TBG Diagnostics Limited
(formerly Progen Pharmaceuticals Limited)

Annual Report 2016

TBG Diagnostics Limited

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Contents

In accordance with ASX Listing Rule 4.10.3, TBG Diagnostic's Corporate Governance Statement can be found on its website at http://www.tbgbio.com/en/investor_center/corporate_governance

Chairman's Address

Dear Shareholders

I am pleased to present to you the 2016 Annual Report of TBG Diagnostics Limited.

Company transformation

In the year just ended, we have seen a major transformation of the Company from a drug development business to a molecular diagnostics business resulting from the TBG acquisition on 29 January 2016. The acquisition brought about significant change in the company's nature and scale of its activities including its board and management. In light of this significant change, the company has changed its name to TBG Diagnostics Limited from Progen Pharmaceuticals Limited. TBG's core activity is to focus on the development, manufacture, and marketing of molecular diagnostic kits, instruments and services, targeting the world's fastest growing MDx market in China (Growing at 27.9% CAGR) from a position of strength and continuing success.

On behalf of the board, I would like to thank Dr. Hongjen Chang and Dr. Christopher Harvey for their contribution for their past years of service. I would also like to extend a warm welcome to Dr Stanley Chang, Mr Eugene Cheng, Ms Emily Lee and Mr Edward Chang who joined as part of this transition.

Group restructuring and financial results

In May 2015, the Company also commenced a strategic review of its operations in light of the proposed acquisition of TBG Inc. On 4 March 2016, we successfully sold our manufacturing arm, PharmaSynth Pty Ltd, to Luina Biotechnology Pty Ltd. The PG500 assets was also transferred into a new wholly owned subsidiary, Progen PG500 Series Pty Ltd. This was held as disposal group and have been sold on 22 August 2016. Consequently, the disposal of these business assets resulted in losses of $8.9 million from the write-down of the associated intangibles and goodwill relating to the Cash Generating Units. The purpose of the disposals is to focus on the core competencies of the acquired business in In Vitro Diagnostics from TBG acquisition. The group incurred total net loss of $12.4 million in 2016 compared with net loss of $1.9 million in 2015 as a result.

The company ended the financial year with cash and cash equivalents of $14.6 million. The company is committed to maintain its capital resources to ensure it can sustain its long term operations.

New focus and future growth

We are now focusing on the growth of the IVD business and is aiming to expand growth through merger and acquisition with emphasis in China and the Asian region. As we announced on 8 June 2016, the Company has entered into an agreement to acquire RBC Biosciences that may potentially bring growth in revenues. The proposed acquisition is expected to double our annual revenues and provide wider opportunities for sales and distribution in the growing molecular diagnostics business.

The company's vision is to be one of the leading IVD companies in Asia whilst creating long term value with the objective of maximising returns to shareholders. The future likely developments are:

i. Providing solutions for transplantation, blood screening, infectious disease detection, monitoring of hereditary genetic disease and cancer therapeutics;
ii. Continue to look for opportunities for expansion of the Company's core technology through merger and acquisition;
iii. The establishment of a clinical lab in China to provide molecular diagnostics services to hospitals and health organizations.

Whilst I am confident that we have a strong cash position for the continued development of our R&D projects, we will require additional capital as we continue to explore opportunities for growth and to expand our operations.

Thank you for your ongoing support and I look forward to seeing you at our 2016 Annual General Meeting.

Jitto Arulampalam
Executive Chairman

CEO's Address

Dear Shareholders

It is with great pleasure that I welcome you to TBG Diagnostics' first annual report following the Company's ASX listing in February 2016.

Over the past decade, molecular diagnostics (MDx) has become essential practice for transplant and transfusion diagnostics, oncology and infectious disease testing. China is set to become the fastest growing molecular diagnostics market in the world, with sales estimated to increase to US$3.46 billion by 2024. Operating across infectious diseases, oncology, blood screening and genetic testing, TBG is positioning itself to become a first-mover in the Asian MDx market.

Since listing on the ASX in February, we have achieved a number of significant milestones. Significantly we announced the opening of our second state of the art laboratory in Xiamen, China, where HLA Genomic typing services have commenced. Xiamen is regarded as one of China's five special economic development zones and will provide a unique and strong location presence for TBG to build distribution partnerships throughout China into the diagnostics market. We anticipate sales and growth from this facility to contribute to TBG in FY17 as products gain traction with our Chinese mainland customers.

There have been a number of achievements for the company across a range of products including SBT (sequencing-based typing) and SSP (sequence-specific primer) Typing kits. Earlier this year TBG announced initial sales with major US cancer treatment center MD Anderson, for the supply of SBT high resolution HLA Typing Kits. This agreement will not only drive new revenues but will also significantly increase global recognition for TBG products. MD Anderson will utilise these kits in histocompatibility testing services, applied to whole organ, tissue, or stem cell transplants where compatibility of gene groups is imperative for transplant tissue acceptance. TBG has also received funding from the Chinese Municipal Technology Bureau for HLA kits which have recently completed clinical trials in China and are now under review for regulatory approval. Our success in Xiamen and with these product trials highlights the company strategy to focus on the very significant market opportunity that currently exists and is growing exponentially for our products in China.

Further progress has been achieved with the Company's Real Time PCR Reagents and Kits and under development include RT PCR based SSP HLA kits. As well as the kits, we are undertaking certification of our Real Time PCR machine and we anticipate CE mark and Taiwan regulatory approval in 2017. We are also excited with the progress of our Next Generation Sequencing (NGS) for high resolution HLA genome testing. TBG is also developing a range of assays covering oncology, infectious disease, transplantation and hereditary diseases, many of which are entering production trial runs in the coming year.

Corporate wise TBG has been undertaking divestment of non-core legacy assets from Progen Pharmaceuticals such as PG500 and Pharmasynth, transactions which demonstrate the transformation of TBG into a focused specialist MDx company. In line with the company's growth strategy, we have entered into a purchase agreement for a 51% equity stake in leading DNA/RNA purification technology company, RBC Biosciences. Such an addition of RBC to the business could potentially double our annual sales revenues in 2017 and provide further sales and distribution opportunities in the growing global MDx market.

The management team and staff at TBG have worked diligently over the year to put the company in a strong position to grow into this exciting and rewarding market and we would like to take this opportunity to thank shareholders for their ongoing support and look forward to another productive year ahead.

Eugene Cheng
Executive Director

Business Model

ASX listing and board and management appointments

Following TBG Diagnostics' relisting in February and transformation into an in-vitro diagnostics (IVD) company, several changes were made to board and management:

- Mr Jitto Arulampalam resumed the role of Executive Chairman, incorporating investor relations, capital raising, business development and corporate opportunities to drive the Company's growth and transformation
- Mr Eugene Cheng was appointed as Group COO, CEO of Taiwan and Xiamen and executive director of the Company
- Dr Stanley Chang, Mr Edward Chang and Ms Emily Lee were appointed as non-executive directors.

HLA typing service commences in China and first revenues

HLA Genomic typing services commenced at TBG's new state-of-the-art laboratory in Xiamen, China. The facility offers services across the HLA typing suite including Ilumina's Miseq Next Generation Sequencing, TBG Morgan™ HLA Typing kits for low-resolution HLA-typing and TBG HLAssure™ SBT kits for high-resolution HLA-typing. ASHI laboratory accreditation is anticipated in the near future.

The company now has two established laboratories in Asia, Taiwan and Xiamen.

The city of Xiamen, in the Fujian province, is regarded as one of China's five special economic development zones and provides a unique and strong location presence for TBG to build distribution partnerships into the diagnostics market throughout China.

Agreement entered for controlling equity stake in RBC Biosciences

The Company entered into an agreement under which TBG's wholly-owned subsidiary, TBG Inc., will purchase 51% equity in RBC Biosciences (RBC), one of the leading nucleic acid extraction equipment, reagents and kits manufacturers in Taiwan. The addition of RBC to the TBG business is expected to double TBG's annual sales revenues and will provide further sales and distribution opportunities in the growing global diagnostics market, which is estimated to hit $81.3 billion by 2022.

The total purchase price for the acquisition is NT$127 million. Completion of the RBC acquisition is anticipated in the next financial year.

HLA Kit Sales with Leading US Cancer Treatment Centre MD Anderson, University of Texas

The Company commenced supply of HLA Typing kits to the University of Texas MD Anderson Cancer Centre.

TBG's HLA Typing kits will be utilised by MD Anderson for histocompatibility testing services. Histocompatibility testing is applied to whole organ, tissue, or stem cell transplants where compatibility of genes groups known as human leukocyte antigens (HLA) is imperative for transplant tissue acceptance.

Business Model
continued

Funding from Chinese Municipal Technology Bureau for HLA Typing Kit Development

TBG Biotechnology's HLA Typing Kit received CNY 300,000 (approximately AUD 64,000) funding from the Xiamen Municipal Bureau of Science and Technology for Innovative Startups of 2016. This funding to TBG comes as a result of the Company's ongoing commitment to HLA Typing Kit development work being undertaken in Xiamen.

The Xiamen Municipal Bureau of Science and Technology is the administrative department in Xiamen responsible for coordinating the development of science and technology in the municipality. The award of this grant ensures that TBG Diagnostics strengthens its portal into the Chinese market for its products and services as it pursues distribution of its innovation and products into greater Asian markets.

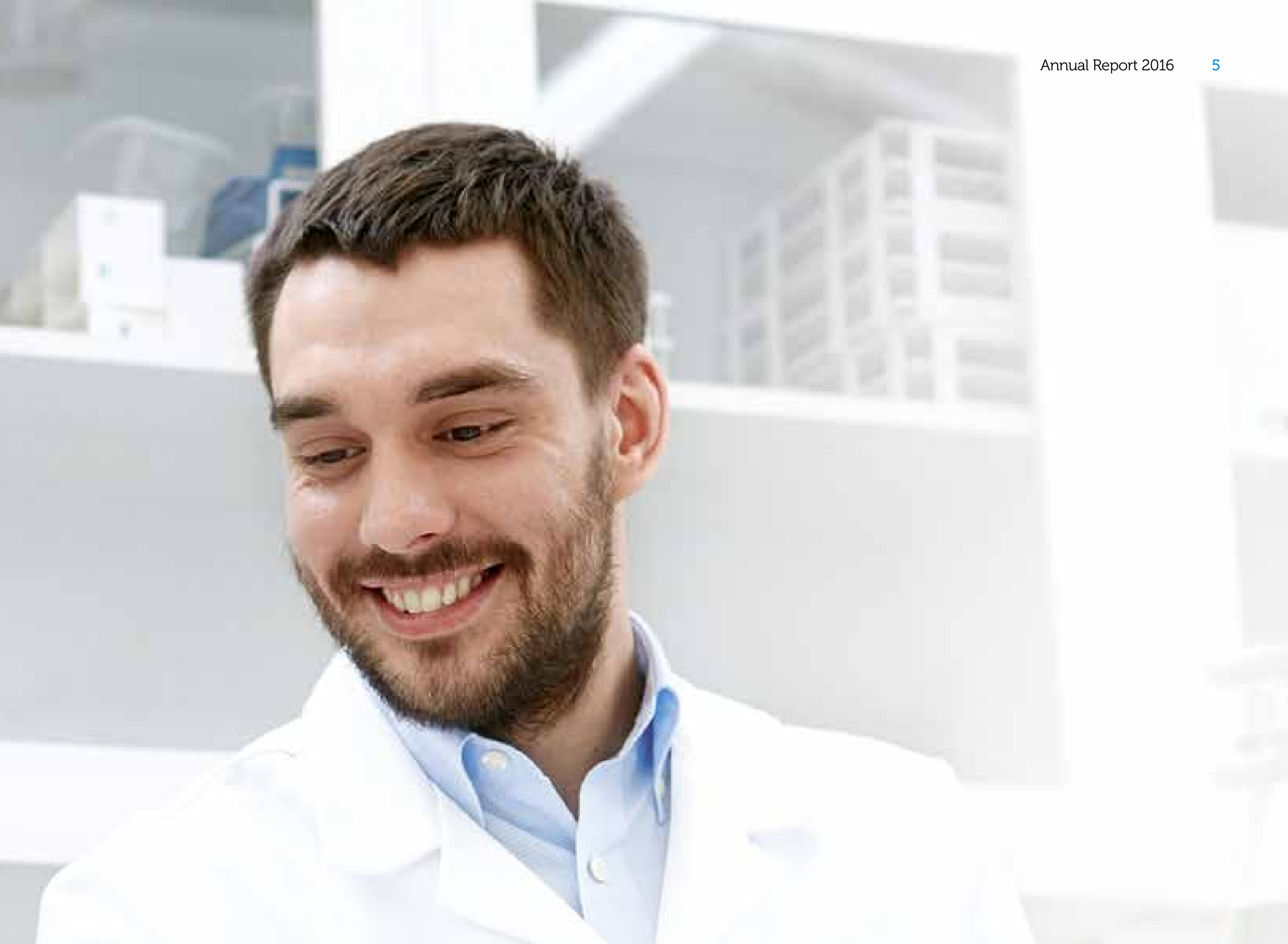
Sale of Pharmasynth Pty Ltd

TBG Diagnostics entered into a binding share sale agreement (SSA) to sell its wholly-owned contract manufacturing biopharmaceutical company, Pharmasynth Pty Ltd (Pharmasynth) to Luina Biotechnology Pty Ltd (Luina) for a total consideration of $2,200,000.

The sale followed on from the strategic review commenced in May 2015 and was one of the final steps by the Company as part of its transformation into an in-vitro diagnostics (IVD) company following the acquisition of TBG Inc and the Company's relisting on the ASX.

Sale of PG500

The Company entered into a binding agreement to sell the PG500 assets to Zucero Therapeutics Pty Ltd for a total deferred consideration of $6,000,000. The asset sale is the final step in the strategic review and company restructure and ensures a dedicated focus on the core business of molecular diagnostics.



Restructuring of the company and corporate business overview

In December 2015, Progen Pharmuceuticals (PGL) acquired TBG and changed the company's business from drug development to molecular diagnostics and renamed the company to TBG Diagnostics Limited (TDL). At the same time of the reverse merger, TDL raised AUD $13m to support the business plan. The transformation to a molecular diagnostics company involved the sale of Pharmasynth and PG500 series.

Now, under the TBG Diagnostics group:

TBG Taiwan: focuses on research and development, HLA product manufacturing and certification applications, sales and marketing and HLA typing services.

TBG Xiamen: focuses on production of NAT reagent, testing, research and development, Chinese regulatory approval applications and China sales and marketing.

