition Agreement, this Notice of Meeting and the Prospectus);
- all of the warranties given by Mx360 shareholders remain true and correct at all times until completion;
- ASX confirmation that it is satisfied that the Company has re-complied with chapters 1 and 2 of the ASX Listing Rules and that suspension of trading in shares in the Company will cease with effect from or before Completion.

The shareholder meeting will be held on 31 December 2015.

Environmental Regulation

The Company's environmental obligations are regulated under both State and Federal law. The Company's policy is to exceed compliance with its environmental performance obligations. No environmental breaches have been notified by any Government agency to the date of this report.

DIRECTORS' REPORT
(continued)

Options over Ordinary Shares

UNISSUED SHARES

As at the date of this report, the unissued ordinary shares of Stirling Products Limited under option are as follows:

Grant Date	Expiry Date	Exercise Price	Number under option
1 March 2010	31 December 2015	$16.00	210,507
			210,507

The options do not entitle the holder to participate in any share issue of the Company or any other body corporate.

SHARES ISSUED AS A RESULT OF THE EXERCISE OF OPTIONS

During the financial year options no ordinary shares in the Company were issued on exercise of options.

Indemnification and Insurance of Directors and Officers

No insurance premiums were paid by Stirling Products Limited to insure Directors and Officers of the Company.

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor against a liability incurred as the auditor.

Non-audit services

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

Auditor's Independence Declaration

The auditor's independence declaration is included on page 14 of the financial report.

DIRECTORS' REPORT
(continued)

REMUNERATION REPORT

This Remuneration Report outlines the director and executive remuneration arrangements of the Company and the Group in accordance with the requirements of the *Corporations Act 2001* and its Regulations. It also provides the remuneration disclosures required by paragraphs Aus 25.4 to Aus 25.7.2 of AASB 124 *Related Party Disclosures*, which have been transferred to the Remuneration Report in accordance with Corporations Regulation 2M.6.04. For the purposes of this report Key Management Personnel (KMP) of the Group are the directors and the company secretary.

Remuneration Philosophy

The performance of the Company depends upon the quality of its Directors and Executives. To prosper, the Company must attract, motivate and retain highly skilled Directors and Executives.

To this end, the Company embodies the following principles in its remuneration framework:

- Provide competitive rewards to attract high calibre executives
- Link executive rewards to shareholder value
- Establish appropriate, demanding performance hurdles in relation to variable executive remuneration

Due to the early stage of development which the Company is in, Shareholder wealth is directly affected by the Company share price, as the Company is not in a position to pay dividends. By remunerating Directors and Executives in part by share based payments, the Company aims to align the interests of Directors and Executives with Shareholder wealth, thus providing individual incentive to perform and thereby improving overall Company performance and associated value. Further due to the early stage of development of the Company, it is not considered appropriate or beneficial for Directors and Executives' remuneration to be linked to specific Company performance targets, and as such there is no link between Company performance and remuneration levels of Directors and Executives.

Remuneration Committee

The Remuneration and Nomination Committee of Stirling Products Limited is responsible for monitoring, reviewing and recommending to the Board, remuneration arrangements for Board members (Executive and Non-Executive) and senior management, as well as the Group's remuneration and incentive schemes. The remuneration of individual Non-Executive Directors is ultimately determined by the Board and, in aggregate, by the shareholders, in accordance with Company's Constitution.

The Remuneration and Nomination Committee assess the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring the maximum stakeholder benefit from the retention of a high quality Board and executive team.

Remuneration structure

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

NON-EXECUTIVE DIRECTOR REMUNERATION

Objective

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain directors to the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Structure

The Constitution and the ASX Listing Rules specify that the aggregate directors' fees payable to non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The latest determination was at the Annual General Meeting held on 29 November 2004 when shareholders approved an aggregate directors' fees payable of $200,000 per year.

The amount of aggregate directors' fees sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The Board may consider advice from external consultants as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

Each non-executive director receives a fee for being a director of the Company. No additional fees are currently paid for directors sitting on Board committees. However, if a Director performs extra or special services beyond their role as a director, the Board may resolve to provide additional remuneration for such services.

DIRECTORS' REPORT
(continued)

The remuneration of non-executive directors for the periods ended 30 June 2011 and 30 June 2010 are detailed in Table 1 and Table 2 respectively on page 12 of this report.

EXECUTIVE REMUNERATION

Objective

The Company aims to reward executives (both directors and Company executives) with a level and mix of remuneration commensurate with their position and responsibilities within the Company and so as to:

- Reward executives for Company performance;
- Align the interest of executives with those of shareholders; and
- Ensure total remuneration is competitive by market standards.

Structure

Executive remuneration consists of both fixed and variable elements.

Fixed Remuneration

Objective

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

Fixed remuneration is reviewed annually or upon renewal of fixed term contracts by the Remuneration Committee and the process consists of a review of Company and individual performance, relevant comparative remuneration in the market and internal policies and practices.

Structure

Executives are given the opportunity to receive their fixed remuneration in a variety of forms including cash and fringe benefits. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Company.

The fixed remuneration for executive directors and other specified executives is detailed in Tables 1 and 2 on page 12 of this report.

Variable Remuneration

Objective

The objective of variable remuneration provided is to reward executives in a manner which aligns this element of remuneration with the creation of shareholder wealth.

Structure

Variable remuneration may be delivered in the form of options or cash bonus.

There were no incentive options issued to directors or executives during the years ended 30 June 2011 or 30 June 2010.

Employment Contracts

Peter Boonen the Managing Director is employed under a 2 year contract which was entered into on 9 February 2009. Peter is entitled to an annual remuneration of $250,000 plus 9% compulsory superannuation. During the period Peter received $168,925.

Gulshan Jugroo an Executive Director and Chief Financial Officer is employed under a 2 year contract which was entered into on 9 February 2009. Gulshan is entitled to an annual remuneration of $100,000 plus 9% compulsory superannuation. During the period to 1 June 2011, Gulshan received $77,424.

Neil Covey an Executive Director is entitled to an annual remuneration package of $150,000. During the period Neil received $60,000. Neil resigned on 30 June 2011.

Glyn Tonge a Non-Executive Director is entitled to GBP 2,600 per month. During the period Glyn received $20,969. Glyn resigned on 30 June 2011.

DIRECTORS' REPORT
(continued)

Other Contracts of Service

John Diasinos is an employee of Zodiac Capital Limited which provides his services to the Group.

John Diasinos is entitled to an annual remuneration of $150,000 plus 9% compulsory superannuation. During the period John was paid $136,500.

Key Management Personnel Remuneration

TABLE 1: REMUNERATION FOR THE YEAR ENDED 30 JUNE 2011 (CONSOLIDATED)

For the year ended 30 June 2011	Short Term				Share Based Payment	Total
	Salary, Fees & Commissions	Non-Monetary	Superannuation	Post Employment	Shares	
Executive Directors	$	$	$	$	$	$
Peter Boonen	168,925	-	11,458	-	-	180,383
Gulshan Jugroo (resigned 01/06/2011)	77,424	-	-	-	-	77,424
Neil Covey (resigned 30/06/2011)	60,000	-	-	-	-	60,000
Non-Executive Directors						
Glyn Tonge (resigned 30/06/2011)	20,969	-	-	-	-	20,969
Total	**327,318**	**-**	**11,458**	**-**	**-**	**338,776**

TABLE 2: REMUNERATION FOR THE YEAR ENDED 30 JUNE 2010 (CONSOLIDATED)

For the year ended 30 June 2010	Short Term				Share Based Payment	Total
	Salary, Fees & Commissions	Non-Monetary	Superannuation	Post Employment	Shares	
Executive Directors	$	$	$	$	$	$
Peter Boonen	136,142	-	22,500	-	125,000	283,642
Gulshan Jugroo	66,667	-	9,000	-	33,333	109,000
Neil Covey (appointed 11/09/2009)	50,000	-	-	-	22,500	72,500
Non-Executive Directors						
Glyn Tonge (appointed 03/03/2009)	19,395	-	-	-	-	19,395
George Karantzias (resigned 11/09/2009)	-	-	-	-	22,500	22,500
Total	**272,204**	**-**	**31,500**	**-**	**203,333**	**507,037**

In the year ended 30 June 2010, all key management personnel were remunerated by the parent company except for Peter Boonen who received $11,142 from Stirling Canada Inc.

DIRECTORS' REPORT
(continued)

TABLE 3: COMPENSATION OPTIONS - GRANTED AND VESTED DURING THE YEAR (CONSOLIDATED)

No compensation options were granted or vested during the year ended 30 June 2011 or 30 June 2010.

OPTIONS GRANTED AS PART OF REMUNERATION

There were no options granted as part of remuneration and no previously granted options were exercised or lapsed during the current year.

There were no alterations to the terms and conditions of options granted as remuneration since their grant date.

There were no forfeitures during the period.

The maximum grant, which will be payable assuming that all service criteria are met, is equal to the number of options granted multiplied by the fair value at the grant date. The minimum grant payable assuming that service criteria are no met is zero.

SHARES ISSUED ON EXERCISE OF COMPENSATION OPTIONS

No compensation options were exercised during the year.

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

For and on behalf of the Directors

Peter Torney
Director

Sydney, 22 January 2016

Level 6, 350 Kent Street
Sydney NSW 2000

87- 89 Lyons Road
Drummoyne NSW 2047

KS Black & Co

Chartered Accountants
ABN: 57 446 398 808

20 Grose Street
North Parramatta NSW 2151

PO Box 2210
Parramatta NSW 1750

UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF STIRLING PRODUCTS LIMITED
A.B.N. 32 077 105 429
AND CONTROLLED ENTITIES

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2011 there have been no contraventions of:

i. the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
ii. any applicable code of professional conduct in relation to the audit.