TBG USA: focuses on research and US FDA (Food and Drug Administration) certifications.

TBG Cayman: owns 100% of TBG Taiwan, TBG Xiamen and TBG USA

Focus on the China market

TBG is targeting China as its primary market for a series of molecular diagnostics products to be launched in the next 3 years, valued up to US$3.64 billion in 2024. Products developed and manufactured in China will be aimed towards the need of the market but at the same time serve the worldwide market especially the equally fast growing Asia. In alignment with our R&D strategy, we will be launching a series of products, covering the full spectrum of molecular diagnostics, including infectious diseases, oncology, blood screening and genetic testing, based on Real Time PCR and Sequencing technologies including NGS (next generation sequencing).

Merge and acquisition strategies:

To continue the growth of our business and strengthen our competitive edge, we aim to acquire companies that provide synergies with TBG.

The company has entered into an agreement, under which TBG's wholly-owned subsidiary, TBG Inc, will progress to purchase 51% equity in RBC Biosciences (RBC), one of the leading nucleic acid extraction equipment, reagents and kits manufacturers in Taiwan. The addition of RBC to the TBG business is expected to double TBG's annual sales revenues and will provide further sales and distribution opportunities in the growing global diagnostics market, which is estimated to hit $81.3 billion by 2022.

The total purchase price for the acquisition is NT127 million. Completion of the RBC acquisition is anticipated in the next fiscal year.

Financial Report

for the year ended 30 June 2016

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Director's Report

for the year ended 30 June 2016

Your directors present their report on the consolidated entity consisting of TBG Diagnostics Limited (formerly Progen Pharmaceuticals Limited) (referred to as 'TBG' or 'the Company') ABN 82 010 975 612 and the entities it controlled (referred to as 'the Group') during the year ended 30 June 2016.

1. Directors

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

Mr Indrajit Arulampalam	(Executive Chairman)
Dr Hongjen Chang	(Non-Executive Director, resigned 7 December 2015)
Dr Christopher Harvey	(Non-Executive Director, resigned 7 December 2015)
Dr Stanley Chang	(Non-Executive Director, appointed 7 December 2015)
Ms Emily Lee	(Non-Executive Director, appointed 7 December 2015)
Mr Eugene Cheng	(Managing Director, appointed 7 December 2015/ Chief Executive Officer – TBG Inc/Chief Operating Officer – TBG Diagnostics Ltd, appointed 17 May 2016)
Mr Edward Chang	(Non-Executive Director, appointed 3 February 2016)

2. Dividends

No dividends have been paid or declared during the period and the directors do not recommend the payment of a dividend for the year ended 30 June 2016 (2015: Nil).

3. Results and Review of Operations

Company Overview

Reverse Acquisition

This financial report represents a continuation of the financials of TBG Inc., which is treated as the acquirer of TBG Diagnostics Limited (formerly Progen Pharmaceuticals Limited) for accounting purposes, effective on and from 29 January 2016. The TBG Inc. business is considered the 'ongoing business' following the acquisition, and the significant changes to the respective entity's previous accounting treatments.

The principal activities of TBG Diagnostics Limited (formerly Progen Pharmaceuticals Limited) during the year were as follows:

1. Continued the discovery, research and development of potential pharmaceutical therapeutics for the treatment of human diseases. This group is a disposal group held for sale at 30 June 2016;
2. The provision of contract services related to the process development, manufacture and quality assurance of biopharmaceutical products. This was discontinued and disposed through sale during the third fiscal quarter of 2016 financial year; and
3. Focused on the research and development, manufacturing, sales and marketing and services of Molecular Diagnostics (MDx) products, including assays and instruments.

The Company's objective is to become one of the leading MDx companies in the whole Asia particularly in China. Due to its unparalleled performance in immune matching ability, molecular diagnostics is becoming an essential tool in helping the clinician with critical transplant decisions. TBG is continually pushing to the forefront of molecular testing for diagnostics. From the extraction of nucleic acids, amplification and detection of infectious diseases, genotyping and viral load testing, TBG is committed to expanding the applications of our core technology.

Operating and Financial Review

Operating Results for the Year

To be read in conjunction with the attached Financial Report.

The consolidated operating result for the year ended 30 June 2016 was a loss of $12,377,722, being an increase of 565.6% over the prior year loss of $1,859,557.

The significant increase in the loss for 2016 of $10,518,165 is mainly attributed to losses applicable to acquired business assets from the reverse merger acquisition of TBG Inc. during January 2016. The manufacturing business, PharmaSynth Pty Ltd ('PharmaSynth'), was sold during the financial year with total losses of $5,105,853 including the disposal of manufacturing contracts intangible and the goodwill associated to this Cash Generating Unit (CGU). Losses recognised applicable to the disposal group held for sale, PG545, amounted to $3,824,587 at 30 June 2016 representing the write-down of the value of the associated patents.

Director's Report
continued

3. Results and Review of Operations (continued)
The following table summarises the consolidated results:

	% Change	2016 $	2015 $
Revenue	306.0	3,274,654	806,589
Cost of Sales	307.0	(1,056,861)	(259,667)
Other income	58.8	463,860	292,057
Research and development expenses	226.3	(2,855,458)	(875,100)
Manufacturing facility expenditure	199.7	(543,042)	(181,209)
Administrative and corporate expenses	66.3	(2,730,435)	(1,642,227)
Loss on discontinued operations	–	(8,930,440)	–
Operating loss	**565.6**	**(12,377,722)**	**(1,859,557)**

Earnings/(Loss) per Share and Net Tangible Assets per Share

	% Change	2016 cents	2015 cents
Basic and diluted loss per share	(5.7)	(6.7)	(1.0)
Net tangible assets per share	(13.4)	10.3	11.9

Management Discussion and Analysis

Revenue and Other Income
Total revenues earned during the year significantly increased 306.0% to $3,274,654 in 2016 (2015: $806,589) due mainly to significant increase in the sales revenue arising from sequence based typing (SBT) and sequence specific primer (SSP) products. Of the total sales, 67% (2015: 78%) represent sales to its related party entity, Medigen Biotechnology Corporation ('Medigen'). The corresponding cost of sales increased 307.0% to $1,056,861 (2015: $259,667) in conjunction with the increase in sales revenues.

TBG Inc. was the former human leukocyte antigen (HLA) division of Medigen prior to the company spin-off from 1 January 2015.

Other income increased 58.8% to $463,680 (2015: $292,057) primarily due to increase in foreign currency exchange gains resulting from the increased foreign currency deposits. Further, interest income increased due to increase in cash and cash equivalents resulting from the TBG Inc. acquisition.

	% Change	2016 $	2015 $
Revenue and other income			
Sales revenue	332.4	2,892,780	669,053
Technical services revenue	180.7	312,788	111,439
Interest revenue	164.7	69,086	26,097
Other income	58.8	463,860	292,057
Total revenue and other income	**240.3**	**3,738,514**	**1,098,646**

Research and Development (R&D) Expenditure

The primary activities of the R&D division during the year pertained to the development of various detection kits for various diseases which are as follows:

Transplantation

Clinical studies have clearly shown that HLA gene matching between the donor and recipients of organs and stem cell transplants are key prognostic markers of the transplant success rate including immediate rejection as well as long term survival of the transplanted organ/cell. The applications of HLA genotyping not only includes the traditional donor matching against transplant recipients, but also to establish a global database of HLA typed donors from healthy blood donors or donated cord bloods, determine potential adverse drug reactions, and lastly, the diagnostic of specific autoimmune diseases. IVD products are currently provided for both LOW and HIGH resolutions.

Blood Safety

Once blood has been collected by the blood bank, every unit of blood must be screened for the presence of specific pathogenic microorganisms. While each blood centre across the globe has adopted different screening protocols, most of them will screen for Hepatitis B virus (HBV), Hepatitis C virus (HCV), and Human Immunodeficiency Virus (HIV).

Oncology

Molecular diagnostics in the field of oncology are now growing rapidly. Oncology tests can be used for many different indications, including screening to identify patients at risk of developing cancer, screening for early detection of cancer, determining prognosis, predicting response to therapy and monitoring patients both during and after treatment.

Infectious Disease

Molecular diagnostics for infectious diseases has been widely used and it is currently the largest application for molecular diagnostics. The driving force behind future infectious IVD testing market expansion will be the detection of hospital acquired infection, sexually transmitted diseases and human papilloma virus (HPV).

Hereditary Genetics Testing

Genetic testing identifies specific inherited changes in a person’s chromosomes, genes, or proteins. Genetic mutations can have harmful, beneficial, no effect, or cause uncertain effects on health. Genetic testing can confirm whether a condition is, indeed, the result of an inherited syndrome. Genetic testing is also performed to determine whether family members without obvious illness have inherited the same mutation as a family member who is known to carry a disease-associated mutation. We currently provide HLA B27 IVD products for Ankylosing Spongyditis as well as HLA-DQB IVD Products for Celiac and Narcolepsy.

A total solution

In order to provide a “sample to answer” workflow, TBG is also developing a fully integrated automation system based on Real Time PCR technology. Built upon this system, we aim to advance efficiency and accelerate results, ultimately improving the quality of products, reducing laboratory costs, and operator safety.

The discontinued component of research and development expenditures pertained to the Australian R&D as follows:

1. Nonclinical development of PG545;
2. Continuation of Phase 1a clinical trial of PG545; and
3. Characterisation and development of the manufacturing route for PG545.

Research and Development

Research and development expenditure increased 226.3% to $2,855,458 (2015: $875,100) during the year ended 30 June 2016, primarily due to significant costs involved in development works and the associated oncology and research costs. Further, a full year’s operations commenced in 2016 as compared with half year results in 2015. TBG Inc. was a spin-off entity of the former parent company, Medigen from 1 January 2015. Additional employees were also hired during the financial year to support the expanding operational needs of the division.

Selling expenses

Selling expenses increased 199.7% to $543,042 (2015: $181,209) mainly due to the commencement of full year’s operations by the Company as stand-alone separate entity in 2016.

Director's Report
continued

3. Results and Review of Operations (continued)

Administrative and corporate expenses

Administrative and corporate expenses increased 66.3% to $2,730,435 (2015: $1,642,227) due mainly to the double up of the size of expenses resulting from the commencement of full year's operations of TBG Inc. as a new separate entity from Medigen, the addition of new employees in conjunction with the company spin-off, and the increased general and administrative expenses resulting from the business combination as described in Note 5.

Loss on discontinued operations

Loss on discontinued operations of $8,930,440 (2015: nil) pertains to losses on disposal (sale) of the Australian manufacturing arm, PharmaSynth Pty Ltd, where the associated manufacturing contracts and goodwill were written down to nil values. Losses applicable to the disposal group, Progen PG500 Series Pty Ltd, was also recognised to reduce the intangible asset to equal the present value of the deferred consideration in relation to the proposed and approved sale of the PG500 assets.

Liquidity and Cash Resources

The Company ended the financial year with cash and cash equivalents totalling $14,561,869 compared with $6,445,974 at the previous year-end. As a condition precedent in relation to the TBG Inc. acquisition completed on 29 January 2016, the company raised a total amount of $12,721,590 through the issuance of 60,579,000 shares at $0.21 per share via a public offer pursuant to a prospectus dated 10 November 2015 excluding capital raising costs.

In light of the proposed acquisition of RBC Biosciences, the Company is also looking at various funding arrangements to finance the acquisition.

Cash and cash equivalents at 30 June 2016 were represented by a mix of highly liquid interest bearing investments with maturities of up to 90 days and deposits on call.

Cash Flows

Cash of $4,393,182 was disbursed during the year to fund consolidated net operating activities, compared to $1,750,769 in 2015. Bulk of the expenditure mainly pertained the significant oncology costs in research and development activities in Taiwan which forms part of the strategy to expand the overall IVD operations. Further, 2015 expenditures was a result of the initial six months operations from the spin-off date, 1 January 2015, from Medigen.

Cash inflows from investing activities amounted to $12,210,493 (2015: outflows of $2,257,159). This is mainly due to the inflows from the acquisition of TBG Diagnostics Limited as described in Note 5 to the financial statements. Other expenditures pertained to the manufacturing facility expansion as part of the strategy to boost a wide scale production of the Company's products in line with the planned penetration of the Chinese market. Expenditures in relation to the commencement of the development of integrated automated clinical system were also incurred. Cash inflows were also realised in 2015 in relation to the sale of available-for-sale financial asset.

Funding Requirements

Currently, there are no material commitments for capital expenditures. However, the group expects to incur substantial future expenditure in light of its research and development programs and manufacturing facility expansion plans. At present, TBG is undertaking to continue the manufacture of its wide range of molecular diagnostics products and an integrated automated clinical system as part of its innovation strategy to boost operations and mainly penetrate China and the larger Asian market. Prior to full product launch, the Company needs to secure clinical trials and obtain regulatory approvals of its internally developed products and build its competitive advantage to achieve its growth plans. Significant cash requirements are required to achieve these objectives.

Future cash requirements will depend on a number of factors, including the scope and results of nonclinical studies and clinical trials, continued progress of research and development programs, the company's out-licensing activities, the ability to generate positive cash flow from the molecular diagnostics (MDx) business, the ability to generate revenues from the commercialisation of drug development efforts and the availability of other funding.

The Company estimates that the current cash and cash equivalents are sufficient to fund its on-going operations for at least 44 months from the date of this report. This excludes capital requirements outside of normal operating activities. As part of the proposed acquisition strategy to acquire RBC Biosciences, TBG is looking into various funding arrangements to expand its cash resources.

4. Significant Changes in the State of Affairs

(i) Changes to board of directors

On 7 December 2015, Dr Christopher Harvey and Dr Hongjen Chang resigned as non-executive directors of the group. Following their resignation, Dr Stanley Chang and Ms Emily Lee were appointed as non-executive directors. Mr Eugene Cheng was also appointed as Managing Director of the group.

On 3 February 2016, Mr Edward Chang was appointed as non-executive director of the group.

(ii) Acquisition of TBG Inc

On 1 May 2015, TBG Diagnostics Limited (formerly Progen Pharmaceuticals Limited) announced that it has signed a Binding Term Sheet to acquire the company TBG Inc. (the 'Strategic Transaction') from Medigen, subject to due diligence, ASX, US OTC, ASIC, Taipei Exchange ('TPEx'), regulatory and shareholder approvals. TBG Inc. is a company established in Cayman Islands that operates within the global molecular diagnostics industry and is focused on the development, manufacture and marketing of nucleic acid testing kits and services. On 16 October 2015, the Company announced that it has signed a share sale and purchase agreement (SSPA) with Medigen.