K.S. Black & Co
Chartered Accountants

Sam Danieli
Partner

Sydney, 22 January 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year Ended 30 June 2011

	Note	Consolidated 2011 $	Consolidated 2010 $
Revenue	4(a)	968,229	246,967
Cost of goods sold		(270,097)	(42,306)
Other comprehensive income		-	-
Gross profit		698,132	204,661
Other Income	4(b)	697,126	204,096
Research and development expenses		(357,090)	(821,205)
Commercialisation expenses		(424,534)	(326,693)
Business development expenses		(2,479,268)	(1,514,330)
Corporate and administrative expenses		(6,355,482)	(2,546,016)
Finance costs	4(c)	(14,349)	(34,607)
Impairment of receivable from associates	12	-	(253,530)
Impairment of intangible assets	15	(5,414,658)	(2,780,860)
Loss before income tax expense	5	**(13,650,123)**	**(7,868,484)**
Income tax expense	5	-	-
Loss from continuing operations		**(13,650,123)**	**(7,868,484)**
Other comprehensive income			
Foreign currency translation differences for foreign operations		(94,576)	-
Total comprehensive loss for the period		**(13,744,699)**	**-**
Loss attributable to non controlling interests		1,658,620	-
Loss attributable to equity holders of the company		**(12,086,079)**	**(7,868,484)**
Basic and diluted loss per share (cents per share)	23	(0.76)	(0.99)

The above Statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

	Note	Consolidated 2011 $	2010 $
Current Assets			
Cash and cash equivalents	6	21,800	240,736
Trade and other receivables	7	430,606	221,108
Inventories	8	595,571	303,276
Assets held for resale	9	-	124,180
Other	10	385,504	735,652
Total Current Assets		1,433,481	1,624,952
Non-Current Assets			
Land & Buildings	11	3,400,980	3,654,188
Plant and equipment	14	1,950,070	1,997,594
Other	16	30,117	37,561
Total Non-Current Assets		5,381,167	5,689,343
TOTAL ASSETS		**6,814,648**	**7,314,295**
Current Liabilities			
Trade and other payables	17	4,590,942	1,166,077
Borrowings	18	1,161,875	974,925
Provisions	19	111,007	44,996
Total Current Liabilities		5,863,824	2,185,998
Non-Current Liabilities			
Borrowings	18	8,128,775	4,040,420
Provisions	19	429,673	496,105
Total Non-Current Liabilities		8,558,448	4,536,525
TOTAL LIABILITIES		**14,422,272**	**6,722,523**
NET ASSETS		**(7,607,624)**	**591,772**
Equity			
Issued Capital	20	42,671,872	36,368,241
Reserves	21	1,691,813	1,625,025
Accumulated losses	22	(49,487,576)	(37,401,497)
Total equity attributable to equity holders of the company		(5,123,891)	591,772
Non controlling interest		(2,483,733)	-
TOTAL EQUITY		**(7,607,624)**	**591,772**

The above Statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended 30 June 2011

	Share Capital	Reserves	Foreign currency translation reserve	Retained Earnings	Non controlling interest	Total Equity
Consolidated	$	$	$	$	$	$
Balance at 1 July 2009	**29,429,479**	**1,588,535**	**36,493**	**(29,533,013)**	**-**	**1,521,494**
Total comprehensive income for the period						
Profit of (loss) for the year ended 30 June 2010	-	-	-	(7,868,484)	-	(7,868,484)
Total other comprehensive income						
Foreign currency translation difference	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	(7,868,484)	-	(7,868,484)
Transactions with owners, recorded in equity						
Contributions by and distributions to owners						
Issue of ordinary shares net of costs	4,779,927	-	-	-	-	4,779,927
Issue of convertible notes net of costs	878,000	-	-	-	-	878,000
Share-based payments transactions	1,045,500	-	-	-	-	1,045,500
Share options exercised	235,335	-	-	-	-	235,335
Total transactions with owners	6,938,762	-	-	-	-	6,938,762
Balance at 30 June 2010	**36,368,241**	**1,588,535**	**36,493**	**(37,401,497)**	**-**	**591,772**
Balance at 1 July 2010	**36,368,241**	**1,588,535**	**36,493**	**(37,401,497)**	**-**	**591,772**
Total comprehensive income for the period						
Profit of (loss) for the year ended 30 June 2011	-	-	-	(12,086,079)	(1,658,620)	(13,744,699)
Total other comprehensive income						
Foreign currency translation difference	-	-	66,785	-	-	66,785
Non controlling interest in subsidiary	-	-	-	-	(825,113)	(825,113)
Total comprehensive income for the period	-	-	66,785	(12,086,079)	(2,483,733)	(14,503,027)
Transactions with owners, recorded in equity						
Contributions by and distributions to owners						
Issue of ordinary shares net of costs	4,539,734	-	-	-	-	4,539,734
Issue of convertible notes net of costs	-	-	-	-	-	-
Share-based payments transactions	1,735,897	-	-	-	-	1,735,897
Share options exercised	28,000	-	-	-	-	28,000
Total transactions with owners	6,303,631	-	-	-	-	6,303,631
Balance at 30 June 2011	**42,671,872**	**1,588,535**	**103,278**	**(49,487,576)**	**(2,483,733)**	**(7,607,624)**

The above Statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended 30 June 2011

		Consolidated	
	Note	2011 $	2010 $
Cash flows from operating activities			
Receipts from customers		689,000	250,881
Payments to suppliers and employees		(4,555,278)	(4,347,950)
Interest received		7,000	17,253
Other – grant received		301,000	-
Net cash used in operating activities	6(b)	(3,558,278)	(4,079,816)
Cash flows from investing activities			
Proceeds from sale of plant and equipment		73,000	267
Purchase of plant and equipment		(41,000)	(2,019,860)
Purchase of investments		(59,000)	(219,923)
Proceeds from disposal of investments		126,000	-
Receipts of deposits		-	(11,699)
Purchase of property		-	(3,688,248)
Advances to associated entity		(766,000)	(333,530)
Net cash used in investing activities		(667,000)	(6,272,993)
Cash flows from financing activities			
Proceeds from issue of shares		2,046,000	5,061,551
Proceeds from exercise of options		28,000	235,334
Proceeds from issue of convertible notes		-	654,000
Capital raising expenses		(156,658)	(139,965)
Proceeds from borrowings		2,640,000	3,903,570
Repayment of borrowings		(551,000)	(57,586)
Net cash provided by financing activities		4,006,342	9,656,904
Net (decrease) / increase in cash and cash equivalents held		(218,936)	(695,905)
Cash and cash equivalents at the beginning of the financial year		240,736	936,641
Net foreign exchange differences		-	-
Cash and cash equivalents at the end of the financial year	6(a)	**21,800**	**240,736**

The above Statement should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2011

1. CORPORATE INFORMATION

The financial statements were authorised for issue in accordance with a resolution of the directors on 22 January 2016.

Stirling Products Limited (the Company) is a company limited by shares, incorporated in Australia, whose shares are publicly traded on the Australian Stock Exchange.

The nature of operations and principal activities are set out in the Directors' Report.

Stirling Products Limited's registered office and principal place of business is:
Level 11, 216 St Georges Terrace
Perth, WA 6000

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation
The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report has been prepared on a historical cost basis.

The financial report is presented in Australian dollars unless otherwise stated.

Going Concern

The financial report has been prepared on a going concern basis which contemplates the realisation of assets and settlements of liabilities in the ordinary course of business. For the year ended 30 June 2011 Stirling Products Limited incurred a loss of $12,086,079 and had net liabilities at 30 June 2011 of $7,607,624.

The ability of the company to continue as a going concern is principally dependent upon the ability of the company to secure funds by raising capital from equity markets and managing its cash flow. These conditions indicate a material uncertainty that may cast significant doubt about the ability of the company to continue as a going concern.

The directors consider the going concern basis as appropriate based on the company undertaking and completing the following.

On 23 December 2015, the Company issued a prospectus for the public offer of shares to raise a minimum of $3 million and up to $4M (**Prospectus**). On completion of this capital raising, the Company will have sufficient working capital to for its first two years of operating the new OrContra business. The timing of completion of the public offer is contingent on:

- Satisfying the concerns raised by ASIC in the Interim Stop Order issued on 14 February 2016 in relation to the Prospectus dated 23 December 2015. While the Interim Stop Order remains in place, the Company will make no offers, issues, sales or transfers of shares under the Prospectus.

- Completion of the requirements of Chapters 1 & 2 of the ASX Listing Rules.

- Conditional approval from ASX for reinstatement of the Company's shares to ASX quotation.

In the meantime, the Company continues to receive financial support from its directors.

The requirement to raise capital in the future will be dependent on a number of factors, including the outcomes of sales success operational and development activities, regulatory developments and market and general economic conditions.

Should the company be unable to continue as a going concern it may be required to realise its assets and discharge its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or to the amount and classification of liabilities that might result should the company be unable to continue as a going concern and meet its debts as and when they fall due.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

Statement of compliance

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

New Accounting Standards and Interpretations

In the current year, the new and revised Standards and Interpretations have been issued by the Australian Accounting Standards Board (the AASB).
The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the financial statements of the Company or the Group.

Cash and Cash Equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flow, cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within interest bearing loans and borrowings on the statement of financial position.

Earnings per Share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

Employee Benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months 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.

Investments and Other Financial Assets

Investments and financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are categorised as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Designation is re-evaluated at each financial year end, but there are restrictions on reclassifying to other categories.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

Recognition and Derecognition
All regular way purchases and sales of financial assets are recognised on trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases and sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place. Financial assets are derecognised when the right to receive cash flows from the financial assets has expired or been transferred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired. These are included in current assets, except for those with maturities greater than 12 months after balance date, which are classified as non-current.

Financial instruments issued by the Company

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

Transaction costs on the issue of equity instruments
Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

Foreign currency

Functional and presentation currency
Both the functional and presentation currency of Stirling Products Limited and its Australian subsidiaries is Australian dollars ($). The Canadian subsidiaries' functional currency is Canadian dollars which is translated to the presentation currency (see below).

Transactions and balances
All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

Exchange differences are recognised in profit or loss in the period in which they arise.

Translation of Group companies' functional currency to presentation currency
The results of the Canadian subsidiaries are translated to Australian dollars as at the date of each transaction. Assets and liabilities are translated at exchange rates prevailing at statement of financial position date.

Exchange variations resulting from the translation are recognised in the foreign currency translation reserve in equity.
On consolidation, exchange differences arising on translation of the net investment in the Canadian subsidiaries are taken to the foreign currency translation reserve. If a Canadian subsidiary were sold, the proportionate share of exchange differences would be transferred out of equity and recognised in the statement of profit or loss and other comprehensive income.