On 29 January 2016, the Company announced that it had completed the acquisition as all the conditions precedents in the Share Sale and Purchase Agreement ("SSPA") had been satisfied. Pursuant to the SSPA, the Company issued 101,722,974 shares ("Consideration Shares") to Medigen as consideration for the acquisition of TBG Inc. As a result of the 'reverse acquisition', the Company obtained 100% of the issued share capital and voting rights of TBG Inc., hence, obtaining full control of the entity. At the direction of the ASX, the Consideration Shares are to be treated as restricted securities for a period of 24 moths from the reinstatement date on 3 February 2016.

(iii) Change of company name to TBG Diagnostics Limited

In light of the significant change in scale and nature of its business resulting from the TBG Inc. acquisition, the Company changed its name from Progen Pharmaceuticals Limited to TBG Diagnostics Limited. The change of name was approved by the Australian Securities & Investments Commission and a certificate of name change was received on 11 December 2015. The name change will reflect more accurately the future operations and activities of the Company, which focuses on the global molecular diagnostic industry and the development, manufacture and marketing of nucleic acid test kits and associated services.

(iv) Strategic review and discontinued operations

On 1 May 2015, the Company announced that it has commenced a review of whether to retain, demerge or divest some or all of its current activities in light of the proposed acquisition of TBG Inc. (the "Strategic Review").

In the Supplementary Prospectus dated 24 November 2015, the Company confirmed that it was still conducting clinical stage drug development activities with the Phase 1 clinical trial of PG545 directed at testing the safety and tolerability of this drug for use in oncology. The Company also advised that it was currently assessing options to realise its wholly owned contract manufacturing biopharmaceutical company, PharmaSynth. The Company has determined that it will retain the asset PI-88 and this will not form part of the Strategic Review. The Strategic Review will consider a variety of options with the objective of maximising value for all of the Company's shareholders.

Upon completion of the TBG Inc. acquisition on 29 January 2016, the Company entered into a Share Sale Agreement (SSA) to sell its wholly owned biopharmaceutical manufacturing subsidiary, PharmaSynth to Luina Biotechnology Pty Ltd ('Luina') for a total consideration of $2,200,000 of which $100,000 was received as upfront initial payment. The balance of the deferred consideration is to be paid in two remaining instalments, $1,000,000 in 24 months and $1,100,000 in 48 months. In order to secure the payment of the deferred consideration and protect its interests, the parties entered into security interest agreements over various assets.

In December 2015, the Company also approved the divestment of PG545 to a new wholly owned special purchase vehicle entity, Progen PG500 Series Pty Ltd, where the assets PG500 series and the relevant R&D team will be transferred. The Company aimed to complete the Phase 1 clinical trial of PG545 with the objective to maximise the return from the assets to form a saleable package for the various interested parties. On 22 July 2016, the Company announced that it has now completed the Phase 1 clinical trial of PG545.

At 30 June 2016, the board committed to a plan to sell its PG500 assets and subsequently on 1 July 2016, the assets were transferred to the wholly owned spin-off entity, Progen PG500 Series Pty Ltd, following the approval of a particular buyer proposal. Accordingly, the PG500 assets is presented as disposal group held for sale. Losses applicable to the write down value of the intangibles to recoverable amount were recognised as part of discontinued operations.

Director's Report

continued

4. Significant Changes in the State of Affairs (continued)

On 22 August 2016, the Company announced that it had entered into a binding agreement to sell the PG500 assets to Zucero Therapeutics Pty Ltd ('Zucero') for a total deferred consideration of $6,000,000 payable in 3 years. The Company has negotiated the right to be able to convert the deferred consideration into equity such that the Company will hold 20% of the total issued share capital of Zucero. In order to secure payment of the deferred consideration and protect the Company's interests, the parties have entered into security interest agreements and a guarantee.

The purpose of the disposal of the business assets acquired is to focus on the company's core competencies in the In Vitro Diagnostics ("IVD") industry as a result of the acquisition of TBG Inc.

(v) Proposed acquisition of RBC Biosciences

On 29 June 2016, the Company announced that it has entered into an agreement under which TBG's wholly owned subsidiary, TBG Inc, will purchase 51% equity in RBC Biosciences ('RBC'), one of the leading nucleic acid extraction equipment, reagents and kits manufacturers in Taiwan. The addition of RBC to the business of TBG is expected to double TBG's annual sales revenues and will provide further sales and distribution opportunities in the growing global diagnostics market, which is estimated to hit $81.3 billion by 2022.

The total purchase price for the acquisition is NT$127 million (approximately $4.7 million AUD). The Company has the option to elect to pay 20% of the purchase price via the issue of fully paid ordinary shares in the Company (issue price is based on 5 trading day VWAP of the Company prior to the anticipated Completion Date). If the Company elects to issue shares, it is anticipated that the Company will utilise some of its 15% share placement capacity under Listing Rule 7.1.

It was further announced that completion of the RBC acquisition is expected to occur in August 2016. However, further discussions are currently on-going to advance to the next stages of the proposed acquisition.

5. Significant Events after the Balance Date

Sale of PG500 assets

Refer to item 4(iv) for further detail on the binding agreement.

Refer Note 6 for further detail on the disposal group.

6. Likely Developments and Expected Results

The likely developments in the year ahead include:

(i) The sale of the Company's spin-off subsidiary, Progen PG500 Series Pty Ltd, as part of the strategic review in line with the completed acquisition of TBG Inc. This has been completed on 22 August 2016;
(ii) Providing solutions for transplantation, blood screening, infectious disease detection, monitoring of hereditary genetic disease and cancer therapeutics;
(iii) Continue to look for opportunities for expansion of the Company's core technology through merger and acquisition;
(iv) The establishment of a clinical lab in China to provide molecular diagnostics services to hospitals and health organizations.

7. Directors – Qualifications, Experience and Special Responsibilities

Directors and company secretary in office at the date of this report

Mr Indrajit Solomon Arulampalam

Executive Chairman

Risk and Audit Committee Member

Mr Arulampalam who is the current Chairman of Euro Petroleum Limited (Australian public company) is a Melbourne based businessman with over 20 years of extensive experience in corporate restructuring, capital raising, listing and running of public companies on the ASX. Having started his career in Accounting, he spent more than 8 years with Westpac Banking Corporation in several key operational and strategic Banking roles before joining boards of public companies.

In 2004 Mr Arulampalam was head hunted by Newsnet Ltd as its CEO to assist in the restructuring of the company, and to position it for an IPO. Since this appointment he was responsible for guiding the company through a successful restructure and positioned Newsnet as a leading innovator in the messaging/telco space to be recognised by the 2006 Australian Financial Review MIS Magazine as one of the "Top 25 global rising stars".

In May 2010, Mr Arulampalam co-founded ASX listed potash mining and exploration company Fortis Mining Ltd (ASX: FMJ). As the Executive Chairman, he was instrumental in the company's acquisition of world class potash assets in Kazakhstan, a monumental deal which ultimately led to the company being awarded "IPO of the Year 2011". Mr Arulampalam was also previously the Chairman of ASX listed companies Great Western Exploration Ltd (ASX: GTE) and Medicvision Limited (ASX: MVH). He is also the current Executive Chairman of Lanka Graphite Limited, an ASX listed company.

Dr Stanley Chang

Non-Executive Director, appointed 7 December 2015

Remuneration and Nomination Committee Chair

Dr Chang is the Chairman of Medigen, with an MD degree from National Taiwan University College of Medicine and a Ph.D. degree in Laser Medicine from the University College London of London University, UK.

Dr Chang is a Urological surgeon by training, and was formerly a professor in Urology, and the chairman of Faculty of Medicine at Tzu-Chi Medical College, Taiwan. He changed his career track to biotech business in 2000, and became the CEO and Chairman of both Medigen and Medigen Vaccine Biologics Corp. (MVC).

Medigen is a publicly listed company in Taiwan, focusing on monoclonal antibody discovery, cancer drug developments, and molecular diagnostic kits/ devices manufacturing and marketing. MVC on the other hand is a subsidiary of Medigen, devoted to cell based technology for vaccine production. MVC is constructing a PIC/s certified vaccine manufacturing plant for pandemic/seasonal flu vaccines and EV71 enterovirus vaccines in Taiwan. The state-of-the-art cell-based vaccine production plant is planned to go through EU's PIC/s GMP inspection and start operation in 2016.

Dr Chang holds a total of 1,802,064 shares in Medigen, the ultimate parent of the Company. At the direction of the Taipei Stock Exchange, the shares are not tradeable from the Initial Public Offering (IPO) in November 2011 until regulatory approval is obtained for the product PI-88.

Ms Emily Lee

Non-Executive Director, appointed 7 December 2015

Remuneration and Nomination Committee Member

Risk and Audit Committee Member

Ms Emily Lee, who is the current Managing Director of ASX listed company Lanka Graphite Limited (ASX:LGR), is a Melbourne based businesswoman with a substantial track record of success in cross border transactions within the corporate and government sectors in Australia and Asia. Ms. Lee has extensive experience in corporate restructuring, capital raising, listing and managing of public companies on the ASX.

Ms Lee serves as Managing Director of Mercer Capital, a boutique private equity firm based in Melbourne. In May 2013, she was instrumental in leading a successful underwriting and capital raising exceeding $5 million for Progen Pharmaceuticals Limited (ASX: PGL). In August 2015, she successfully raised $3.8 million for Lanka Graphite Limited following the successful merger of Viculus Limited and Euro Petroleum.

Mercer Capital has been the lead strategic Corporate Advisor for Progen Pharmaceuticals Limited on managing and facilitating the corporate restructuring of the company and acquisition of TBG Inc.

Ms Lee previously held position as non-executive chairman for ASX listed company Australian Natural Proteins Limited (ASX:AYB) and is a member of the Australian Institute of Directors (MAICD).

Mr Eugene Cheng

Executive Director, appointed 7 December 2015

Risk and Audit Committee Member

Mr Eugene Cheng is currently the President of Medigen, a leading biotechnology company listed on Taipei Exchange in Taiwan.

Since he joined the company in 2004, Mr Cheng has been instrumental in Medigen's IPO on the Taipei Exchange in 2011 and the establishment and development of the company's in-vitro diagnostics business under the TBG brand. Mr Cheng spearheaded Medigen's M&A activities including the acquisitions of Texas Biogene in 2006 and Haoyuan of Shanghai in 2007. Under Eugene's leadership, Haoyuan became the leading local brand in China's NAT blood screening market. Haoyuan's valuation was increased by tenfold in 5 years before it got acquired by Perkin Elmer in 2012.

Prior to Medigen, Eugene held several executive positions in Acers, one of the world's leading PC brands. As VP and General Manager of the OEM Business Division, he was responsible for more than 50% of the company's sales. As the Chief of Staff, he assisted the President in strategic planning and was also responsible for Acer's corporate venture capital. He sat on the boards of more than 15 companies in the investment portfolios, many of which have later became successful public companies in Taiwan and in the US.

Eugene holds a bachelor degree in Chemical Engineering from Chung Yuan College of Science and Engineering, and a MBA degree from National Sun-Yat-Sen University in Taiwan.

Mr Cheng holds a total of 187,808 shares in Medigen, the ultimate parent of the Company. At the direction of the Taipei Stock Exchange, the shares are not tradeable from the Initial Public Offering (IPO) in November 2011 until regulatory approval is obtained for the product PI-88.

Director's Report
continued

7. Directors – Qualifications, Experience and Special Responsibilities (continued)

Mr Edward Chang

Non-Executive Director, appointed 3 February 2016

Risk and Audit Committee Chair
Remuneration and Nomination Committee Member

Mr Edward Chang is the Director of Finance Department at Eternal Materials Co., Ltd., a leading chemical material provider based in Taiwan. Edward holds a master's degree in Business Administration from the Schulich School of Business at York University in Canada. Prior to joining the firm, Edward worked at Motech Industries, Inc., a leading photovoltaic (PV) cell provider based in Taiwan, as Manager of Treasury and Risk Management Department.

Mr Blair Lucas, BA (Hons), LLB, GradDipEd (Sec), ACIS

Company Secretary

Mr Lucas has served as Company Secretary and in-house counsel for a number of private and public companies in both China and Australia. He has an in-depth knowledge of the Australian corporate regulatory environment and significant practical experience in China, including various capital raisings, cross-border transactions, and corporate and commercial law. Blair holds an LLB, a BA (Hons) in Chinese and is a member of the Governance Institute of Australia (formerly Chartered Secretaries Australia).

Mr Hongjen Chang

Non-Executive Director, resigned 7 December 2015

Audit Committee Member, Remuneration Committee Member

Dr Chang is an experienced life sciences venture capitalist and is known for his expertise in systems. He is currently the Chairman and CEO of YFY Biotech Management Company ("YFY") and President and CEO of Taiwan Global Biofund ("TGB"). YFY is one of the leading biotechnology investment companies in Taiwan and manages TGB, a ~US$70 million fund, and SME BioFund, a government sponsored matching fund. Dr Chang has sixteen years' experience in government in the Department of Health, Taiwan holding a variety of positions including Deputy Minister, President and CEO of the Bureau of National Health Insurance and Director General of the Center of Disease Control. Dr Chang has a medical degree from National Yang-Ming Medical College, a Master of Science in Public Health from National Taiwan University, and a Master of Health Policy and Management from Harvard School of Public Health.

Dr Christopher Harvey

Non-Executive Director, resigned 7 December 2015

Audit Committee Member, Remuneration Committee Member

Dr Harvey is currently the Chairman of Global Speciality Chemicals Pty Ltd and HealthGuard Corporation Pty Ltd which are privately owned Australian companies engaged in the research and development, manufacture and sales of HealthGuard® – Intelligent Biotech Solutions. HealthGuard®, the world leader in the innovation of Intelligent Biotech Solutions, includes a range of anti-bed bug, anti-dust mite, anti-mosquito, anti-bacterial and anti-fungal treatments for preventing and reducing diseases caused by infestations of the House Dust Mite and Bed bugs, Mosquito blood feeding and various other Gram-positive & Gram-negative strains of bacteria including the Super bugs MRSA and VRE.

Dr Harvey holds a Diploma in Art and Design and a Bachelor of Science in Colour Chemistry. Whilst studying for his Bachelor of Science, Dr Harvey concurrently researched a Master of Philosophy in Microbiology and went on to obtain a PhD in Organic Chemistry. Dr Harvey has regularly presented lectures to the governments of Thailand and Vietnam in order to improve their manufacturing skills.