Government grants

Government grants are recognised in the statement of financial position as a liability when the grant is received.

Government grants are assistance by the government in the form of transfers of resources to the Group in return for past or future compliance with certain conditions relating to the operating activities of the entity. Government grants include government assistance where there are no conditions specifically relating to the operating activities of the Group other than the requirement to operate in certain regions or industry sectors.

Government grants relating to expense items (research and development grants for operations) are recognised as income over the periods necessary to match them with the related costs on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised as income of the period in which it becomes receivable. When the grant relates to an asset (capital assistance grants) the fair value is recognised as a reduction in the cost of the related asset.

Income tax credits from scientific research and development expenditures are recorded in the period received as other income.

Impairment of assets

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.
If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

Income Tax and Other Taxes

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the statement of financial position date.

Deferred income tax is provided on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- When the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting or taxable profit or loss; or
- When the taxable temporary difference is associated with investments in subsidiary and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting or taxable profit or loss; or
- When the deductible temporary difference is associated with investments in subsidiary, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each statement of financial position date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply to the year when the asset is realised or liability is settled, based on tax rate (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

Deferred tax assets and liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the consolidated group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Goods and Services Tax (GST)
Revenues, expenses and assets are recognised net of the amount of GST, except:

- when the amount of GST incurred on a purchase of goods or services is not recoverable from the Australian Tax Office, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated inclusive of GST.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

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

Cash flows are presented in the statement of cash flow on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

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

Intangibles

In this Reporting Period, Management has adopted a policy to write off all Intellectual Property and Patent values that are not directly supporting revenue generation to zero. In forward reporting periods this will be continually re-assessed and adjusted directly in relations to any future revenue as it is respectively generated.

Research and development costs
Expenditure on research activities is recognised as an expense in the period in which it is incurred. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period as incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following are demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Intangible assets acquired in a business combination
All potential intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair value can be measured reliably.

Inventory

Inventories including raw materials, work in progress and finished goods are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

Raw materials – purchase cost on a first-in, first-out basis. The cost of purchase comprises the purchase price, import duties and other taxes (other than those subsequently recoverable by the entity from taxation authorities), transport, handling and other costs directly attributable to the acquisition of raw materials. Volume discounts and rebates are included in determining the cost of purchase.

Finished goods and work in progress – cost of direct materials and labour and a proportion of variable and fixed overheads based on normal operating capacity. Costs are assigned on the basis of weighted average costs.

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

Interest in a Jointly Controlled Entity

The Group has an interest in a jointly controlled entity, the ZodSti joint venture. The Group’s share of losses is recognised as payments made on behalf of the jointly controlled entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

Leases

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

Group as a lessee
Operating lease payments, where substantially all the risk and benefits remain with the lessor, are recognised as an expense on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.
Group as a lessor
Leases in which the Group retains substantially all of the risks and benefits of ownership of the leased asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as rental income.

Payables

Trade and other payables are carried at amortised cost and due to their short term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to balance date that are unpaid, and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and usually paid within 30 days of recognition.

Principles of consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the Group, being the Company (the parent entity) and its subsidiaries. A list of subsidiaries appears in Note 24 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair values of the identifiable net assets acquired exceeds the cost of acquisition, the deficiency is credited to profit and loss in the period of acquisition.

The consolidated financial statements include the information and results of each subsidiary from the date on which the Company obtains control and until such time as the Company ceases to control such entity.

In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the Group are eliminated in full.

Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on plant and equipment. Depreciation is calculated on a straight line or declining balance basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period. The useful life of plant and equipment ranges from 2 to 5 years.

Provisions

Provisions are recognised when the Group has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

Revenue Recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods
Revenue from the sale of goods is recognised when there is persuasive evidence indicating that there has been a transfer of risks and rewards of ownership to the customer, no further work or processing is required, the quantity and quality of the goods has been determined, the price is fixed and generally title has passed.

Interest revenue
Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

Rental revenue
Rental revenue from leased assets is recognised on a straight line basis over the lease term.

Share-based payments

Equity-settled share-based payments are measured at fair value at the date of grant. Fair value is measured by use of the Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

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 shares that will eventually vest.

Trade and Other Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less an allowance for impairment.

Collectibility of receivables is reviewed on an ongoing basis. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the results of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

Significant accounting judgements

Impairment of intangible assets
The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. These include product and manufacturing performance, technology, economic and political environments and future product expectations. If an impairment trigger exists, the recoverable amount of the asset is determined.

Significant accounting estimates and assumptions

Share-based payment transactions
The Group measures the cost of equity-settled share-based payment transactions with employees by reference to the fair value of the equity instruments at the grant date. The fair value is determined by an external valuer using a Black-Scholes model. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

	Consolidated	
	2011	**2010**
	$	**$**
4. LOSS FROM OPERATIONS		
(a) Revenue		
Revenue consisted of the following items:		
Sale of goods	961,133	84,434
Rental revenue	-	26,423
Commissions received	-	107,280
Interest revenue – Bank deposits	7,096	28,830
Total Revenue	968,229	246,967
(b) Other income		
Loss before income tax has been arrived at after crediting/(charging) the following gains and losses:		
Realised foreign exchange gains	390,650	68,165
Unrealised foreign exchange gains	-	41,693
Grant received	10,133	-
Gain on sale of investment	2,992	-
Government grant received for R&D	289,351	94,238
Other	4,000	-
Total Other income	697,126	204,096
(c) Expenses		
Loss before income tax has been arrived at after charging the following expenses:		
Finance costs		
Deferred PBI consideration	-	17,302
Interest	14,349	17,305
Total Finance costs	14,349	34,607

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

5. INCOME TAX – to be updated

(a) Income tax recognised in loss

	Consolidated 2011 $	Consolidated 2010 $
The prima facie income tax expense on pre-tax accounting loss from operations reconciles to the income tax expense in the following statements as follows:		
Loss	(13,649,847)	(7,868,484)
Income tax benefit calculated at 30% (2010: 30%)	(4,094,954)	(2,360,545)
Deductible expenses	-	(1,596)
Non deductible expenses	2,655,975	28,723
Non assessable income	-	(12,508)
Impairment of intangibles	-	834,258
Impairment of receivables from associates	-	76,059
Unused tax loss not recognised as deferred tax asset	1,438,979	1,435,609
Income tax expense	-	-

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period; however, no income tax income has been recognised as it is not yet probable that the Group will generate sufficient revenue to obtain benefit from the tax losses.

(b) Deferred tax balances

The Group has not recognised any deferred tax assets or (liabilities) as the Directors have determined that it is unlikely that the Group will satisfy the requirements to obtain a tax benefit from the net deferred tax assets.

Unrecognised deferred tax balances

	2011 $	2010 $
The following deferred tax assets have not been brought to account as assets as their realisation is not regarded as probable:		
Tax losses – revenue	6,000,781	7,697,740
Deferred tax benefit on intellectual property	-	2,083,431
Total unrecognised deferred tax assets	6,000,781	9,781,171

(c) Tax Consolidation

Relevance of tax consolidation to the Group
The Group and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The head entity within the tax consolidated group is Stirling Products limited. The members of the tax consolidated group are identified at Note 24.

Nature of tax funding arrangements and tax sharing agreements
Entities within the tax consolidated group have entered into a tax funding arrangement and a tax sharing agreement with the head entity. Under the terms of the tax funding arrangement, Stirling Products Limited and each of the entities in the tax consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity. Such amounts are not currently reflected in amounts receivable from or payable to other entities in the tax-consolidated group as the Directors have determined that it is not yet probable that the Group will generate sufficient revenue to obtain benefit from the tax assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

		Consolidated 2011 $	Consolidated 2010 $
6.	**CASH AND CASH EQUIVALENTS**		
	Cash at bank and on hand	21,800	229,508
	Short term deposits	-	11,228
	Total cash and cash equivalents	21,800	240,736
(a)	*Reconciliation of cash and cash equivalents*		
	Cash and cash equivalents at the end of the financial year as shown in the statement of cash flow is reconciled to the related items in the statement of financial position as follows:		
	Cash and cash equivalents	21,800	240,736
(b)	*Reconciliation of loss for the period to net cash flows from operating activities*		
	Loss for the period	(12,086,079)	(7,868,484)
	Depreciation	30,102	124,756
	Amortisation	374,287	283,969
	Impairment of intangible assets	5,414,658	2,780,860
	Share based payments	1,735,896	625,081
	Impairment of receivables from associated entity	-	253,530
	Net unrealised foreign exchange gains	(390,650)	(41,693)
	Unrealised fair value loss	94,576	95,743
	Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses		
	Decrease / (increase) in receivables	(209,498)	(245,510)
	(Increase) / decrease in other current assets	350,148	(24,693)
	(Increase) / decrease in inventories	(292,295)	(274,181)
	Increase / (decrease) in payables	1,354,566	216,127
	Increase / (decrease) in provisions	66,011	(5,321)
	Net cash used in operating activities	(3,558,278)	(4,079,816)

		Consolidated 2011 $	Consolidated 2010 $
7.	**CURRENT TRADE AND OTHER RECEIVABLES**		
	Trade receivables	98,659	75,306
	GST receivable (net)	27,164	57,061
	Government assistance grants receivable	6,031	6,964
	Other	298,752	81,687
	Total current trade and other receivables	430,606	221,018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

7. CURRENT TRADE AND OTHER RECEIVABLES (continued)

(a) Allowance for impairment loss

Trade receivables are non-interest bearing and generally on 30-60 day terms. A provision for impairment loos is recognised when there is objective evidence that an individual trade receivable is impaired. An impairment loss of Nil (2010: Nil) has been recognised in Corporate and Administrative expenses by the Group and Nil (2010: Nil) by the Company in the current year.