8. Particulars on Directors' Interest in Shares and Options

As at the date of this report the directors' interests in shares and options of the Company as notified by the directors to the Australian Stock Exchange in accordance with S205G(1) of the Corporations Act 2001 were:

Director	Shares	Options
Indrajit Solomon Arulampalam	40,000	120,000
Stanley Chang	500,000	–
Emily Lee	91,207	–
Eugene Cheng	–	–
Edward Chang	–	–

9. Directors' Attendance at Board and Committee Meetings

The number of directors' meetings held during the year and the number of meetings attended by each director were as follows:

	Directors' meetings		Audit committee meetings		Remuneration committee meetings	
Name	A	B	A	B	A	B
Indrajit Arulampalam	5	5	3	3	–	–
Hongjen Chang	2	2	2	2	–	–
Christopher Harvey	2	2	2	2	–	–
Stanley Chang	3	3	–	–	1	1
Emily Lee	3	3	1	1	1	1
Eugene Cheng	3	3	1	1	–	–
Edward Chang	1	2	1	1	–	–

Key:
A : Number of meetings attended
B : Number of meetings held during the time the director held office or was a member of the committee

10. Remuneration Report (audited)

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

Details of the key management personnel of TBG Diagnostics Limited (legal parent)

(i) Directors

I. S. Arulampalam	Executive Chairman
H. Chang	Non-executive Director (resigned 7 December 2015)
C. Harvey	Non-executive Director (resigned 7 December 2015)
S. Chang	Non-executive Director (appointed 7 December 2015)
E. Lee	Non-executive Director (appointed 7 December 2015)
E. Cheng	Managing Director (appointed 7 December 2015)/Chief Executive Officer – TBG Inc/ Chief Operating Officer – TBG Diagnostics Limited (appointed 17 May 2016)
E. Chang	Non-executive Director (appointed 3 February 2016)

Director's Report
continued

10. Remuneration Report (audited) (continued)

(ii) Executives

F. Lankesheer	Director – Business Development and Legal (terminated 29 January 2016)
L. Tillack	Chief Executive Officer – PharmaSynth (finished 4 March 2016)
B. Lucas	Company Secretary
K. Dredge	Director – Drug Development
G. Hipona	General Manager – Finance

Details of the key management personnel of TBG Inc. (accounting parent)

(i) Directors

S. Chang	Executive Chairman
E. Cheng	Chief Executive Officer – TBG Inc
B. Ou	Non-executive Director

There have been no other changes to the KMP after the reporting date and before the date the financial report was authorised for issue, except as noted above.

A. Principles used to determine the nature and amount of remuneration

Remuneration Philosophy
Remuneration levels are competitively set to attract the most qualified and experienced directors and executives. The remuneration structures outlined below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creating shareholder value.

The Board ensures that executive reward satisfies the following criteria for good reward corporate governance practices:

- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linkage/alignment of executive compensation;
- transparency; and
- capital management.

Remuneration packages may include a mix of fixed and variable remuneration including performance based bonuses and equity plans.

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

Non-executive Director Remuneration
Non-executive directors' fees reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees are reviewed periodically by the Board and were last done so on 11 November 2015.

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of the non-executive directors shall be determined from time to time by a general meeting of shareholders. The current aggregate fee pool limit is $500,000 per annum as approved by shareholders at the 2007 AGM.

As of 31 August 2016, fees being paid to executive and non-executive directors' has a total aggregate amount of $40,000 per annum for each non-executive director, inclusive of board committee fees. The fees paid to the executive Chairman amounted to $80,000, inclusive of board committee fees.

Retirement allowances are not paid to non-executive directors other than contributing superannuation to the directors' fund of choice. This benefit forms part of the directors' base fees.

The remuneration of executive and non-executive directors for the periods ended 30 June 2016 and 30 June 2015 is detailed in table 1 and table 3 of this report.

Executive Remuneration
The executive pay and reward framework has two components:

- fixed remuneration including base pay and benefits; and
- variable remuneration including performance related bonuses and equity plans.

Fixed remuneration
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 consists of base remuneration, as well as employer contributions to superannuation funds. Executives are given the opportunity to receive their fixed base remuneration in a variety of forms including cash and fringe benefits such as motor vehicles. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue additional cost for the Company.

Fixed remuneration is generally reviewed annually by the remuneration committee. This process consists of a review of individual performance and overall performance of the Company. The Committee has access to external advice independent of management.

The Company does not pay retirement benefits to any senior executives other than contributing superannuation to the senior executives' fund of choice. Pension benefits are also paid for executives of the overseas subsidiaries in accordance with a defined contribution plan. This benefit forms part of the senior executives' base remuneration.

The fixed remuneration component of executives is detailed in table 2 and table 4.

Performance related bonuses
In 2016, performance related bonus of $10,000 was paid to an eligible executive (2015: nil).

Retention Bonus
No retention bonuses were paid throughout the 2016 financial year.

Retirement benefits
The company meets its obligations under the Superannuation Guarantee Legislation.

Equity plans
The company is able to issue share options under the TBG Directors and Employees Option Incentive Plan. The objective of the equity plan is to reward executives in a manner that aligns remuneration with the creation of shareholder wealth.

Information on all options vested during the year is detailed in table 5 and further detail of the plan is in Note 17.

Group Performance
In considering the consequences of the Company's performance on shareholder wealth the Board are focused on total shareholder returns. In the Company's case this consists of the movement in the Company's share price rather than the payment of dividends. Given the current stage of the Company's development, it has never paid a dividend and does not expect to in the near future.

The Company incurred net loss during the financial year ended 30 June 2016 of $12,377,722 (2015: $1,859,557).

The following table shows the change in the Company's share price and market capitalisation as compared to the total remuneration (including the fair value of options granted) during the current financial year and the previous four financial years:

	2016	2015	2014	2013	2012
Share price at end of year	$0.20	$0.18	$0.80	$0.22	$0.14
Change in share price	$0.02	$(0.62)	$0.58	$0.08	$(0.09)
Market capitalisation at end of year plus amounts distributed to shareholders during the year	$43,517,458	$9,951,357	$44,228,252	$12,162,769	$3,459,274
Change in market capitalisation	$33,566,101	$(34,276,895)	$32,065,483	$8,703,495	$(2,223,819)
Total Key Management Personnel remuneration (TBG Diagnostics Ltd)	$888,201	$1,186,089	$1,110,868	$878,077	$1,205,563
Total Key Management Personnel remuneration (TBG Inc)	$319,085	–	–	–	–

Expenses in relation to options issued to key management personnel of the group in 2016 financial year is $6,747 (2015: $71,400) composing 1% of the total key management personnel remuneration (See Table 2).

The Directors believe that the base remuneration of the Board and executives reflects market compensation for these roles. Short Term Incentives (STI) paid to Directors and Key Management for the financial year 2016 amounted to $10,000 (2015: nil).

Director's Report
continued

10. Remuneration Report (audited) (continued)

B. Details of remuneration of key management personnel of TBG Diagnostics Limited (legal parent)

Table 1: Directors' remuneration for the year ended 30 June 2016.

		Short term			Post-employment	Long term benefits	Share-based payment		
Directors		Salary and fees[5] $	Cash bonus $	Non-monetary benefits $	Super-annuation $	Long service leave[6] $	Options $	Total $	Options Remuneration %
Indrajit Arulampalam	2016	80,000	–	–	–	–	–	80,000	–
	2015	80,000	–	–	–		8,703	88,703	9.8
Heng Tang[1]	2016	–	–	–	–	–	–	–	–
	2015	140,729	–	–	13,727	(225)	11,790	166,021	7.1
Hongjen Chang[2]	2016	26,129	–	–	–	–	–	26,129	–
	2015	60,000	–	–	–	–	8,703	68,703	12.7
Christopher Harvey[2]	2016	30,000	–	–	–	–	–	30,000	–
	2015	17,500	–	–	–	–	–	17,500	–
Stanley Chang[3]	2016	22,778	–	–	–	–	–	22,778	–
	2015	–	–	–	–	–	–	–	–
Eugene Cheng[3]	2016	22,688	–	–	–	–	–	22,688	–
	2015	–	–	–	–	–	–	–	–
Emily Lee[3]	2016	22,778	–	–	–	–	–	22,778	–
	2015	–	–	–	–	–	–	–	–
Edward Chang[4]	2016	16,667	–	–	–	–	–	16,667	–
	2015	–	–	–	–	–	–	–	–
Total – Executive and Non-Executive Directors	2016	221,040	–	–	–	–	–	221,040	–
	2015	298,229	–	–	13,727	(225)	29,196	340,927	8.6

1 Resigned 13 March 2015
2 Resigned 7 December 2015
3 Appointed 7 December 2015
4 Appointed 3 February 2016
5 Includes changes in accruals for annual leave
6 This pertains to the movements in long service leave provision

Table 2: Remuneration for the other key management personnel for the year ended 30 June 2016.

		Short term			Post-employment	Long term benefits	Share-based payment			
Other key management personnel		**Salary and fees[5] $**	**Cash bonus $**	**Non-monetary benefits $**	**Super-annuation $**	**Long service leave[6] $**	**Options $**	**Termination payments $**	**Total $**	**Options Remuneration %**
Fleur Lankesheer[1]	**2016**	**54,653**	**–**	**–**	**12,021**	**(6,695)**	**1,382**	**71,687**	**133,048**	**1.0**
	2015	185,272	–	–	25,507	2,751	9,109	–	222,639	4.1
Leslie Tillack[2]	**2016**	**106,667**	**–**	**–**	**10,133**	**–**	**2,764**	**–**	**119,564**	**2.3**
	2015	169,313	–	–	15,200	13,610	18,219	–	216,342	8.4
Blair Lucas	**2016**	**60,000**	**–**	**–**	**–**	**–**	**528**	**–**	**60,528**	**0.9**
	2015	59,000	–	–	–	–	1,672	–	60,672	2.8
Lee Horobin[3]	**2016**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	2015	57,466	–	–	–	–	2,531	–	59,997	4.2
Keith Dredge	**2016**	**189,671**	**–**	**–**	**17,707**	**1,466**	**1,382**	**–**	**210,226**	**0.6**
	2015	186,118	–	–	25,473	801	9,109	–	221,501	4.1
Generosa Hipona[4]	**2016**	**117,602**	**10,000[7]**	**–**	**11,407**	**4,095**	**691**	**–**	**143,795**	**0.5**
	2015	53,986	–	–	6,949	1,512	1,564	–	64,011	2.4
Total - Other key management personnel	**2016**	**528,593**	**10,000**	**–**	**51,268**	**(1,134)**	**6,747**	**71,687**	**667,161**	**1.0**
	2015	711,155	–	–	73,129	18,674	42,204	–	845,162	5.0

1 Terminated 29 January 2016
2 Finished 4 March 2016 due to sale of subsidiary
3 Contract finished 1 December 2014
4 Became KMP 1 December 2014
5 Includes changes in accrual for annual leave
6 This pertains to the movements in long service leave provision
7 Performance bonus granted on 16 December 2015 based on the non-contractual achievement of certain non-financial objectives. 100% of the bonus vested and was paid in the 2016 financial year.

Director's Report
continued

10. Remuneration Report (audited) (continued)

C. Details of remuneration of key management personnel of TBG Inc. (accounting parent)

Table 3: Directors' remuneration for the year ended 30 June 2016 including the legal parent from 29 January 2016 (acquisition date)

		Short term			Post-employment	Long term benefits	Share-based payment		
Directors		Salary and fees $	Cash bonus $	Non-monetary benefits $	Super-annuation $	Long service leave $	Options $	Total $	Options Remuneration %
Stanley Chang[1]	2016	16,667	–	–	–	–	–	16,667	–
	2015	–	–	–	–	–	–	–	–
Eugene Cheng[1]	2016	16,667	–	31,983	–	–	–	48,650	–
	2015	–	–	–	–	–	–	–	–
Bill Ou[3]	2016	–	–	–	–	–	–	–	–
	2015	–	–	–	–	–	–	–	–
Indrajit Arulampalam[1]	2016	33,333						33,333	–
	2015	–	–	–	–	–	–	–	–
Emily Lee[1]	2016	16,667	–	–	–	–	–	16,667	–
	2015	–	–	–	–	–	–	–	–
Edward Chang[2]	2016	16,667	–	–	–	–	–	16,667	–
	2015	–	–	–	–	–	–	–	–
Total – Executive and Non-Executive Directors	2016	100,001	–	31,983	–	–	–	131,984	–
	2015	–	–	–	–	–	–	–	–

1 From the TBG Inc. acquisition date 29 January 2016 to 30 June 2016
2 From appointment date 3 February 2016 to 30 June 2016
3 No fees were paid to the director for the position.

Table 4: Remuneration for the other key management personnel for the year ended 30 June 2016 including the legal parent from 29 January 2016 (acquisition date).

		Short term			Post-employment	Long term benefits	Share-based payment		
Other key management personnel		Salary and fees[3] $	Cash bonus $	Non-monetary benefits $	Super-annuation $	Long service leave[4] $	Options $	Total $	Options Remuneration %
Leslie Tillack[1]	2016	13,333	–	–	1,267	–	–	14,600	–
	2015	–	–	–	–	–	–	–	–
Blair Lucas[2]	2016	25,000	–	–	–	–	–	25,000	–
	2015	–	–	–	–	–	–	–	–
Keith Dredge[2]	2016	81,218	–	–	7,378	447	–	89,043	–
	2015	–	–	–	–	–	–	–	–
Generosa Hipona[2]	2016	51,761	–	–	4,750	1,947	–	58,458	–
	2015	–	–	–	–	–	–	–	–
Total - Other key management personnel	2016	171,312	–	–	13,395	2,394	–	187,101	–
	2015	–	–	–	–	–	–	–	–

1 From 29 January 2016 to 4 March 2016 due to sale of subsidiary
2 From the TBG Inc. acquisition date 29 January 2016 to 30 June 2016
3 Includes changes in accrual for annual leave
4 This pertains to the movements in long service leave provision

D. Service Agreements

The Company's policy is to enter into service contracts with executive directors and senior executives on appointment that are unlimited in term but capable of termination on specified notice periods; and that the Company has the right to terminate the contract immediately by making payment equal to the specified notice period as pay in lieu of notice other than for misconduct when termination is immediate. The executive directors and senior executives are also entitled to receive on termination of employment their statutory entitlements of accrued annual leave and long service leave.

The service contract outlines the components of remuneration paid to the executive directors and key management personnel but does not prescribe how remuneration levels are modified year to year.

Director's Report
continued

10. Remuneration Report (audited) (continued)
The current base remuneration, short-term incentive arrangements and termination notice periods included in the service agreements with key management personnel are detailed below.