	Consolidated	
	2011	**2010**
	$	**$**
At 30 June, the aging analysis of trade receivables is as follows:		
0 – 30 days	98,659	75,306
31 – 60 days	-	-
61 – 90 days	-	-
90 days and over	-	-
Total	98,659	75,306

8. INVENTORIES

	Consolidated	
	2011	**2010**
	$	**$**
Raw materials at cost	595,571	270,416
Finished goods at cost	-	32,860
Total Inventories	595,571	303,276

9. ASSETS HELD FOR RESALE

	Consolidated	
	2011	**2010**
	$	**$**
Listed shares – at market value	-	124,180
Total Assets held for resale	-	124,180

10. OTHER CURRENT ASSETS

	Consolidated	
	2011	**2010**
	$	**$**
Prepayment – Directors (a)	180,833	267,499
Prepayment – Expenses	154,116	456,454
Deposit	50,555	11,699
Total Other current assets	385,504	735,652

(a) Includes share based payment of Directors' fees of $22,500 paid in advance for the financial year end 30 June 2011 (2010: $109,166). Includes loans to Directors of $158,333 during financial year end 30 June 2011 (2010: $158,333).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

		Consolidated	
11.	**LAND AND BUILDINGS**	**2011**	**2010**
		$	**$**
	Land and buildings – at cost	1,738,891	1,996,659 *
	Less Amortisation	(29,500)	(34,060)
	Land and buildings – at cost	1,691,589	1,691,589 **
	Total Land and buildings	3,400,980	3,654,188

* During 30 June 2010 financial year, Stirling Pharma Inc acquired the land and buildings of a pharmaceutical manufacturing in Sydney, Nova Scotia, Canada.

** During 30 June 2010 financial year, Stirling Products Limited acquired the Strata Title properties at Level 17, 16 O'Connell Street, Sydney Australia.

		Consolidated	
12.	**NON-CURRENT RECEIVABLES**	**2011**	**2010**
		$	**$**
	Receivable – associated entity (a)	135,000	253,530
	Allowance for impairment loss (b)	(135,000)	(253,530)
	Total Non-Current receivables	-	-

(a) The repayment of the loan made to an associated entity, which arises as a result of expenditure incurred by the Company on behalf of the associated entity, is subject to an informal arrangement between the Company and the associated entity. The net amount to be repaid will depend on expenses incurred by the Company on behalf of the associated entity. Accordingly the amount due has been disclosed as a non-current asset.

(b) An allowance for impairment loss has been recognised in the current year in relation to the receivable from an associated entity. The allowance for impairment was recognised to the extent that the respective receivable exceeded the net assets of the associate entity, excluding the liability to the parent.

		Consolidated	
13.	**INVESTMENT IN SUBSIDIARIES**	**2011**	**2010**
		$	**$**
	Investment in controlled entities – at cost (Note 24)	-	-
	Impairment loss on investment in controlled entities	-	-
	Total Investment in subsidiaries	-	-

The Group has allowed for the full impairment of the carrying value of its subsidiaries. The carrying values will be re-assessed once the subsidiaries are generating revenue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

14. PLANT AND EQUIPMENT

	Consolidated 2011 $	2010 $
Office furniture and equipment – at cost	127,801	143,024
Accumulated depreciation	(13,676)	(15,790)
Net carrying amount	114,125	127,234
Computer equipment – at cost	113,327	127,616
Accumulated depreciation	(53,250)	(53,165)
Net carrying amount	60,077	74,451
Leasehold improvements – at cost	715	825
Accumulated depreciation	(214)	(247)
Net carrying amount	501	578
Plant and manufacturing equipment – at cost	2,095,045	1,969,454
Accumulated depreciation	(336,006)	(192,974)
Net carrying amount	1,759,039	1,776,480
Motor Vehicle – at cost	19,208	22,178
Accumulated depreciation	(2,880)	(3,327)
Net carrying amount	16,328	18,851
Total plant and equipment – at cost	2,356,096	2,263,097
Accumulated depreciation	(406,026)	(265,503)
Net carrying amount	1,950,070	1,997,594

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

	Consolidated 2011 $	Consolidated 2010 $
14. PLANT AND EQUIPMENT (continued)		
(a) Movements in carrying amounts		
Movements in carrying amounts for each class of plant and equipment between the beginning and the end of the current financial year.		
Office furniture and equipment		
Balance at the beginning of the year	127,234	30,541
Additions	-	130,770
Exchange differences	-	393
Depreciation expense	(13,109)	(34,470)
Balance at the end of the year	114,125	127,234
Computer equipment		
Balance at the beginning of the year	74,451	12,429
Additions	-	117,840
Exchange differences	-	336
Depreciation expense	(14,374)	(56,154)
Balance at the end of the year	60,077	74,451
Leasehold improvements		
Balance at the beginning of the year	578	717
Additions	-	-
Exchange differences	-	26
Depreciation expense	(77)	(165)
Balance at the end of the year	501	578
Plant and manufacturing equipment		
Balance at the beginning of the year	1,776,480	26,895
Additions	-	1,748,625
Exchange differences	-	960
Depreciation expense	(17,441)	-
Balance at the end of the year	1,759,039	1,776,480
Motor Vehicle		
Balance at the beginning of the year	18,851	-
Additions	-	22,178
Depreciation expense	(2,523)	(3,327)
Balance at the end of the year	16,328	18,851

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

14. PLANT AND EQUIPMENT (continued)	**Consolidated 2011 $**	**2010 $**
Total Plant and equipment		
Net carrying value at the beginning of the year	1,997,594	70,582
Additions	-	2,019,413
Exchange differences	-	1,715
Depreciation expense	(47,524)	(94,116)
Net carrying value at the end of the year	1,950,070	1,997,594

15. INTANGIBLE ASSETS	**Consolidated 2011 $**	**2010 $**
Patents – at cost (i)	4,072,623	4,000,000
Accumulated amortisation	(1,497,972)	(1,481,640)
Allowance for impairment	(2,574,651)	(2,518,360)
Net carrying amount	-	-
Licenses – at cost	12,602,316	12,602,316
Accumulated amortisation	(12,339,816)	(12,339,816)
Allowance for impairment	(262,500)	(262,500)
Net carrying amount	-	-
Research and development – at cost	5,083,196	41,757
Accumulated amortisation	(2,505,689)	(41,757)
Allowance for impairment	(2,577,507)	-
Net carrying amount	-	-
Total intangible assets – at cost	21,758,135	16,644,073
Accumulated amortisation	(16,343,477)	(13,863,213)
Allowance for impairment	(5,414,658)	(2,780,860)
Net carrying amount	-	-

(i) Patents for Provale in the amount of $1,896,111 which had been fully amortised in 2009 and have been written off in 2010 as the Group no longer intends to pursue their commercialisation. Amortisation is included in the line item 'commercialisation expenses' in the statement of profit or loss and other comprehensive income and is disclosed in Note 4 (c) to the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

15. INTANGIBLE ASSETS (continued)

	Consolidated 2011 $	Consolidated 2010 $

(a) Movements in carrying amounts

Movements in carrying amounts for each class of intangible asset between the beginning and the end of the current financial year.

	2011 $	2010 $
Patents		
Balance at the beginning of the year	-	2,785,026
Amortisation expense	-	(266,666)
Impairments	-	(2,518,360)
Balance at the end of the year	-	-
Licenses		
Balance at the beginning of the year	-	-
Additions	262,500	262,500
Impairment	(262,500)	(262,500)
Balance at the end of the year	-	-

(b) Recoverable amount of intangible assets

The Group allowed for the full impairment of the carrying value of its Intellectual Property and Patent intangibles to Nil. Although there is argument of significant potential value in these properties, management have taken the position of only valuing these intangibles against revenues that can be directly attributed to them.

As in the current reporting period there is no such revenue the value remains at the written back value of Nil.

16. OTHER ASSETS

	Consolidated 2011 $	Consolidated 2010 $
Prepayments – Directors (i)	-	7,500
Deposits	30,116	30,060
Options	1	1
Total Other assets	30,117	37,561

17. CURRENT TRADE AND OTHER PAYABLES

	2011 $	2010 $
Trade payables and accruals (ii)	1,648,272	667,141
Deferred consideration on acquisition of PBI (iii)	260,150	309,467
Other	2,682,520	189,469
Total Current trade and other payables	4,590,942	1,166,077

(i) Includes share based payments of Directors fees for the financial years ended 30 June 2010 and 30 June 2011.

(ii) The average credit period on purchases of trade goods and services is 21 days. No interest is charged on the trade payables for the initial credit period. The group has a policy in place to ensure that all payables are paid within the credit timeframe.

(iii) Deferred consideration as at 30 June 2011 consists of USD$265,000 (2012: USD $265,000) due to the former shareholders of Progressive Bioactives Inc (PBI), a company incorporated in Canada, which was 100% acquired on 24 August 2007.

The Company is no longer proceeding with this acquisition and it is proposed to write off the outstanding obligations during the course of the current year.

Consolidated

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

18. BORROWINGS

	Consolidated 2011 $	Consolidated 2010 $
CURRENT		
Former PBI shareholder loans (i)	800,000	668,520
Mortgage – secured (iii)	361,875	306,405
Total Current borrowings	1,161,875	974,925
NON-CURRENT		
Former PBI shareholder loans (i)	-	222,840
ACOA advance (ii)	170,327	172,415
Mortgage – secured (iii)	2,750,250	3,426,165
Convertible Notes (iv)	219,000	219,000
Other – Telemedcare	4,989,198	-
Total Non-Current borrowings	8,128,775	4,040,420

(i) The loans payable to former PBI shareholders assumed by the Company on acquisition of PBI are non-interest bearing and have a face value of CAD$800,000. The loans are repayable in four instalments of CAD$200,000 on 9 February 2009, 14 December 2009, 31 March 2011 and 18 September 2011. The Company is in the process of writing off these loan obligations.

(ii) The Atlantic Canada Opportunities Agency (ACOA) marketing assistance advance is non-interest bearing CAD$154,743. The advance must be repaid in its entirety by 1 August 2015. Currently the Company is in ongoing discussions with ACOA to mutually agree to the write off of the total advance.

(iii) The mortgage is secured over the pharmaceutical plant, land and buildings of Stirling Pharma Inc. The mortgage is not supported by any cross guarantee from any other member of the Group.

(iv) As at 30 June 2011 there were 219,000 $1 convertible notes outstanding which may convert to 17,341,666 ordinary shares as follows:

- 47,000 notes with a coupon rate of 7.5% per annum which may convert to 5,875,000 ordinary shares if exercised on or before 31 December 2012.
- 172,000 notes with a coupon rate of 7.5% per annum which may convert to 11,466,666 ordinary shares if exercised on or before 31 December 2012.

Should the notes not convert to ordinary shares on or before the due date then the unconverted notes will become due for payment in the amount of $1 per note.

19. PROVISIONS

	Consolidated 2011 $	Consolidated 2010 $
CURRENT		
Employee benefits	90,742	21,598
Contingently repayable ACOA advance (a)	20,265	23,398
Total Current provisions	111,007	44,996
NON-CURRENT		
Contingently repayable ACOA advance (a)	429,673	496,105
Total Non-Current provisions	429,673	496,105

(a) The Atlantic Canada Opportunity Agency (ACOA) contingent repayable advance was acquired by the Group on acquisition of PBI. The funds were advanced to PBI during the year ended 30 June 2008 and are contingently repayable on “project success”, where “project success” is defined by specific criteria, including, but not limited to proof of concept being achieved for the scale up of activities leading to the development of a full scale production facility to produce Beta Glucans and Mannas. At 30 June 2011, “project success” had not occurred, and although management believes it to be improbable in the future, it has recognised a provision for the full amount repayable, as ACOA has not yet agreed to the amount not being payable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

20. ISSUED CAPITAL

	Consolidated 2011 $	Consolidated 2010 $
(a) Ordinary shares		
2,225,108,637 ordinary shares (2010: 1,226,683,064)	42,671,872	36,368,241

2011	No.	$
Ordinary shares		
Balance at the beginning of financial year	1,226,683,064	36,368,241
Issue of shares to Directors	-	-
Issue of shares pursuant to placement	777,612,250	4,554,734
Exercise of options	3,500,000	28,000
Issue of shares pursuant to services rendered	217,313,323	1,735,897
Share issue costs	-	(15,000)
Balance at the end of financial year	2,225,108,637	42,671,872

(i) Share based payments to service suppliers. The fair value was determined by reference to the share market price at the date of issue.

2010	No.	$
Ordinary shares		
Balance at the beginning of financial year	538,340,800	29,429,479
Issue of shares to Directors (i)	6,000,000	60,000
Issue of shares pursuant to placement	455,488,416	5,061,550
Conversion of convertible notes	127,583,333	878,000
Exercise of options	29,416,669	235,335
Issue of shares for assets	17,500,000	262,500
Issue of shares for services (ii)	40,353,846	603,000
Issue of shares for debt	12,000,000	120,000
Share issue costs	-	(281,623)
Balance at the end of financial year	1,226,683,064	36,368,241

(i) Share based payment to Non-Executive Director. The fair value was determined by reference to the share market price at the date of issue.

(ii) Share based payments to service suppliers. The fair value was determined by reference to the share market price at the date of issue.

Ordinary shares carry one vote per share and carry the right to dividends.

(b) Capital management

When managing capital, management's objective is to ensure the entity continues as a going concern, as well as to maintain optimal returns to shareholders and benefits for other stakeholders.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

20. ISSUED CAPITAL (continued)

(c) Share options

As at 30 June 2011, there were no listed options over ordinary shares issued. 238,725,000 unlisted options were issued during the 2011 financial year as free attaching options expiring on 31 December 2015, to the subscribers to the Company's share placements.

During the year options were exercised to acquire 3,500,000 ordinary shares.

As at 30 June 2011, the following options were outstanding:

- 35,000,000 unlisted options exercisable at $0.008 each exercisable by 31 December 2012
- 420,975,042 unlisted options exercisable at $0.008 each exercisable by 31 December 2015.

21. RESERVES

	Consolidated 2011 $	2010 $
(a) Share based payments reserve		
Balance at the beginning of financial year	1,581,035	1,581,035
Consultant share based payments	-	-
Balance at the end of financial year	1,581,035	1,581,035
(b) Option premium reserve		
Balance at the beginning of financial year	7,500	7,500
Issue of options to a private investor	-	-
Balance at the end of financial year	7,500	7,500
(c) Foreign currency translation reserve		
Balance at the beginning of financial year	36,493	36,493
Translation of Canadian subsidiary	66,785	-
Balance at the end of financial year	103,278	36,493
Total reserves	1,691,813	1,625,028

(d) Nature and purpose of reserves

Share based payment reserve
The share based payments reserve is used to record the value of share based payments provided to employees, including KMP, as part of their remuneration.

Option premium reserve
The option premium reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

22. ACCUMULATED LOSSES

	Consolidated 2011 $	2010 $
Balance at the beginning of financial year	(37,401,497)	(29,533,013)
Net loss attributable to members of the parent entity	(12,086,079)	(7,868,484)
Balance at the end of year	(49,487,576)	(37,401,497)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

23. LOSS PER SHARE

	Consolidated 2011 $	Consolidated 2010 $
The net loss and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:		
Net loss from continuing operations	(12,086,079)	(7,868,484)
The weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:		
Weighted average number of ordinary shares	1,595,684,354	797,882,500

The options on issue are not considered to be dilutive as they would decrease the loss per share and are therefore excluded from the weighted average number of ordinary shares used in the calculation of diluted earnings per share.

24. RELATED PARTY DISCLOSURES

(a) Controlled entities

The consolidated financial statements include the financial statements of Stirling Products Limited and the following subsidiaries:

Name of Entity & Country of Incorporation	Country of Incorporation	Book Value of Direct Investment Held 2011 $	Book Value of Direct Investment Held 2010 $	Ownership Interest 2011 %	Ownership Interest 2010 %
STI Property Pty Ltd (i)	Australia	-	-	100	100
Courage Corporation Pty Ltd (i)	Australia	-	-	100	100
Alteragon Pty Ltd (i)	Australia	-	-	100	100
Ralboway Pty Ltd (i)	Australia	-	-	100	100
STI Services Pty Ltd (i) (formerly West Oil (EP 341) Pty Ltd)	Australia	-	-	100	100
STI Operations Pty Ltd (i)	Australia	-	-	100	100
Salsti (Pty) Ltd	South Africa	-	-	100	100
7165358 Canada Inc	Canada	-	-	100	100
Stirling Animal Health Inc	Canada	-	-	100	100
Stirling North America Inc. (ii) (formerly Stirling Products North America Holdings)	Canada	-	-	100	100
Stirling Products North America Holdings Inc (formerly Stirling Products North America Inc.)	Canada	-	-	100	100
Stirling Products North America Inc (formerly Progressive BioActives Inc)	Canada	-	-	100	100
Stirling Pharma Inc (iii)	Canada	-	-	100	100
Natures Firewall Inc (iv)	Canada	-	-	100	100
Telemedcare Holdings Pty Ltd	UK	-	-	61.63	-
E-Health Services (subsidiary of Telemedcare Holdings Pty Ltd)	Australia	-	-	61.63	-
		-	-		

(i) These companies are members of the tax-consolidated group.

(ii) In August 2008, Stirling North America Inc. was incorporated as a wholly-owned subsidiary of Stirling Products Limited.

(iii) Stirling Pharma Inc was incorporated as a wholly owned subsidiary of Stirling Products Limited on 14 December 2009.

(iv) Natures Firewall Inc was incorporated as a wholly owned subsidiary of Stirling Products Limited on 19 February 2010.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

24. RELATED PARTY DISCLOSURES (continued)

(b) Ultimate parent
The ultimate parent entity of the Group is Stirling Products Limited.

(c) Key management personnel
Details relating to KMP, including remuneration paid, are included in Note 26.

(d) Transactions with related parties
The company has a 50% interest in Staminate Pty Limited, a company incorporated in South Africa. Staminate Pty Limited has not been consolidated as the company has no effective control.

On 20 February 2009 the Company entered into a Support Services agreement with Zodiac Capital Limited expiring on 20 February 2011 for the provision of premises on a fully services basis together with personnel support. Peter Boonen is a Director, and Gulshan Jugroo and Colin Bloomfield are Company Secretaries of Zodiac Capital Limited. Under the agreement Zodiac Capital Limited received a monthly fee of $12,000 for first 6 months, $15,000 per month for second 6 months. The monthly fee was subject to review on 9 February 2010. No change was made to the monthly fee of $15,000. During the period $162,000 was paid to Zodiac Capital Limited under this agreement. John Diasinos, the Company Secretary, is an employee of Zodiac Capital Limited.

On 10 March 2009 the Company entered into a Joint Venture Deed with Zodiac Capital Limited for the joint commercialisation of their product ranges. Peter Boonen is a Director and Colin Bloomfield and Gulshan Jugroo are Company Secretaries of Zodiac Capital Limited.

On 18 August 2010, the Group obtained control of Telemedcare Holdings Pty Ltd and its subsidiaries providers of E-Health Services in Australia and the United Kingdom by acquiring 61.63% of the shares and voting interests in the company.

During the period no amounts were paid in joint venture costs (2010: $278,489).

25. SEGMENT INFORMATION

(a) Description of segments
Management has determined the operating segments based on the reports reviewed by the strategic steering committee that are used to make strategic decisions.

The committee considers the business from both a product and geographic perspective and has identified two reportable segments. The committee monitors the performance in those two regions separately. Since July 2009, the animal health business has been supplemented by and healthcare products in Australia and Canada. Business IT management, design, implementation and support services are provided both in Australia and Canada and performance is also monitored separately for those two regions. Animal health consists of R-salbutamol use for animal products and is being progressed through regulatory approval processes through a joint venture in South Africa.