(i) Key management personnel of TBG Diagnostics Limited (legal parent) and TBG Inc. (accounting parent)

B Lucas, *Company Secretary*

- Term of consultancy agreement – variable depending on completion of projects
- Consulting fees paid on a monthly rate
- No allowance for a termination payment

K Dredge, *Director of Drug Development*

- Term of agreement – unlimited, capable of termination on notice of 12 weeks.
- Base salary, inclusive of superannuation, of $204,095 last reviewed on 17 July 2014

G Hipona, *General Manager Finance*

- Term of agreement – unlimited, capable of termination on notice of 4 weeks.
- Base salary, inclusive of superannuation, of $136,656 last reviewed on 22 July 2016

J Arulampalam, *Executive Chairman – TBG Diagnostics Ltd*

- Term of agreement – unlimited, no provision for termination notice
- Base directors fee, inclusive of superannuation, of $80,000 last reviewed on 11 November 2015

E Cheng, *Executive Director/Chief Executive Officer – TBG Inc./Chief Operating Officer – TBG Diagnostics Ltd*

- Term of agreement – unlimited, no provision for termination notice
- Base directors fee, inclusive of superannuation, of $40,000 last reviewed on 11 November 2015

E. Share-Based Payments

During the 2016 financial year the following options were vested with directors and key management personnel of the Group under the terms of The TBG Directors and Employee Option Incentive Plan.

Table 5: Number of options granted and vested at end of financial year for Directors and KMP (TDL)

	Grant date	Expiry date	No. of options granted	No. of options vested	% options vested
I. S. Arulampalam	7-November-2014	1-December-2018	60,000	60,000	100%
I. S. Arulampalam	7-November-2014	1-June-2018	60,000	60,000	100%
B. Lucas	7-November-2014	1-April-2018	6,000	6,000	100%
B. Lucas	7-November-2014	1-January-2018	12,000	12,000	100%
B. Lucas	7-November-2014	1-October-2018	12,000	12,000	100%
F. Lankesheer	1-April-2014	1-April-2018	10,000	10,000	100%
F. Lankesheer	1-April-2014	1-January-2018	20,000	20,000	100%
F. Lankesheer	1-April-2014	1-October-2018	20,000	20,000	100%
L. Tillack	1-April-2014	1-April-2018	20,000	20,000	100%
L. Tillack	1-April-2014	1-January-2018	40,000	40,000	100%
L. Tillack	1-April-2014	1-October-2018	40,000	40,000	100%
K. Dredge	19-August-2013	25-September-2018	30,000	30,000	100%
K. Dredge	1-April-2014	1-April-2018	10,000	10,000	100%
K. Dredge	1-April-2014	1-January-2018	20,000	20,000	100%
K. Dredge	1-April-2014	1-October-2018	20,000	20,000	100%
G. Hipona	1-April-2014	1-April-2018	5,000	5,000	100%
G. Hipona	1-April-2014	1-January-2018	10,000	10,000	100%
G. Hipona	1-April-2014	1-October-2018	10,000	10,000	100%
Total			405,000	405,000	

Director's Report
continued

10. Remuneration Report (audited) (continued)
The following table summarises the value of options granted, exercised or expired during the 2016 financial year to directors and key management personnel.

Directors and KMP of TBG Diagnostics Limited (legal parent)

	Value of options granted during the year[1] $	Value of options exercised during the year $	Value of options lapsed during the year[2] $	Value of options forfeited during the year $
I. S. Arulampalam	–	–	–	–
H. Chang	–	–	–	–
C. Harvey	–	–	–	–
S. Chang	–	–	–	–
E. Cheng	–	–	–	–
E. Lee	–	–	–	–
E. Chang	–	–	–	–
F. Lankesheer	$1,382	–	–	–
L. Tillack	$2,764	–	–	–
B. Lucas	$528	–	–	–
K. Dredge	$1,382	–	–	–
G. Hipona	$691	–	–	–

1 The value at grant date calculated in accordance with AASB 2 Share-based Payment of options granted during the year as part of remuneration.
2 The value at lapse date of options that were granted as part of remuneration and that lapsed during the year because a vesting condition was not satisfied. The value is determined at the time of lapsing, but assuming the condition was satisfied.

During the year no options were exercised by directors or key management personnel.

Fair value of options granted
The Board has a policy prohibiting directors or executives entering into contracts to hedge their exposure to options or shares granted as part of their remuneration. The Board periodically requests directors and executives confirm they are in compliance with this policy.

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

The following table lists the inputs to the model used in the valuation of the options granted in 2016 and 2015:

	2016	2015
Expected volatility	105%	112%
Risk-free rate average	1.78%	2.62 – 2.85%
Expected life average (years)	5	3 to 4
Dividend yield	–	–
Weighted average exercise price ($)	0.30 to 0.40	1.20 to 1.50
Share price at grant date ($)	0.20	0.17

All options granted relates to options to acquire shares in TBG Diagnostics Limited.

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

F. Key Management Personnel Equity Holdings

(i) Option holdings of key management personnel of TBG Diagnostics Limited (legal parent)

	Balance at beginning of period 1 July 2015	Granted as remuneration	Options forfeited	Options Lapsed	Balance at end of period 30 June 2016	At 30 June 2016 Total Vested	At 30 June 2016 Total Non-Vested
Directors							
I. S. Arulampalam	120,000	–	–	–	120,000	120,000	–
H. Chang[1]	120,000	–	–	(120,000)[7]	–	–	–
C. Harvey[1]	–	–	–	–	–	–	–
S. Chang[2]	–	–	–	–	–	–	–
E. Cheng[2]	–	–	–	–	–	–	–
E. Lee[2]	–	–	–	–	–	–	–
E. Chang[3]	–	–	–	–	–	–	–
Executives							
F. Lankesheer[4]	80,000	–	–	(30,000)[6]	50,000	50,000	–
L. Tillack[5]	100,000	–	–	–	100,000	100,000	–
B. Lucas	30,000	–	–	–	30,000	30,000	–
K. Dredge	80,000	–	–	–	80,000	80,000	–
G. Hipona	45,000	–	–	(20,000)[6]	25,000	25,000	–
Total	**575,000**	**–**	**–**	**(170,000)**	**405,000**	**405,000**	**–**

1 Resigned 7 December 2015
2 Appointed 7 December 2015
3 Appointed 3 February 2016
4 Terminated 29 January 2016
5 Finished 4 March 2016 due to sale of subsidiary
6 Options lapsed 1 January 2016 due to non-exercise
7 Options lapsed 7 March 2016 due to non-exercise

(ii) Option holdings of key management personnel of TBG Inc. (accounting parent)

	Balance at beginning of period 1 July 2015	Granted as remuneration	Options forfeited	Options Lapsed	Balance at end of period 30 June 2016	At 30 June 2016 Total Vested	At 30 June 2016 Total Non-Vested
Directors							
S. Chang	–	–	–	–	–	–	–
E. Cheng	–	–	–	–	–	–	–
B. Ou	–	–	–	–	–	–	–
Total	**–**	**–**	**–**	**–**	**–**	**–**	**–**

Director's Report
continued

10. Remuneration Report (audited) (continued)

(iii) Shareholdings of key management personnel of TBG Diagnostics Limited (legal parent)

Ordinary shares held in TBG Diagnostics Limited	Balance 1 July 15	On exercise of options	Net change other	Balance 30 June 16
Directors				
I. S. Arulampalam	40,000	–		40,000
H. Chang[1]	–	–	–	–
C. Harvey[1]	–	–	–	–
S. Chang[2]	–	–	500,000[6]	500,000
E. Cheng[2]	–	–	–	–
E. Lee[2]	–	–	91,207[7]	91,207
E. Chang[3]	–	–	–	–
Executives				
F. Lankesheer[4]	–	–	–	–
L. Tillack[5]	–	–	–	–
B. Lucas	–	–	–	–
K. Dredge	–	–	–	–
G. Hipona	–	–	–	–
Total	40,000	–	591,207	631,207

1 Resigned 7 December 2015
2 Appointed 7 December 2015
3 Appointed 3 February 2016
4 Terminated 29 January 2016
5 Finished 4 March 2016 due to sale of subsidiary
6 Acquired on market during the financial year
7 Previously held shareholdings pre-appointment

(iv) Shareholdings of key management personnel of TBG Inc (accounting parent)

Ordinary shares held in TBG Diagnostics Limited	Balance 1 July 15	On exercise of options	Net change other	Balance 30 June 16
Directors				
S. Chang	–	–	–	–
E. Chen	–	–	–	–
B. Ou	–	–	–	–
Total	–	–	–	–

11. Loans to Directors and Executives

No loans have been paid to Company directors or executives during or since the end of the financial year.

12. Other transactions with key management personnel

There were no other transactions with key management personnel during the year.

13. Remuneration Consultant

No remuneration consultants were engaged during 2016.

End of Remuneration Report (audited)

14. Environmental Regulations

The Company complies with all environmental regulations applicable to its operations and there have been no significant known breaches.

15. Rounding

For the year ended 30 June 2016 amounts contained in this report and in the financial report have been rounded to the nearest dollar.

16. Indemnification and Insurance of Directors and Officers

The Company has agreed to indemnify directors and officers in respect of certain liabilities incurred while acting as a director of any group company. During the financial year, the company paid a premium in respect of a contract insuring the directors of the company, the company secretary, and all executive officers of the company against a liability incurred as a director, company secretary or executive officer to the extent permitted by the Corporations Act 2001. In accordance with commercial practice, the insurance policy prohibits disclosure of the terms of the policy, including the nature of the liability insured against and the amount of the premium. No other insurance premiums have been paid or indemnities given, during or since the end of the year, for any person who is or has been an officer or auditor of the Company.

17. Auditor Independence and Non-audit Services

The Auditors' Independence Declaration on page 29 forms part of the Directors' Report.

Non-audit services

The following non-audit services were provided by the entity's auditor, BDO Audit Pty Ltd and its associated firms. The directors are satisfied that the provision of non-audit services is compatible with the general audit standards of independence for auditors imposed by the Corporations Act 2001.

The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

During the year the following fees were paid or payable for non-audit services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	$
BDO (QLD) Pty Ltd - Tax related services	81,484
BDO Audit Pty Ltd - Investigating accountant's report	32,000
	113,484

Director's Report
continued

18. Proceedings on behalf of the company
No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purposes of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

19. Shares under option
Unissued ordinary shares of TBG Diagnostics Limited under option at the date of this report are as follows:

Grant date	Expiry Date	Exercise Price	Number of Options
19 August 2013	25 September 2018	$0.21	30,000
1 April 2014	1 April 2018	$1.20	142,800
1 April 2014	1 January 2018	$1.30	259,600
1 April 2014	1 October 2018	$1.50	214,800
7 November 2014	1 December 2018	$1.20	60,000
7 November 2014	1 June 2018	$1.30	60,000
7 November 2014	1 April 2018	$1.20	6,000
7 November 2014	1 January 2018	$1.30	12,000
7 November 2014	1 October 2018	$1.50	12,000
13 May 2016	13 May 2022	$0.30	2,000,000
13 May 2016	13 May 2022	$0.30	1,000,000
13 May 2016	13 May 2022	$0.40	1,000,000
13 May 2016	13 May 2022	$0.30	950,000
Total			5,747,200

Included in these options were options granted as remuneration to the five highest remunerated officers during the year. Details of options granted to the five highest remunerated officers who are also key management personnel are disclosed in section 10F of the Remuneration report. There are no Officers in the Company who are not also identified as key management personnel.

No option holder has any right under the options to participate in any other share issue of the company or any other entity.

No shares were issued on exercise of options during the year.

Signed in accordance with a resolution of the board of directors.

Jitto Arulampalam
Executive Chairman
Date: 21 September 2016

Eugene Cheng
Executive Director
Date: 21 September 2016

Auditor's Independence Declaration

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DECLARATION OF INDEPENDENCE BY T R MANN TO THE DIRECTORS OF TBG DIAGNOSTICS LIMITED

As lead auditor of TBG Diagnostics Limited for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of TBG Diagnostics Limited and the entities it controlled during the period.

T R Mann
Director

BDO Audit Pty Ltd

Brisbane, 21 September 2016

Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2016

	Note	Consolidated 2016 $	Consolidated 2015 $
REVENUE FROM CONTINUING OPERATIONS	4 (a)	3,274,654	806,589
Cost of Sales		1,056,861	259,667
GROSS PROFIT		2,217,793	546,922
Other income	4 (b)	463,860	292,057
EXPENSES			
Research and development expenses		2,855,458	875,100
Administrative and corporate expenses		2,730,435	1,642,227
Selling expenses		543,042	181,209
		6,128,935	2,698,536
LOSS FROM CONTINUING OPERATIONS BEFORE TAX		(3,447,282)	(1,859,557)
Income tax expense		–	–
Loss from continuing operations		(3,477,282)	(1,859,557)
Loss from discontinued operations	6 (b)	(8,930,440)	–
LOSS FOR THE YEAR		(12,377,722)	(1,859,557)
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified to profit or loss			
Foreign currency translation		(173,138)	2,500,459
Changes in the fair value of available-for-sale financial assets		–	(3,865,925)
OTHER COMPREHENSIVE INCOME (LOSS)		(173,138)	(1,365,466)
TOTAL COMPREHENSIVE INCOME (LOSS)		(12,550,860)	(3,225,023)
Basic and diluted loss per share – continuing operations (cents per share)	9	(1.9)	(1.0)
Basic and diluted loss per share (cents per share)		(6.7)	(1.0)

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

Statement of Financial Position

as at 30 June 2016

	Note	Consolidated 2016 $	Consolidated 2015 $
ASSETS			
Current Assets			
Cash and cash equivalents	11 (a)	13,361,869	6,445,974
Trade and other receivables	12	696,089	631,495
Inventories	13	753,562	439,133
Other current assets		860,863	258,856
Assets classified as held for sale	6 (f)	2,921,296	–
Total Current Assets		18,593,679	7,775,458
Non-current Assets			
Receivables and other assets	14	1,238,568	200,660
Plant and equipment	15	3,473,882	3,215,449
Intangible assets	16	1,396,144	752,056
Total Non-current Assets		6,108,594	4,168,165
TOTAL ASSETS		24,702,273	11,943,623
LIABILITIES			
Current Liabilities			
Trade and other payables	18	1,124,208	564,576
Provisions	19	288,173	–
Liabilities directly associated with assets classified as held for sale	6 (f)	85,691	–
Total Current Liabilities		1,498,072	564,576
Non-current Liabilities			
Provisions	19	16,538	–
Total Non-current Liabilities		16,538	–
TOTAL LIABILITIES		1,514,610	564,576
NET ASSETS		23,187,663	11,379,047
EQUITY			
Contributed equity	20	36,211,120	11,879,614
Reserves	21	2,145,190	2,290,358
Accumulated losses	21	(15,168,647)	(2,790,925)
TOTAL EQUITY		23,187,663	11,379,047