(b) Segment information provided to strategic steering committee
The segment information provided to the strategic steering committee for the reportable segments for the year ended 30 June 2011 is as follows:

2011	**Animal Health**		**United**	**All other**	
	Australia $	**Canada $**	**Kingdom $**	**Segments $**	**Total $**
Total segment revenue	657,466	22,702	-	280,965	961,133
Revenue from external customers	657,466	22,702	-	280,965	961,133
Adjusted EBITDA	**-**	**(1,341,102)**	**(2,705,344)**	**(2,512,397)**	**(6,558,844)**
Depreciation and amortisation	6,968	23,134	374,287	-	404,389
Impairment of assets	-	-	2,907,009	2,507,649	5,414,658
Total segment assets	**-**	**220,124**	**1,133,591**	**5,460,933**	**6,814,648**
Total segment liabilities	**-**	**2,097,515**	**1,292,207**	**1,741,900**	**5,131,622**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

25. SEGMENT INFORMATION (continued)

The segment information provided to the strategic steering committee for the reportable segments for the year ended 30 June 2010 is as follows:

2010	**Animal Health**		**Healthcare**	**All other**	
	Australia $	**Canada $**	**Canada $**	**Segments $**	**Total $**
Total segment revenue	-	110,857	-	107,280	218,137
Revenue from external customers	-	110,857	-	107,280	218,137
Adjusted EBITDA	**-**	**(883,985)**	**(380,495)**	**(2,984,330)**	**(4,248,810)**
Depreciation and amortisation	266,666	9,151	91,113	12,124	379,054
Impairment of assets	2,518,360	-	-	516,030	3,034,390
Total segment assets	**-**	**290,044**	**4,167,494**	**2,732,577**	**7,190,115**
Total segment liabilities	**-**	**23,502**	**951,746**	**731,930**	**1,707,178**

(c) Other segment information	**Consolidated 2011 $**	**2010 $**
Total segment revenue	961,133	218,137
Interest revenue	7,096	28,830
Total revenue from continuing operations (note 4)	**968,229**	**246,967**

The entity is domiciled in Australia. The amount of its revenue from external customers in Australia is $280,965 (2010: $107,280), and the total revenue form the external customers in other countries is $22,702 (2010: $110,857). Segment revenues are allocated based on the country in which they customer is located.

(i) Adjusted EBITDA
The strategic steering committee asses the performance of the operating segments based on a measure of adjusted EBITDA. This measurement basis excludes the effects of non-recurring expenditure from the operating segments such as restructuring costs, legal expense and goodwill impairments when the impairment is the result of an isolated, non-recurring event. Furthermore, the measure excludes the effects of equity-settled share-based payments and unrealised gains/(losses) on financial instruments. Interest income and expenditure are not allocated to segments, as this type of activity is driven by the central function, which manages the cash position of the Group.

A reconciliation of adjusted EBITDA to loss before income tax is provided as follows:

	Consolidated 2011 $	**2010 $**
Adjusted EBITDA	(6,558,844)	(4,248,810)
Interest revenue	7,096	28,830
Finance costs	(14,349)	(29,460)
Depreciation	(30,102)	(112,388)
Amortisation	(374,287)	(266,666)
Unrealised FX (gain)/loss	296,073	(109,857)
Unrealised financial instrument gain/(loss)	2,992	(95,743)
Impairment of assets	(5,414,658)	(3,034,390)
Loss before income tax from operations	**(12,086,079)**	**(7,868,484)**

(ii) Segment assets
The amounts provided to the strategic steering committee with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

25. SEGMENT INFORMATION (continued)

Investment in shares (classified as available-for-sale financial assets, held-to-maturity investments or financial assets at fair value through profit or loss) held by the group are not considered to be segment assets but rather managed by the treasury function.

Reportable segments' assets are reconciled to total assets as follows:

	Consolidated 2011 $	2010 $
Segment assets	6,814,648	7,190,115
Unallocated		
Available-for-sale financial assets	-	124,180
Total assets as per balance sheet	6,814,648	**7,314,295**

Total assets other than financial instruments located in Australia is $2,232,291 (2010: $2,732,577), and the total of assets located in other countries is $4,582,357 (2010: $4,457,538). Segment assets are allocated to countries based on where the assets are located.

(iii) Segment liabilities
The amounts provided to the strategic steering committee with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment and the physical location of the asset.

The Group's borrowings and derivative financial instruments are not considered to be segment liabilities but rather managed by the treasury function.

Reportable segments' liabilities are reconciled to total assets as follows:

	Consolidated 2011 $	2010 $
Segment liabilities	5,131,622	1,707,178
Unallocated		
Current borrowings	1,161,875	974,925
Non-current borrowings	8,128,775	4,040,420
Total liabilities as per balance sheet	**14,422,272**	**6,722,523**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

26. KEY MANAGEMENT PERSONNEL

(a) Details of key management personnel

The key management of Stirling Products Limited during the year was:

Peter Boonen	Managing Director / Chairman
Gulshan Jugroo	Executive Director / Company Secretary (resigned 1 June 2011)
Neil Covey	Executive Director (resigned 30 June 2011)
Prof Glyn Tonge	Non-Executive Director (resigned 30 June 2011)
John Diasinos	Company Secretary

(b) Compensation for Key Management Personnel

	Consolidated	
	2011	**2010**
	$	**$**
Short term employee benefits	338,776	272,204
Post-employment benefits	-	31,500
Share based payments	-	203,333
Total compensation	338,776	507,037

(c) Options held by Key Management Personnel

30 June 2011	**Balance at beginning of period**	**Granted as remuner-ation**	**Options exercised**	**Net change other**	**Balance at end of period**	**Vested at 30 June 2011: Total**	**Exercis-able**	**Not Exercise -able**
Gulshan Jugroo*	625,500	-	-	-	625,500	-	-	-
	625,500	-	-	-	625,500	-	-	-

*Gulshan resigned on 1 June 2011.

(c) Options held by Key Management Personnel

30 June 2010	**Balance at beginning of period**	**Granted as remuner-ation**	**Options exercised**	**Net change other**	**Balance at end of period**	**Vested at 30 June 2010: Total**	**Exercis-able**	**Not Exercise -able**
George Karantzias (i)	35,000,000	-	-	(35,000,000)	-	-	-	-
Gulshan Jugroo	625,500	-	-	-	625,500	-	-	-
	35,625,500	-	-	(35,000,000)	625,500	-	-	-

(i) Alpha Securities Pty Limited, a company associated with George Karantzias held 35,000,000 options. The “net change other” is the number of options held by Alpha Securities Pty Limited at the date of George Karanzias resignation as a Director on 11 September 2009.

(d) Shareholdings of Key Management Personnel (Consolidated)
Ordinary shares held in Stirling Products Limited (number)

30 June 2011	**Balance 1 July 2010**	**Granted as remuneration**	**On exercise of options**	**Net change other**	**Balance 30 June 2011**
Peter Boonen	46,875,000	-	-	-	46,875,000
Gulshan Jugroo	12,500,000	-	-	-	12,500,000
Neil Covey	6,000,000	-	-	-	6,000,000
Prof Glyn Tonge	-	-	-	-	-
	65,375,000	-	-	-	65,375,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

26. KEY MANAGEMENT PERSONNEL (continued)

30 June 2010	Balance 1 July 2009	Granted as remuneration	On exercise of options	Net change other	Balance 30 June 2010
Peter Boonen	46,875,000	-	-	-	46,875,000
George Karantzias (i)	7,500,000	-	-	(7,500,000)	7,500,000
Gulshan Jugroo	12,500,000	-	-	-	12,500,000
Neil Covey	-	6,000,000	-	-	6,000,000
Prof Glyn Tonge	-	-	-	-	-
	66,875,000	6,000,000	-	(7,500,000)	65,375,000

(i) George Karantzias resigned on 11 September 2009. The “net change other” reflects the share holding at the date of resignation.

(e) Loans to Key Management Personnel
During the 2010 financial year, Peter Boonen has received a loan of $125,000 and Gulshan Jugroo has received a loan of $33,333.

(f) Other transactions with Key Management Personnel and their related parties
There were no other transactions with key management personnel and their related parties during the financial year.

27. SHARE BASED PAYMENTS

The Group currently has no ownership-based remuneration scheme for executives (including executive directors) of the Company. However, the Company has previously made share-based payments to directors and executives. Each of these share options converts into one ordinary share of Stirling Products Limited on exercise. No amounts were paid or payable by the recipient on receipt of the option. 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.

There were no outstanding share options at the beginning and the end of the financial year, or the beginning and the end of the previous financial year.

28. REMUNERATION OF AUDITORS

	Consolidated 2011 $	Consolidated 2010 $
The auditor of Stirling Products Limited is K. S. Black & Co		
K. S. Black & Co	40,319	42,500
Amounts received or due and received by Deloitte Touche Tohmatsu (Australia) for:		
Audit or review of the financial report of the entity and any other entity in the consolidated group (i)	-	54,600
Amounts received or due and receivable by Brian Fogerty audit firms for:		
Audit or review of the financial report of entities within the consolidated group	-	-
	40,319	97,100

(i) K.S. Black & Co have undertaken the audit work of the company and the group from Deloitte Touche Tohmatsu (Australia) from the financial year ended 30 June 2010.
Brian Fogerty continues to provide audit services to the Canadian subsidiaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

29. FINANCIAL INSTRUMENTS

(a) *Financial Risk Management*
The Group's principal financial instruments comprise cash and borrowings.

The main purpose of these financial instruments is to fund capital expenditure on the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken. Being at a research and development stage, the Group has limited exposure to risks arising from its financial instruments.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in Note 2.

(b) *Interest rate risk*
The Company's and Group's exposure to interest rate risk, which is the risk that a financial instruments value will fluctuate as a result of changes in market interest rates, is summarised in the table below:

	Consolidated	
	2011	**2010**
	$	**$**
At balance date, the Group had the following financial assets exposed to interest rate risk:		
Financial Assets		
Cash and cash equivalents	21,800	240,736
Weighted average effective interest rate	2%	3%
Financial Liabilities		
Borrowings	9,290,650	5,015,345
Weighted average effective interest rate	0%	0%

Borrowings consist of loans payable to former PBI shareholders and an Atlantic Canada Opportunities Agency (ACOA) marketing assistance advance, both of which are non-interest bearing but which have been recognised at amortised cost using an interest rate that represents the prevailing market rate for a similar instrument with a similar credit rating. As such, the interest rate risk exposure on these liabilities is nominal only.

(c) *Credit Risk*
The maximum exposure to credit risk to balance date:

	Consolidated	
	2011	**2010**
	$	**$**
Trade and other debtors	430,606	221,108
	430,606	221,108

(d) *Liquidity Risk*
During 2010 and 2011 financial years, the Group had major funding in place. The Group also continuously monitors forecast and actual cash flows and the maturity profiles of financial assets and financial liabilities to manage its liquidity risk.