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

Statement of Changes in Equity

for the year ended 30 June 2016

Consolidated	Contributed Equity $	Accumulated losses $	Other reserves $	Foreign currency translation $	Total $
At 1 July 2014	14,575,657	(931,368)	3,865,925	(210,101)	17,300,113
Loss for the year	–	(1,859,557)	–	–	(1,859,557)
Other Comprehensive Income	–	–	(3,865,925)	2,500,459	(1,365,466)
Total Comprehensive Income for the year	–	(1,859,557)	(3,865,925)	2,500,459	(3,225,023)
Transactions with owners in their capacity as owners:					
Buyback of shares, net of tax	(2,696,043)	–	–	–	(2,696,043)
At 30 June 2015	11,879,614	(2,790,925)	–	2,290,358	11,379,047
At 1 July 2015	11,879,614	(2,790,925)	–	2,290,358	11,379,047
Loss for the year	–	(12,377,722)	–	–	(12,377,722)
Other Comprehensive Income	–	–	–	(173,138)	(173,138)
Total Comprehensive Income for the year	–	(12,377,722)	–	(173,138)	(12,550,860)
Transactions with owners in their capacity as owners:					
Acquired from reverse merger business combination	24,331,506	–	–	–	24,331,506
Cost of share-based payments	–	–	27,970	–	27,970
At 30 June 2016	36,211,120	(15,168,647)	27,970	2,117,220	23,187,663

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

Statement of Cash Flows

for the year ended 30 June 2016

	Note	Consolidated 2016 $	Consolidated 2015 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		3,198,569	2,419,936
Payments to suppliers, employees and others		(7,692,655)	(4,183,224)
Government grant received		38,924	–
Interest received		69,085	25,761
Finance costs		(7,105)	(13,242)
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	11 (c)	(4,393,182)	(1,750,769)
CASH FLOWS FROM INVESTING ACTIVITIES			
Net cash outflow from sale of subsidiaries	6 (e)	(788,926)	–
Payments for property, plant and equipment	15	(1,261,335)	(3,530,159)
Payments of developments costs		(651,877)	–
Net inflow of cash from the acquisition of TBG Diagnostics Limited	5 (f)	14,912,631	–
Proceeds from sale of available-for-sale financial asset		–	1,273,000
NET CASH INFLOW (OUTFLOW) FROM INVESTING ACTIVITIES		12,210,493	(2,257,159)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments for shares bought back		–	(2,696,043)
NET CASH OUTFLOW FROM FINANCING ACTIVITIES		–	(2,696,043)
NET INCREASE (DECREASE) IN CASH HELD		7,817,311	(6,703,971)
Net foreign exchange differences		298,584	2,467,153
Cash and cash equivalents at beginning of period		6,445,974	10,682,792
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	11 (b)	14,561,869	6,445,974

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

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Corporate information

The consolidated financial report of TBG Diagnostics Limited (formerly Progen Pharmaceuticals Limited), (the Group) for the year ended 30 June 2016 was authorised for issue in accordance with a resolution of the directors on 21 September 2016.

TBG Diagnostics Limited (the 'parent' or 'Company') is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX) and the United States OTCQB Market. The nature of the operations and principal activities of the Group are described in Note 3.

Acquisition of TBG Inc.

As a result of the acquisition of TBG Inc. (as discussed in Note 5) this Financial Report represents a continuation of the financial statements of TBG Inc., which is treated as the acquirer of TBG Diagnostics Limited (formerly Progen Pharmaceuticals Limited) for accounting purposes. The comparative results reflect the financial statements of TBG Inc. Medigen Biotechnology Corporation ("Medigen") holds 51.8% equity interest in the Company and is the group's ultimate parent company.

Note 2. Summary of significant accounting policies

As stated above these financial statements are a continuation of TBG Inc.'s financial statements. As a result the principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001. The consolidated entity is a for-profit entity for the purpose of preparing the financial statements.

For the year ended 30 June 2016 amounts contained in this report and in the financial report have been rounded to the nearest dollar.

Statement of compliance

The consolidated financial statements of the Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical cost convention

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

New, revised or amending Accounting Standards and Interpretations adopted

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for 30 June 2016 reporting period.

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2015 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

New standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2016 reporting periods. The Group has decided against early adoption of these standards. The Group's assessment of the impact of these new standards and interpretations is set out below:

AASB 9 Financial Instruments

This standard and its consequential amendments are currently applicable to annual reporting periods beginning on or after 1 January 2018. This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. To be classified and measured at amortised cost, assets must satisfy the business model test for managing the financial assets and have certain contractual cash flow characteristics. All other financial instrument assets are to be classified and measured at fair value. This standard allows an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income, with dividends as a return on these investments being recognised in profit or loss. In addition, those equity instruments measured at fair value through other comprehensive income would no longer have to apply any impairment requirements nor would there be any 'recycling' of gains or losses through profit or loss on disposal. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. The Group has not yet evaluated the impact adoption of this standard will have.

AASB 15 Revenue from Contracts with Customers
This standard and its consequential amendments are currently applicable to annual reporting periods beginning on or after 1 January 2018. This standard requires recognised revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This means that revenue will be recognised when control of goods or services is transferred, rather than on transfer of risks and rewards as is currently the case under AASB 18 Revenue. The Group has not yet evaluated the impact adoption of this standard will have.

AASB16 Leases
This standard and its consequential amendments are currently applicable to annual reporting periods beginning on or after 1 January 2019. When effective, this standard will replace the current accounting requirements applicable to leases in AASB117 Leases and related interpretations. AASB16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases. This means that for all leases, a right-to-use asset and a liability will be recognised, with the right-to-use asset being depreciated and the liability being unwound in principal and interest components over the life of the lease. The Group has not yet evaluated the impact adoption of this standard will have.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the legal parent entity (TBG Diagnostics Limited) is disclosed in Note 7.

Basis of consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of financial position respectively.

Investments in subsidiaries held by the Group are accounted for at cost in the separate financial statements of the parent entity.

Business combinations and asset acquisitions

The acquisition method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange. Where equity instruments are issued in a business combination, the fair value of the instruments is their published market price as at the date of exchange. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

All identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of the business combination over the net fair value of the Group's share of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is less than the Group's share of the net fair value of the identifiable net assets of the subsidiary, the difference is recognised as a gain in the statement of profit or loss and other comprehensive income, but only after a reassessment of the identification and measurement of the net assets acquired.

Acquisitions of entities that do not meet the definition of a business contained in AASB 3 Business Combinations (IFRS 3) are not accounted for as business combinations. In such cases the Group identifies and recognises the individual identifiable assets acquired (including those assets that meet the definition of, and recognition criteria for, intangible assets in AASB 138 *Intangible Assets* (IAS 38) and liabilities assumed. The cost of the group of net assets is then allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction or event does not give rise to goodwill.

Notes to the Financial Statements
continued

Note 2. Summary of significant accounting policies (continued)

Significant accounting judgements, estimates and assumptions

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities are:

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

(ii) Goodwill
The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated below. The recoverable amounts of cash generating units have been determined based on value in use calculations. These calculations require the use of assumptions. Refer to Note 16 for details of these assumptions and the potential impact of changes to the assumptions.

Revenue recognition – refer Note 4

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of goods
The Group manufactures and sells molecular diagnostics. Revenue is measured at the fair value of the consideration received or receivable taking into account value-added tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Group's activities. Revenue arising from the sales of goods is generally recognised when the Group has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

(ii) Sale of technical services
The Group provides technical services of HLA (Human Leukocyte Antigen) typing. Revenue is measured at the fair value of the consideration received or receivable taking into account of value-added tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Group's activities. Revenue arising from the sales of services is generally recognised when the Group has rendered the services to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the Group.

(iii) Rendering of services
Revenue from the provision of contract manufacturing services is recognised by reference to the stage of completion. Stage of completion is measured by reference to the outcome achieved to date as a percentage of the total outcome required for each contract.

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

(v) Government grants
Government grants are recognised as revenue when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When grants ate received prior to being earned, they are recognised as a liability in the statement of financial position.

When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the costs that correspond to the income received are prior year costs, the grant received is immediately recognised in the profit or loss.

When the grant relates to an asset, the fair value is credited to a deferred income account and is released to the profit or loss and other comprehensive income over the expected useful life of the relevant asset by equal annual instalments.

(vi) Other income
Other income is recognised when it is probable that the economic benefits associated to the transaction will flow to the entity and the revenue can be reliably measured.

When the income relates to an asset item, it is recognised as income in the period to which the related costs will be recognised in the profit or loss.

When the income relates to a liability, the fair value is credited to a deferred income account and is released to the profit or loss when the related revenue is realised.

Leases – refer Note 4 and Note 23

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.

Operating lease payments are recognised as an expense in the profit or loss on a straight-line basis over the lease term. Lease incentives are recognised in the profit or loss as an integral part of the total lease expense. There are no finance leases.

Cash and cash equivalents – refer Note 11

Cash and short-term deposits 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. For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Investments and other financial assets – refer Note 12 and 14

a) Classification

The group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired.

Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting date.

(i) Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term.

Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are expected to be settled within 12 months; otherwise they are classified as non-current.

(ii) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets. Loans and receivables are included in trade and other receivables and receivables in the statement of financial position.

(iii) Held-to-maturity investments
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the group's management has the positive intention and ability to hold to maturity. If the group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which are classified as current assets.

Notes to the Financial Statements
continued

Note 2. Summary of significant accounting policies (continued)

(iv) Available-for-sale financial assets
Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of the reporting period. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

b) Financial assets – reclassification

The group may choose to reclassify a non-derivative trading financial asset out of the held for trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or available-for-sale categories if the group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date.

Further increases in estimates of cash flows adjust effective interest rates prospectively.

c) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date – the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

d) Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in profit or loss within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in profit or loss as part of revenue from continuing operations when the group's right to receive payments is established. Interest income from these financial assets is included in the net gains/(losses).

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

e) Impairment

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

(i) Assets carried at amortised cost
For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

(ii) Assets classified as available-for-sale
If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

Trade and other receivables – refer Note 12 and 14

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts

An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

Foreign currency translation

(i) Functional and presentation currency
Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

The consolidated financial statements are presented in Australian dollars, which is TBG Diagnostics Limited's presentation currency. TBG Inc.'s functional currency is in Taiwanese dollars converted to Australian dollars to conform to the group's presentation currency.

(ii) Transactions & balances
Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

(iii) Translation of Group Companies functional currency to presentation currency
Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Monetary assets and liabilities are translated at the spot rate of exchange at reporting date.
- income and expenses are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Notes to the Financial Statements
continued

Note 2. Summary of significant accounting policies (continued)
Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

- when the deferred income tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit or loss nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, and the timing or the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Income tax – refer Note 8
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

- when the deferred income tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit or loss nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, and the timing or 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, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, 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 reporting 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 reporting 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 income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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

Other taxes

Value Added Taxes (Including Goods and Services Tax)
Revenues, expenses and assets are recognised net of the amount of Value Added Tax (VAT), except where the amount of VAT is not recoverable from the relevant tax authority. In these circumstances the VAT is recognised as part of the cost of acquisition of the asset or as part of the item as expense.

Receivables and payables are stated with the amount of VAT included. The net amount of VAT recoverable from, or payable to, the relevant tax authority is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The VAT components of the cash flows arising from investing and financing activities which are recoverable from, or payable to, the relevant tax authority are classified as operating cash flows.

Revenues, expenses and assets are recognised net of the amount of VAT except:

- when the VAT incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the VAT 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 with the amount of VAT included.

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

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

Inventories - refer Note 13

Inventories are stated at the lower of cost or net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost or net realisable value. Net realisable value is estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

Non-current assets (or disposal groups) held for sale and discontinued operations - refer Note 6

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial position.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss and other comprehensive income.

Notes to the Financial Statements
continued

Note 2. Summary of significant accounting policies (continued)

Plant and equipment – refer Note 15

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

Machinery & equipment	3 to 15 years
Leasehold improvements	Shorter of rental period and useful life
Motor vehicles	4 to 5 years
Testing equipment	3 to 5 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

(i) Impairment

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment 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 an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

An impairment exists when the carrying value of an asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

(ii) Derecognition and disposal

An item of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

Intangibles - refer Note 16

Research and development costs

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

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised over the period of expected benefit from the related project on a straight-line basis.

Patents

Patents acquired as part of a business combination are recognised separately from goodwill. The patents are carried at their fair value at the date of acquisition less accumulated amortisation and impairment losses. Amortisation is calculated based on the patent expiry dates on a straight-line basis.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/ business at the date of acquisition. Goodwill on acquisition is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested for impairment annually or more frequently if events or circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Goodwill is allocated to cash generating units for the purposes of impairment testing. The allocation is made to those cash generating units or groups of cash generating units that are expected to benefit from business combination in which goodwill arose, identified according to operating segments or components of operating assets.

Trade and other payables – refer Note 18

Trade payables and other payables are carried at amortised cost and their fair value approximates their carrying value due to their short term nature. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

Provisions – refer Note 19

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

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

Make good provision

Provision is made for the anticipated costs of future restoration of our leased manufacturing and corporate premises. The provision includes future cost estimates associated with the restoration of these premises to their original condition at the end of the lease term. These future cost estimates are discounted to their present value.

Employee leave benefits

(i) Wages, salaries, annual leave and sick leave
Liabilities for wages and salaries, including non-monetary benefits expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date. Annual leave accrued and expected to be settled within 12 months of the reporting date is recognised in current provisions. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(ii) Long service leave
The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

Share-based payment transactions – refer Note 17

(i) Equity-settled transactions:
The Group provides benefits to employees (including senior executives) and consultants of the Group in the form of share-based payments, whereby employees and consultants render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of rights over shares is determined using a binomial, other appropriate model, further details of which are given in Note 17. The fair value of shares is determined by the market value of the Group's shares at grant date.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Group (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects:

(i) the extent to which the vesting period has expired; and
(ii) the Group's best estimate of the number of equity instruments that will ultimately vest.

No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Notes to the Financial Statements
continued

Note 2. Summary of significant accounting policies (continued)
No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Contributed equity – refer Note 20
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Earnings per share – refer Note 9
Basic earnings per share is calculated as net profit attributable to members of the Group, adjusted to exclude any costs of servicing equity, 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 Group, adjusted for:

- costs of servicing equity;
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares;
- 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.