	Consolidated	
	2011	**2010**
	$	**$**
Trade & other payables	4,590,942	1,166,077
Borrowings – current	1,161,875	974,925
Borrowings – non-current	8,128,775	4,040,420
	13,881,592	6,181,422

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

29. FINANCIAL INSTRUMENTS (continued)

(e) Net Fair Values

The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective net fair values determined in accordance with the accounting policies disclosed in Note 2.

(f) Foreign Exchange Risk

The Group's presentation currency and the Company's presentation and functional currency is the Australian Dollar (AUD). Since the commencement of operations in Canada in August 2008, the Group's statement of financial position has become exposed to movements in the AUD/CAD, and to a lesser extent the AUD/USD exchange rates. This is due to PBI's function currency being the Canadian Dollar (CAD) and the cash element of the PBI purchase consideration being denominated in United States Dollars (USD).

Stirling Pharma Inc acquired plant and equipment with funding denominated in Canadian Dollars.

The Group does not currently hedge any of its foreign currency exposures and there is no current intention to enter into any foreign currency derivative instruments.

	Consolidated	
	2011	**2010**
	$	**$**
At balance date, the Group had the following financial assets and liabilities denominated in foreign currencies:		
Financial Assets		
Cash and cash equivalents	16,543	44,634
Trade and other receivables	78,656	59,931
	95,199	104,565
Financial Liabilities		
Trade and other payables	1,182,493	765,211
Borrowings	3,282,452	4,819,743
	4,464,945	5,584,954

(g) Sensitivity Analysis

The following tables summarise the sensitivity of the Group's financial assets to interest rate risk. Had the relevant variables, as illustrated in the tables, moved, with all other variables held constant, post tax loss and equity would have been affected as shown. The analysis has been performed on the same basis for 2011 and 2010 and represents management's judgement of a reasonably possible movement.

Consolidated 30 June 2011		**Interest Rate Risk -1%**		**Interest Rate Risk +1%**	
	Carrying Amount	**Net Gain**	**Equity**	**Net Loss**	**Equity**
	$	**$**	**$**	**$**	**$**
Financial Assets					
Cash and cash equivalents	21,800	(218)	(218)	218	218
Financial Liabilities					
Borrowings	9,290,650	92,907	92,907	(92,907)	(92,907)
Total increase/(decrease)		**92,689**	**92,689**	**(92,689)**	**(92,689)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

29. FINANCIAL INSTRUMENTS (continued)

Consolidated 30 June 2010		**Interest Rate Risk -1%**		**Interest Rate Risk +1%**	
	Carrying Amount	**Net Gain**	**Equity**	**Net Loss**	**Equity**
	$	**$**	**$**	**$**	**$**
Financial Assets					
Cash and cash equivalents	209,687	(2,097)	(2,097)	2,097	2,097
Financial Liabilities					
Borrowings	5,015,345	50,153	50,153	(50,153)	(50,153)
Total increase/(decrease)		**48,056**	**48,056**	**(48,056)**	**(48,056)**

Management believe the balance date risk exposures are representative of the risk exposure inherent in the financial instruments.

The following table summarises the sensitivity of the Group's financial assets to foreign exchange rate risk. Had the relevant variables, as illustrated in the table, moved, with all other variables held constant, post tax loss and equity would have been affected as shown. The analysis has been performed on the same basis for 2011 and 2010, and represents management's judgement of a reasonably possible movement.

Consolidated 30 June 2011		**Foreign Exchange Risk +10%**		**Foreign Exchange Risk -10%**	
	Carrying Amount	**Net Gain**	**Equity**	**Net Loss**	**Equity**
	$	**$**	**$**	**$**	**$**
Financial Assets					
Current					
Cash and cash equivalents	16,543	(1,654)	(1,654)	1,654	1,654
Trade and other receivables	78,656	(7,866)	(7,866)	7,866	7,866
Inventory	234,640	(23,464)	(23,464)	23,464	23,464
Other	98,367	(9,837)	(9,837)	9,837	9,837
	428,206	(42,821)	(42,821)	42,821	42,821
Financial Liabilities					
Trade and other payables	732,555	73,256	73,256	(73,256)	(73,256)
Borrowings	1,551,202	156,120	156,120	(156,120)	(156,120)
	2,283,757	228,736	228,736	(228,736)	(228,736)
Total increase/(decrease)		**185,555**	**185,555**	**(185,555)**	**(185,555)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

29. FINANCIAL INSTRUMENTS (continued)

(g) Sensitivity Analysis (continued)

Consolidated 30 June 2010		**Foreign Exchange Risk +10%**		**Foreign Exchange Risk -10%**	
	Carrying Amount	**Net Gain**	**Equity**	**Net Loss**	**Equity**
	$	**$**	**$**	**$**	**$**
Financial Assets					
Current					
Cash and cash equivalents	44,634	(4,463)	(4,463)	4,463	4,463
Trade and other receivables	59,931	(5,993)	(5,993)	5,993,	5,993
Inventory	270,416	(27,042)	(27,042)	27,042	27,042
Other	141,505	(14,150)	(14,150)	14,150	14,150
	516,486	(51,648)	(51,648)	51,648	51,648
Financial Liabilities					
Trade and other payables	403,793	40,379	40,379	(40,379)	(40,379)
Borrowings	1,898,583	189,858	189,858	(189,858)	(189,858)
	2,302,376	230,237	230,237	(230,237)	(230,237)
Total increase/(decrease)		**178,589**	**178,589**	**(178,589)**	**(178,589)**

Management believe the balance date risk exposures are representative of the risk exposure inherent in the financial instruments.

30. CONTINGENT LIABILITIES

	Consolidated	
	2011	**2010**
	$	**$**
Intellectual Property Milestone Payments	687,100	817,460

Milestone payments totalling US$700,000 will become payable to Bridge Pharma, Inc., upon achievement of 4 separate and remaining milestones being payable upon receiving the first approval to market a product for use in the separate species.

The Milestones result from the License Agreement signed in January 2004.

Contingent liabilities subject to legal proceedings are detailed as follows:

The company has also received a claim for CAN$248,000 for consulting fees and royalties in regard to Stirling Animal Health Inc. This claim is being contested as it relates to a contract which was not completed as the conditions precedent in the contract were not met by the parties. It is not possible to express a view about the probability of settlement or any quantification for a likely amount should settlement be made.

The company has received a claim for USD$57,000 from the US Food and Drug Administration in charges for new drug registrations. The claim is being contested as no services were provided. It is not possible to express a view about the probability of settlement or any quantification for a likely amount should settlement be made.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

31. COMMITMENTS

	Consolidated 2011 $	Consolidated 2010 $
(a) Operating lease commitments		
The operating lease commitment relates to the lease of office premises and equipment leases		
Not longer than one year	-	204,247
Longer than one year but no longer than five years	-	179,263
	-	383,510

32. ACQUISITION OF SUBSIDIARY

On 18 August 2010, the Group obtained control of Telemedcare Holdings Pty Ltd and its subsidiaries providers of E-Health Services in Australia and the United Kingdom by acquiring 61.63% of the shares and voting interests in the company.

Taking control of Telemedcare will enable the Group to advance the e-Health multi-user and home vital signs monitoring services into the global markets.

In the period 18 August 2010 to 31 December 2010, Telemedcare has contributed revenue of $280,965 and an operating loss of $1,196,696.

Should the acquisition have occurred on 1 July 2010 management estimates that the addition to consolidated revenue would be $1,615,917 and the addition to the consolidated loss would be $1,725,512.

In determining these amounts management has assumed that the fair value adjustments determined provisionally that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 July 2009.

The following summaries the major classes of the consideration transferred and the recognised amounts of assets acquired and liabilities accrued at the acquisition date.

	Consolidated 2011 $
(a) Consideration transferred	
Cash	526,053
Settlement of pre-existing debt	774,827
	1,300,880
Identifiable assets acquired and liabilities assumed	
Property Plant& Equipment	285,771
Intangible assets	3,281,296
Inventories	411,941
Trade and other receivables	252,832
Loans and borrowing	(3,991,387)
Trade and other payables	(662,778)
Deferred income	(1,728,088)
Total identifiable liabilities	(2,150,413)
Less Minority interest	825,113
Total net identifiable liabilities	(1,325,300)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

32. ACQUISITION OF SUBSIDIARY (continued)

Intellectual Property

The above fair values of Telemedcare intangible assets being patented technology have been determined provisionally providing completion of an independent valuation.

Goodwill

Goodwill arising as a result of the acquisition is as follows:	
Total consideration transferred	1,300,880
Add value of net identifiable liabilities	1,325,300
	2,626,180

Non Current Liabilities

Included in the liabilities of Telemedcare Holdings at the time of acquisition is the amount of $3,737,606 in liabilities which are deferred under the Deed of Company Arrangement.

These deferred creditors will be repaid their debts from 20% of the after tax profits of Telemedcare for the first two financial years, starting from the financial year ending 30 June 2011, and 40% of the after tax profits of Telemedcare at the end of each financial year thereafter until paid in full.