Operating segments – refer Note 3
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief executive officer.

Note 3. Operating segments
The Group operates in the biotechnology industry. The Group's activities comprise the research, development, and manufacture of molecular diagnostics products. The operating segments are identified by executive management (chief operating decision maker) based on the nature of the activity and consistent with the internal reporting provided to the chief operating decision maker.

The operating segments are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The operating segments are:

- *In Vitro Diagnostics (IVD)* – This segment is engaged with the research of biological drugs and retail and wholesale of veterinary drugs with operations mainly in Taiwan and China; this is the business acquired from the TBG Inc. acquisition on 29 January 2016;
- *Pharmaceutical Development* – this segment relates to the discovery, research and development of potential pharmaceutical therapeutics for the treatment of human diseases. This is the wholly-owned subsidiary, Progen PG500 Series Pty Ltd, known as the "PG500 assets" and is the research and development business of Australia. This segment is classified as held for sale at 30 June 2016 and has been disposed on 22 August 2016; and
- *Manufacturing* – this segment relates to the provision of contract services related to the process development, manufacture and quality assurance of biopharmaceuticals products. This is the manufacturing arm of Australia, PharmaSynth Pty Ltd, and was disposed through sale on 4 March 2016.

Operating segments 2016	Continuing operations In Vitro Diagnostics $	Discontinued operations Pharmaceutical Development $	 Manufacturing $	Total $
Operating revenue				
Sales to external customers	3,205,568	–	–	3,205,568
Total segment revenue	3,205,568	–	–	3,205,568
Unallocated revenue				
Interest income				69,086
Total revenue				3,274,654
Segment result	(1,249,792)	(3,824,587)	(5,105,853)	(10,180,232)
Unallocated items				
Other income				463,860
Interest revenue				69,086
Corporate and administrative costs				(2,730,436)
Operating loss				(12,377,722)
Assets				
Segment assets	11,311,065	2,921,296	–	14,232,361
Cash and cash equivalents				7,440,198
Unallocated assets				3,029,714
Total assets				24,702,273
Liabilities				
Segment liabilities	444,095	85,691	–	529,786
Unallocated liabilities				984,824
Total liabilities				1,514,610
Other segment information				
Acquisition of property, plant & equipment, and other non-current assets	798,677	–	523	799,200
Unallocated acquisition of property, plant & equipment, and other non-current assets				462,135
Depreciation and amortisation	531,121	3,530	8,541	543,192
Unallocated depreciation and amortisation				384,924
Impairment of intangibles	–	3,098,917	–	3,098,917
Loss on sale of business			4,925,088	4,925,088

Notes to the Financial Statements
continued

Note 3. Operating segments (continued)

Operating segments 2015	In Vitro Diagnostics $	Total $
Operating revenue		
Sales to external customers	780,492	780,492
Total segment revenue	780,492	780,492
Unallocated revenues		
Interest income		26,097
Total revenue		806,589
Segment result	(535,484)	(535,484)
Unallocated items		
Other income		292,057
Interest revenue		26,097
Corporate and administrative costs		(1,642,227)
Operating loss		(1,859,557)
Assets		
Segment assets	4,801,129	4,801,129
Cash and cash equivalents		6,445,974
Unallocated assets		696,520
Total assets		11,943,623
Liabilities		
Segment liabilities	439,787	439,787
Unallocated liabilities		124,789
Total liabilities		564,576
Other segment information		
Acquisition of property, plant & equipment, and other non-current assets	3,191,293	3,191,293
Unallocated acquisition of property, plant & equipment, and other non-current assets	–	338,866
Depreciation and amortisation	328,456	328,456
Unallocated depreciation and amortisation	–	58,542

Geographical segments 2016	Australia $	Taiwan $	China $	Others $	Total $
Operating revenue to external customers					
Sales revenue	–	2,892,780	–	–	2,892,780
Technical services revenue	–	312,788	–	–	312,788
Total segment revenue	–	3,205,568	–	–	3,205,568
Unallocated revenue					
Interest Income	58,578	3,628	1,262	5,618	69,086
Total revenue per statement of profit or loss and other comprehensive income	58,578	3,209,196	1,262	5,618	3,274,654

Geographical segments 2015	Taiwan $	China $	Others $	Total $
Operating revenue to external customers				
Sales revenue	780,492	–	–	780,492
Total segment revenue	780,492	–	–	780,492
Unallocated revenue				
Interest Income	2,581	904	22,612	26,097
Total revenue per statement of profit or loss and other comprehensive income	783,073	904	22,612	806,589

The legal parent is domiciled in Australia. The amount of its revenue from external customers in Australia is $127,341 (2015:nil). This revenue forms part of the loss from discontinued operations.

Segment revenues are allocated based on the country in which the customer is located.

Revenues of $2,175,342 (2015: $607,002) were derived from a single customer in Taiwan. This revenue is attributable to the In Vitro Diagnostics segment. There are no intersegment transactions.

Non-current assets located in Australia is $1,005,276 (2015: nil) and non-current assets located overseas is $5,103,318 (2015: $4,168,165). Segment assets are allocated to countries based on where the assets are located.

Notes to the Financial Statements
continued

Note 4. Revenue and expenses

	Consolidated 2016 $	Consolidated 2015 $
(a) Revenue		
Sales revenue	2,892,780	669,053
Technical services revenue	312,788	111,439
Interest revenue	69,086	26,097
Total revenue from continuing operations	3,274,654	806,589
(b) Other income		
Foreign exchange gain	397,474	291,796
Government grant[1]	38,924	–
Other	27,462	261
Total other income	463,860	292,057
(c) Depreciation, amortisation and impairment		
Depreciation	928,116	386,998
(d) Lease payments		
Minimum lease payments – operating leases	345,364	130,426
(e) Employee benefit expenses		
Wages and salaries	2,209,479	815,445
Long service leave provision	63,134	–
Share-based payment expense	27,970	–
(f) Finance costs		
Bank charges	7,105	1,148

1 TBG Xiamen was granted initial 50% funding received from Xiamen Municipal Bureau of Science and Technology for Innovative Start-ups of 2016 in China in relation to the development of HLA Typing Kit. The total amount of funding provided by the grant is CNY 300,000 (approximately $64,000). The final 50% instalment is expected to be received in Quarter 3 2017 subject to the following conditions:

- After development of the HLA typing kit;
- Completion of production lines and production trials;
- Successful third party inspection; and
- Application for patent approval.

Note 5. TBG Inc. acquisition accounting

On 29 January 2016, the Company announced that it had completed the acquisition of TBG Inc. as all the conditions precedents in the Share Sale and Purchase Agreement ('SSPA') had been satisfied. Pursuant to the SSPA, the Company issued 101,722,974 shares ('Consideration Shares') to Medigen Biotechnology Corporation ('Medigen') as consideration for the acquisition of TBG Inc. At the direction of the ASX, the Consideration Shares are to be treated as restricted securities for a period of 24 months from the reinstatement date on 3 February 2016.

The Company obtained 100% of the issued share capital and voting rights of TBG Inc., hence, obtaining full control of the entity. TBG Inc. is a Company established in Cayman Islands that operates within the global molecular diagnostics industry and is focused on the development, manufacture and marketing of nucleic acid testing kits and services. The objective of the acquisition is to transform the Group into a global molecular diagnostics business in the biotech industry with the main objective to expand market presence in the global capital market particularly in mainland China and Asia.

The acquisition is considered an evolution of the Company as a life science/biotechnology business that provide real outcomes of value to patients and shareholders.

The acquisition of TBG Inc. resulted in TBG Inc. shareholders holding a controlling interest in the Company after the transaction. As a result it has been determined that the transaction will be accounted for as a 'reverse acquisition' in accordance with the requirements of AASB 3 *Business Combinations* (AASB 3) and will, therefore, be accounted for as a continuation of the financial statements of TBG Inc. together with a deemed issue of shares.

Because the financial statements following the acquisition are expected to be a continuation of financial statements of TBG Inc. the principles and guidance on the preparation and presentation of the consolidated financial statements in a reverse acquisition set out in AASB 3 will be applied in future financial statements as follows:

- fair value adjustments arising at acquisition are made to the Company's assets and liabilities, not those of TBG Inc.;
- the equity structure (the number and type of equity instruments issued) at the date of the acquisition reflects the equity structure of the Company, including the equity instruments issued to effect the acquisition;
- accumulated losses and other equity balances at acquisition date are those of TBG Inc.;
- the results for the year ended 30 June 2016 comprise the consolidated results for TBG Inc. together with the results of the TBG Diagnostics Limited Group from 29 January 2016;
- the comparative results represent the consolidated results of TBG Inc. only; and
- the cost of the acquisition, and amount recognised as contributed equity to affect the transaction, is based on the quoted price of TBG Diagnostics Limited's shares on the ASX at the date of the transaction.

The fair values of the assets and liabilities of the Company (TBG Diagnostics Limited - being the accounting acquiree) as at the date of acquisition and the deemed consideration is as follows:

Purchase consideration:		$
Deemed consideration	(a)	24,331,506
Fair value of assets and liabilities acquired:		
Cash and cash equivalents	(b)	14,912,631
Trade and other receivables		502,094
Other assets		170,946
Plant and equipment		384,320
Trade and other payables		(960,572)
Provisions		(344,470)
Deferred tax liabilities	(d)	–
Net identifiable assets (excluding intangibles)		14,664,949
Goodwill and other intangibles	(c)	9,666,557
Net assets acquired		24,331,506

Notes to the Financial Statements
continued

Note 5. TBG Inc. acquisition accounting (continued)

(a) Consideration transferred and acquisition related costs

The fair value of the deemed consideration of $24,331,506 was based on the Company's most recent public offer share price of $0.21 multiplied by the number of shares on issue at the date of the transaction being 115,864,315. The directors believe that this is the most reasonable measurement of the consideration given the facts and circumstances surrounding the acquisition.

Acquisition related costs amounting to $311,249 are not included as part of consideration transferred and were recognised as administrative and corporate expenses in profit or loss and in operating cash flows in the statement of cash flows.

(b) Cash and cash equivalents

Cash consists of the cash balance at 29 January 2016 of $2,294,949 of the Company plus proceeds from the total capital raised of $12,721,590 through the issuance of 60,579,000 shares at $0.21, less capital raising costs of $103,908.

(c) Intangible assets

The fair values of the intangible assets and goodwill were determined by an external independent expert. The value allocated to identifiable intangibles were as follows:

	$
Customer contracts	512,383
Patents	5,000,000
Goodwill	4,154,174
Total	9,666,557

The customer contracts and goodwill related to the manufacturing Cash Generating Unit (CGU) of the accounting acquiree, PharmaSynth Pty Ltd which has subsequently been disposed of The related intangibles and goodwill have been written own to nil values (refer Note 6).

The patents related to the Research & Development CGU of the accounting acquiree – Progen PG500 Series Pty Ltd. An impairment loss relating to the intangibles were recognised at 30 June 2016 to equal the present value of the deferred consideration in relation to the sale. The Company subsequently sold this entity on 22 August 2016 (refer Note 6).

(d) Deferred tax liabilities

A deferred tax liability ("DTL") was recognised in relation to the fair value adjustments to identifiable intangibles. The accounting acquiree has sufficient unrecognised tax losses to offset the DTL recognised.

(e) Revenue and profit contribution

TBG Diagnostics Limited contributed revenues of $210,044 and net loss of $1,513,625 to the group for the period from 31 January 2016 to 30 June 2016.

If the acquisition had occurred on 1 July 2015 and the operations of TBG Diagnostics Limited had been included from that date then the consolidated pro-forma revenue and loss for the year ended 30 June 2016 would have been $5,215,215 and $13,806,534 respectively.

(f) Purchase consideration – cash inflow/(outflow)

Inflow/(outflow) of cash to acquire TBG Diagnostics Limited, net of cash acquired

	$
Cash consideration	–
Add: Balances acquired	
Cash	14,912,631
	14,912,631
Inflow of cash – investing activities	14,912,631

Note 6. Assets and liabilities classified as held for sale and discontinued operation

(a) Description

Discontinued Operation – Disposal of PharmaSynth Pty Ltd

Upon completion of the TBG Inc. acquisition on 29 January 2016, the Group entered into a Share Sale Agreement (SSA) to sell its wholly owned biopharmaceutical manufacturing subsidiary, PharmaSynth Pty Ltd ('PharmaSynth') to Luina Biotechnology Pty Ltd ('Luina') for a total consideration of $2,200,000 of which $100,000 was received as upfront initial payment. The balance of the deferred consideration is to be paid in two remaining instalments, $1,000,000 in 24 months and $1,100,000 in 48 months. In order to secure the payment of the deferred consideration and protect its interests, the parties entered into security interest agreements over various assets. The transaction was completed on 4 March 2016.

This was in line with a strategic decision on whether to retain, demerge or divest some or all of its current activities in light of the acquisition of TBG Inc. (the 'Strategic Review'). Accordingly, the manufacturing division is presented as discontinued operations and the associated manufacturing contracts and value of goodwill recognised on acquisition of TBG Diagnostics Limited and attributed to PharmaSynth were disposed of.

Disposal Group – Disposal of Progen PG500 Series Pty Ltd

In December 2015, the Company also approved the divestment of PG545 to a new wholly owned special purchase vehicle entity, Progen PG500 Series Pty Ltd, with the assets of the PG500 series and the relevant R&D team being transferred. The Company aimed to complete the Phase 1 clinical trial of PG545 with the objective to maximise the return from the assets to form a saleable package for the various interested parties. On 22 July 2016, the Company announced that it has now completed the Phase 1 clinical trial of PG545.

At 30 June 2016, the board had committed to a plan to sell its PG500 assets and subsequently on 1 July 2016, the assets were transferred to the wholly owned spin-off entity, Progen PG500 Series Pty Ltd, following the approval of a particular buyer proposal. Accordingly, the PG500 assets are presented as a disposal group held for sale. Losses applicable to the write down of the value of intangibles to recoverable amount were recognised as part of discontinued operations.

On 22 August 2016, the Company announced that it had entered into a binding agreement to sell the PG500 assets to Zucero Therapeutics Lty Ltd ('Zucero') for a total deferred consideration of $6,000,000 payable in 3 years. The Company has negotiated the right to be able to convert the deferred consideration into equity such that the Company will hold 20% of the total issued share capital of Zucero. In order to secure payment of the deferred consideration and protect the Company's interests, the parties have entered into security interest agreements and a guarantee.

The purpose of the disposal of the business assets acquired is to focus on the company's core competencies in the In Vitro Diagnostics ("IVD") industry as a result of the acquisition of TBG Inc.