	Consolidated 2011 $
(b) Contribution to cash flow for the period from acquisition to 31 December 2010	
Cash flows from operating activities	
Receipts from customers	-
Payments to suppliers and employees	(1,400,080)
Interest received	1,210,
Interest paid	(13,351)
Net cash used in operating activities	**(1,412,221)**
Cash flows from investing activities	
Acquisition of subsidiary net of costs acquired	(1,800)
Net cash used in investing activities	**(1,800)**
Cash flows from financing activities	
Repayment of Borrowings	(38,406)
Parent company borrowings	1,445,069
Net cash provided by financing activities	**1,406,663**
Net (increase)/decrease in cash and cash equivalents held	(7,358)
Cash and cash equivalents at the beginning of the financial year	-
Net foreign exchange differences	-
Cash and cash equivalents at the end of the financial year	**(7,358)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

33. SUBSEQUENT EVENTS

- On 25 July 2011 Mr Robert Whitton of William Buck was appointed Voluntary Administrator by the Company effective immediately.
- On 23 August 2011 the Company was suspended from Official Quotation on Australian Stock Exchange ("ASX").
- On 17 November 2011 Voluntary Administrator for the Company announced that on 6 October 2011, creditors resolved to execute a Deed of Company Arrangement ("DOCA") which was executed on 27 October 2011. The DOCA provides for the recapitalisation and relisting of the company on ASX.
- On 3 February 2012 Voluntary Administrator for the Company announced that the Company's creditors have accepted a proposal for the relisting of the company on the ASX, submitted by Virtus Capital Pty Ltd. The proposal to the shareholders, will seek for the consolidation of existing shares via a shareholder meeting.
- On 5 July 2012, the ASX advised Virtus the Business Case presented required further revision in order to satisfy the ASX Listing Rules. By November 2012 Virtus advised STI it was unable to complete the relisting.
- On 15 November 2012, creditors resolved to vary the existing DOCA and resolved to accept a proposal submitted by Autus Capital Pty Ltd ("Autus"). A varied DOCA was executed on 4 December 2012. Following failed attempts to relist the company and find suitable injections of assets and cash, Autus nominated Montrose Investments Group Pty Ltd ("Montorse") around August 2013 as it nominee to complete the DOCA. Montrose has continued to work with an interested party to inject into STI cash and assets.
- On 15 January 2014 STI notified shareholders that as a result of negotiations undertaken by the Montrose entered into a binding Letter of Intent with the owners of a new method in virus detection technology known as REVAC (Rapid Enhanced Viral Amplification Culture). Due diligence and documentation of the transaction is currently underway and upon successful completion, the transaction will be subject to shareholders approval at a General Meeting held pursuant to Listing Rule 11.1.3.
- On 17 September 2015, the DOCA was concluded on the establishment of the Creditors'Trust Fund and control of the company returned to the Company's directors and officers. The Company announced the appointment of Peter Dykes, Peter Torney and Timothy Shaw as directors.
- On 27 November 2015, the Company announced it has entered into share sale and purchase agreement (Agreement) to acquire 100% of the issued capital of Mx360 Group Pty Limited which is a start-up technology development company with a specific focus on developing an internet based trading platform for application globally.

34. PARENT 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.

STATEMENT OF FINANCIAL POSITION

	Consolidated	
	2011	**2010**
	$	**$**
ASSETS		
Current Assets	528,529	1,138,527
Non-Current Assets	1,703,762	1,718,230
TOTAL ASSETS	**2,232,291**	**2,856,757**
LIABILITIES		
Current Liabilities	2,676,676	1,400,449
Non-Current Liabilities	1,019,000	441,841
TOTAL LIABILITIES	**3,695,676**	**1,842,290**
NET ASSETS	**(1,463,385)**	**1,014,467**
EQUITY		
Issued Capital	42,671,872	36,368,241
Reserve	1,588,535	1,588,535
Accumulated losses	**(45,723,792)**	(26,942,309)
TOTAL EQUITY	**(1,463,385)**	**1,014,467**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Consolidated	
	2011	**2010**
	$	**$**
Loss for the year	(8,781,483)	(8,363,707)
Other comprehensive income	-	-
Total comprehensive income	(8,781,483)	(8,363,707)

DIRECTORS' DECLARATION

The directors of the Company declare that:

1. the financial statements and notes are in accordance with the *Corporations Act 2001* and:
   a) comply with Accounting Standards and the Corporations Regulations 2001; and
   b) give a true and fair view of the Company's financial position as at 30 June 2011 and its performance for the period ended on that date; and
   c) are in accordance with International Financial Reporting Standards, as stated in note 1 to the financial statements; and
2. the Chief Executive Officer and Chief Financial Officer have each declared that:
   a) the financial records of the Consolidated entity for the financial period have been properly maintained in accordance with section 295A of the *Corporations Act 2001*;
   b) the financial statements and notes for the financial period comply with the Accounting Standards; and
   c) the financial statements and notes for the financial period give a true and fair view;
3. in the directors' opinion there are reasonable grounds to believe that the Consolidated entity will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Peter Torney
Director

Sydney, 22 January 2016

Level 6, 350 Kent Street
Sydney NSW 2000

87- 89 Lyons Road
Drummoyne NSW 2047

KS Black & Co

Chartered Accountants

ABN: 57 446 398 808

20 Grose Street
North Parramatta NSW 2151

PO Box 2210
Parramatta NSW 1750

Independent Auditor's Report
To the Members of
Stirling Products Limited and Controlled Entities
A.B.N. 32 077 105 429

Report on the Financial Report

We have audited the accompanying financial report of Stirling Products Limited and controlled entities (the group), which comprises the consolidated statement of financial position as at 30 June 2011, 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.

Directors' Responsibility for the Financial Report

The directors of the group are responsible for the preparation and fair presentation 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.

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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 judgment, 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 and fair presentation of the financial report 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 entity'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.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Stirling Products Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Basis of Disclaimer of Opinion

During the conduct of our audit we have been unable to obtain sufficient appropriate audit evidence to support the financial information disclosed the financial report. Therefore, we have been unable to determine that all transactions that occurred during the period have been brought to account within Australian Accounting Standards or form an opinion on the existence and accuracy of assets and liabilities held at the end of the period. Due to these conditions, we are unable to conclude that the group has the ability to pay its liabilities as and when they fall due.

In addition the group entered into voluntary administration on 25 July 2011 and subsequently negotiated and executed a Deed of Company Arrangement ("DOCA") before the company was released back to the director's on 17 September 2015.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion section above, we do not express an opinion on the financial report.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 13 of the Financial Report for the year ended 30 June 2011. The directors of the group 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.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion section above, we do not express an opinion on the remuneration report.

Basis of Accounting

Without modifying our opinion, we draw attention to Note 2 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the Corporations Act 2001. As a result, the financial report may not be suitable for another purpose.

K.S. Black & Co
Chartered Accountants

Sam Danieli
Partner

Sydney, 22 January 2015

ASX ADDITIONAL INFORMATION

The shareholder information set out below was applicable as at 22 January 2016.

1. TWENTY LARGEST SHAREHOLDERS

The names of the twenty largest holders of each class of listed securities are listed below:

Ordinary Shares

Name	No of Ordinary Shares Held	Percentage of Issued Shares
Westglade Pty Ltd	2,000,000	8.00
Poipu Bay Pty Ltd	2,000,000	8.00
Carrara Wealth Group Pty Ltd	2,000,000	8.00
Mugdock Investments Pty Ltd <Mugdock Investments Fam A/C>	2,000,000	8.00
Joanne Barrett	1,500,000	6.00
Peter Torney	1,200,000	4.80
Mr Simon William Tritton <Investment A/C>	1,100,000	4.40
RFD Victoria Pty Ltd	1,083,442	4.33
First State Pty Ltd	1,000,000	4.00
Greg Wosczalski	1,000,000	4.00
BT Portfolios Services Limited <Swag Investments Super Fund A/C>	1,000,000	4.00
Capital Mining Limited	988,648	3.95
General Investor Services Pty Ltd <Gid Super Fund A/C>	800,000	3.20
Digital4ge Pty Ltd	800,000	3.20
Fund Contribution Services Pty Ltd <FCS Super Fund A/C>	700,000	2.80
Sacco Developments Australia Pty Ltd <Sacco Family A/C>	500,000	2.00
A & S Custodians Pty Ltd	500,000	2.00
Hot Chilli Investments Pty Ltd <Super Fund A/C>	500,000	2.00
Kings Park Superannuation Fund Pty Ltd <Kings Park Super Fund A/C>	402,500	1.61
Kings Park Superannuation Fund Pty Ltd <Kings Park Super Fund A/C>	402,500	1.61
Total Top 20	21,477,090	85.90
Others	3,523,339	14.10
Total Ordinary Shares on Issue	25,000,429	100.00

2. DISTRIBUTION OF EQUITY SECURITIES

Analysis of security by size holding as at 22 January 2016

	Ordinary Shares	
	Number of Security Holders	**Number of Securities Held**
1 – 1,000	1,810	345,929
1,001 – 5,000	213	446,534
5,001 – 10,000	23	163,238
10,001 – 100,000	14	467,638
100,001 – and over	29	23,577,090
	2,089	**25,000,429**

Number of holders of unmarketable parcels – Ordinary shares

Unmarketable Parcels – 6

3. SUBSTANTIAL SHAREHOLDERS

The names of the substantial shareholders listed in the Company's register at 22 January 2016 are:

Name	No of Shares Held
Westglade Pty Ltd	2,000,000
Poipu Bay Pty Ltd	2,000,000
Carrara Wealth Group Pty Ltd	2,000,000
Mugdock Investments Pty Ltd <Mugdock Investments Fam A/C>	2,000,000
Joanne Barrett	1,500,000

4. UNQUOTED SECURITIES

As at 22 January 2016, the following unquoted securities are on issue:

Unquoted Security	Number on Issue	Number of Holders
Unlisted Options	210,488	93

The names of shareholders holding more than 20% of each class of unlisted securities are listed below:

Suburban Holdings Pty Ltd <The Suburban Super Fund A/C>	25,834	12.272%
Bluehawk Capital Pty Ltd	25,000	11.876%
Securities and Investment Group Pty Ltd	11,438	5.434%

5. RESTRICTED SECURITIES

As at 22 January 2016, the Company had no securities that are subject to escrow restrictions.

6. VOTING RIGHTS

The voting rights of the ordinary shares are as follows:

Subject to any rights or restrictions for the time being attached to any shares or class of shares of the Company, each member of the Company is entitled to receive notice of, attend and vote at a general meeting. Resolutions of members will be decided by a show of hands unless a poll is demanded. On a show of hands each eligible voter present has one vote. However, where a person present at a general meeting represents personally or by proxy, attorney or representation more than one member, on a show of hands the person is entitled to one vote only despite the number of members the person represents.

On a poll each eligible member has one vote for each share held.

There are no voting rights attached to any of the options that the Company currently has on issue. Upon exercise of these options, the shares issued will have the same voting rights as existing ordinary shares.

7. ON-MARKET BUY BACK

There is currently no on-market buy back program for any of Stirling Products Limited's listed securities.