Notes to the Financial Statements
continued

Note 6. Assets and liabilities classified as held for sale and discontinued operation (continued)

(b) Results of discontinued operations and disposal group

	PharmaSynth Pty Ltd 2016 $	PG500 Series Pty Ltd 2016 $	Total 2016 $
Revenue	127,429	–	127,429
Cost of sales	(116,742)	–	(116,742)
Gross profit	10,687	–	10,687
Operating expenses	(191,452)	(725,670)	(917,122)
Results from operating activities	(180,765)	(725,670)	(906,435)
Income tax	–	–	–
Loss before income tax	(180,765)	(725,670)	(906,435)
Impairment of intangibles assets – (g)	–	(3,098,917)	(3,098,917)
Loss on sale of operation before tax – (c)	(4,925,088)	–	(4,925,088)
Profit (loss) from discontinued operations	(5,105,853)	(3,824,587)	(8,930,440)
Basic and diluted loss per share – discontinued operations (cents per share)	(2.7)	(2.1)	(4.8)

(c) Details of the sale of PharmaSynth Pty Ltd

	$
Consideration received or receivable:	
Cash	100,000
Present value of deferred consideration[1]	998,520
Total disposal consideration	1,098,520
Carrying amount of net assets sold – (e)	6,023,608
Loss on sale before income tax	4,925,088
Income tax expense	–
Loss on sale after income tax	4,925,088

1 The balance of the deferred consideration is to be paid in two instalments, $1,000,000 on 4 March 2018 and $1,100,000 on 4 March 2020. These receivables have been discounted to their fair value at the time of sale.

(d) Cash flows from discontinued operation

	PharmaSynth Pty Ltd 2016	PG500 Series Pty Ltd 2016	Consolidated Total 2016
Net cash outflow from operating activities	(222,909)	(532,412)	(755,321)
Net cash outflow from investing activities	(788,926)	–	(788,926)
Net cash outflow from financing activities	–	–	–
Net cash flow for the period	(1,011,835)	(532,412)	(1,544,247)

(e) The carrying amounts of assets and liabilities of PharmaSynth Pty Ltd as at the date of sale (4 March 2016) were:

	2016 $
Cash and cash equivalents	888,926
Trade and other receivables	611,310
Other current assets	98,754
Property, plant and equipment	350,790
Customer contracts	498,150
Goodwill	4,154,174
Total assets	6,602,104
Trade and other payables	(325,503)
Provisions	(252,993)
Total liabilities	(578,496)
Net assets – (c)	6,023,608
Cash received and disposed of in transaction	
Cash consideration received	100,000
Cash and cash equivalents disposed of	(888,926)
Net cash outflow	(788,926)

Notes to the Financial Statements
continued

Note 6. Assets and liabilities classified as held for sale and discontinued operation (continued)

(f) Assets and liabilities of disposal group classified as held for sale

At 30 June 2016, the disposal group, Progen PG500 Series Pty Ltd comprised the following assets and liabilities.

	2016 $
Assets classified as disposal group	
Cash and cash equivalents	1,200,000
Property, plant and equipment	13,470
Intangibles	1,707,826
Total assets of disposal group held for sale	2,921,296
Liabilities directly associated with assets classified as held for sale	
Provisions - current	81,935
Provisions - non-current	3,756
Total liabilities of disposal group held for sale	85,691
Net assets of disposal group	2,835,605

(g) Losses relating to the disposal group

Impairment losses attributable to the PG500 disposal assets and liabilities were recognised at $3,098,917. The impairment was calculated based on the proposed consideration for the sale of the group as shown below:

Consideration expected to be received:	
Cash	–
Present value of deferred consideration[1]	2,796,953
Total disposal consideration	2,796,953
Carrying amount of net assets sold (excluding patents)	1,127,779
Carrying value of patents	4,768,091
Total net assets	5,895,870
Impairment recorded - patents	(3,098,917)

1 The proposed deferred consideration is $6,000,000 due and payable 3 years from the date of the sale. This proposed consideration has been discounted to its present value at 30 June 2016.

(h) Cumulative income or expense included in other comprehensive income

There is no cumulative income or expenses included in other comprehensive income relating to the disposal group or discontinued operation.

Note 7. Parent entity disclosure

Parent entity information required to be disclosed in accordance with the Corporations Act 2001. The legal parent entity of the group is TBG Diagnostics Ltd and the results shown below are for the 12 months ended 30 June 2016 and 2015:

	Legal Parent	
	2016 $	2015 $
Current assets	9,015,247	4,376,189
Total assets	14,033,994	4,404,387
Current liabilities	838,132	1,048,138
Total liabilities	854,670	1,076,382
Shareholders' equity		
Contributed equity	170,938,803	158,320,862
Reserves	3,870,506	3,757,428
Accumulated losses	(161,629,985)	(158,750,285)
	13,179,324	3,328,005
Net loss for the year	(2,879,700)	(4,814,829)
Total comprehensive income	(2,879,700)	(4,814,829)

The legal parent entity has no contingent assets, contingent liabilities or contractual commitments relating to the purchase of property, plant or equipment.

Note 8. Income tax

	Consolidated	
	2016 $	2015 $
The prima facie tax, using tax rates applicable in the country of operation, on loss before income tax differs from the income tax provided in the financial statements as follows:		
Prima facie tax on loss before income tax @ 30%	(3,713,317)	(557,867)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-deductible items	–	202
Non-assessable items	615,478	–
Foreign tax rate adjustment	239,765	128,319
Under/over provision	(114,151)	–
Deferred tax assets not recognised	2,972,225	429,346
Income tax benefit	–	–

Notes to the Financial Statements
continued

Note 8. Income tax (continued)

	2016 $	2015 $
Deferred income tax		
Deferred income tax at 30 June relates to the following:		
Deferred tax liabilities		
Work in progress	–	(74,653)
Intangible	(500,752)	–
Prepayment and other asset	(595)	–
Other	(45,503)	–
Deferred tax assets		
Unearned revenue	4,147	8,428
Sundry creditors and accruals	46,970	19,462
Depreciation	21,106	–
Employee entitlements	34,621	–
Make good obligation	82,500	–
Share issue costs, legal and management consulting fees	115,941	–
Patent costs	100,447	–
Losses available for offset against future taxable income	2,914,365	216,076
Deferred tax asset	2,773,247	169,313
Net deferred tax asset not recognised	(2,773,247)	(169,313)
Net deferred income tax assets	–	–

The benefit of the deferred tax asset will only be obtained if:

(i) future assessable income of a nature and of an amount sufficient to enable the benefit to be realised is generated;
(ii) the conditions for deductibility imposed by tax legislation continue to be complied with; and
(iii) no changes in tax legislation adversely affect the Group in realising the benefit.

The Group has tax losses arising in Australia of $6,715,331 (2015: $153,612,141) that are available indefinitely for offset against future taxable profits of the companies in which the losses arose, subject to satisfying the relevant income tax loss carry forward rules.

Note 9. Earnings/(loss) per share

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	Consolidated	
	2016 $	2015 $
Earnings used to calculate basic and diluted EPS	(12,377,722)	(1,859,557)
Earnings used to calculate basic and diluted EPS - continuing operations	(3,447,282)	(1,859,557)

Weighted average number of shares and options	**Number of shares**	**Number of shares**
Weighted average number of ordinary shares outstanding during the period, used in calculating basic earnings per share	185,476,366	182,829,071
Weighted average number of dilutive options outstanding during the period	–	–
Weighted average number of ordinary shares and potential ordinary shares outstanding during the period, used in calculating diluted earnings per share	185,476,366	182,829,071

Weighted average number of ordinary shares outstanding during the current period has been calculated using:

- The number of ordinary shares outstanding from the beginning of the current period to the acquisition date computed on the basis of the weighted average number of ordinary shares of TBG Inc. (accounting acquirer) outstanding during the period multiplied by the exchange ratio of 101,722,974 TBG Inc. shares to 162,301,974 TBG Diagnostics Limited shares; and
- The number of ordinary shares outstanding from the acquisition date to the end of that period being the actual number of ordinary shares of TBG Diagnostics Limited (the accounting acquiree) outstanding during the period.

The basic earnings per share for the comparative period before the acquisition date presented in the consolidated financial statements has been calculated using TBG Inc.'s historical weighted average number of ordinary shares outstanding multiplied by the exchange ratio of 101,722,974 TBG Inc. shares to 162,301,974 TBG Diagnostics Limited shares.

At 30 June 2016, there are 5,747,200 (2015: 2,019,200) options outstanding. Options are not considered dilutive as they are currently out of the money. Options may become dilutive in the future.

Note 10. Dividends paid and proposed

The entity has not declared or paid dividends and does not anticipate declaring or paying any dividends in the immediate term.

11. Cash and cash equivalents

(a) Cash and cash equivalents per the statement of financial position:

	Consolidated	
	2016 $	2015 $
Cash and cash equivalents		
Cash at bank and on hand	671,943	682,496
Short-term deposits	12,689,926	5,763,478
Cash and cash equivalents	13,361,869	6,445,974

Notes to the Financial Statements
continued

11. Cash and cash equivalents (continued)

(b) For the purpose of the statement of cash flows, cash and cash equivalents comprises the following at 30 June:

		Consolidated 2016 $	Consolidated 2015 $
Cash at banks and on hand		671,943	682,496
Short-term deposits		12,689,926	5,763,478
Cash at banks and short-term deposits attributable to disposal group	6 (f)	1,200,000	–
		14,561,869	6,445,974

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for varying periods of between one month and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

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

	Consolidated 2016 $	Consolidated 2015 $
Net loss	(12,377,722)	(1,859,557)
Adjustments for:		
Depreciation	928,116	386,998
Amortisation of intangibles	207,491	–
Share options expense	27,970	–
Impairment of intangible assets	3,098,917	–
Loss on sale of subsidiary	4,925,088	–
Loss on disposal of plant and equipment	20,597	–
Loss on impairment of available-for-sale financial asset	–	242,968
Loss on sale of available-for-sale financial asset	–	169,875
Net exchange differences	(389,683)	(291,792)
Changes in operating assets and liabilities		
(Increase)/Decrease in trade and other receivables	(173,810)	1,630,094
Increase in inventories	(314,429)	(439,133)
Increase in other current assets	(529,817)	–
Increase in receivables and other assets	(39,388)	(355,850)
Decrease in trade and other payables	(75,437)	(1,234,372)
Increase in provisions	298,925	–
Net cash used in operating activities	(4,393,182)	(1,750,769)

(d) Non-cash investing and financing activities

There are no non-cash investing activities in the year ended 30 June 2016 (30 June 2015: Nil).

Note 12. Trade and other receivables

Current	Consolidated 2016 $	Consolidated 2015 $
Trade receivables[1]	491,388	301,743
Other receivables	204,701	329,752
Total current trade and other receivables	696,089	631,495

1 Trade receivables are non-interest bearing and are generally on 30-90 day terms.

(a) Impaired trade and other receivables

There were no impaired current trade and other receivables in 2016 and 2015.

The creation and release of the provision for impaired receivables has been included in 'other expenses' in profit or loss. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

(b) Past due but not impaired

As at 30 June 2016, trade receivables of $130,621 (2015: nil) were past due but not impaired. This relates to the receivable from a regular customer and a related party for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	Consolidated 2016 $	Consolidated 2015 $
Up to 3 months	56,534	–
3 – 6 months	74,087	–
over 6 months	–	–
	130,621	–

Based on the credit history, it is expected that these amounts will be received within the next twelve months. The Group does not hold any collateral in relation to these receivables.

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due.

(c) Concentration of credit risk

The Group's concentration of credit risk relates to its receivable from its related party of $362,020 (2015: $249,320).

Notes to the Financial Statements
continued

Note 13. Inventories

	Consolidated	
Current	2016 $	2015 $
Products and finished goods	99,228	47,445
Raw materials	445,989	227,410
Work in process and semi-finished good	208,345	164,278
Total inventories	753,562	439,133

Note 14. Receivables and other assets

	2016 $	2015 $
Receivables – non-current – refer Note 6 (c)	998,520	–
Other non-current assets	240,048	200,660
	1,238,568	200,660

Note 15. Non-current assets – plant & equipment

	Consolidated	
	2016 $	2015 $
Machinery & equipment at cost	2,035,457	1,184,012
Accumulated depreciation	(814,072)	(354,717)
	1,221,385	829,295
Testing equipment at cost	1,571,671	1,375,577
Accumulated depreciation	(637,362)	(306,329)
	934,309	1,069,248
Motor vehicles at cost	110,133	114,319
Accumulated depreciation	(48,840)	(25,868)
	61,293	88,451
Leasehold improvements at cost	1,711,496	1,393,426
Accumulated depreciation	(454,601)	(164,971)
	1,256,895	1,228,455
	3,473,882	3,215,449

Movements in carrying amounts

	Machinery & office equipment $	Testing equipment $	Motor vehicles $	Leasehold improvements $	Total $
Consolidated					
At 1 July 2014	59,016	–	–	–	59,016
Exchange differences	13,272	–	–	–	13,272
Additions – internal	855,617	1,197,829	114,319	1,362,394	3,530,159
Depreciation	(98,610)	(128,581)	(25,868)	(133,939)	(386,998)
At 30 June 2015	829,295	1,069,248	88,451	1,228,455	3,215,449
At 1 July 2015	829,295	1,069,248	88,451	1,228,455	3,215,449
Exchange differences	(22,787)	(7,528)	(2,916)	(41,017)	(74,248)
Additions – internal	691,047	203,392	–	366,896	1,261,335
Acquired through business combination – Note 5	384,320	–	–	–	384,320
Depreciation	(275,632)	(330,803)	(24,242)	(297,439)	(928,116)
Assets classified as held for sale and other disposals – Note 6	(384,858)	–	–	–	(384,858)
At 30 June 2016	1,221,385	934,309	61,293	1,256,895	3,473,882

Note 16. Intangibles

	Consolidated	
	2016 $	2015 $
Goodwill at cost[1]	689,847	697,636
Accumulated impairment	–	–
	689,847	697,636
Patents at cost	–	–
Accumulated amortisation	–	–
	–	–
Customer contracts at cost	–	–
Accumulated amortisation	–	–
	–	–
Capitalised development costs at cost	706,297	54,420
Accumulated amortisation	–	–
	706,297	54,420
	1,396,144	752,056

1 The goodwill arose from the acquisition of Texas Biogene and is directly related to the human leukocyte antigen (HLA) business of TBG Inc.

Notes to the Financial Statements
continued

Note 16. Intangibles (continued)
Goodwill relates to the In Vitro Diagnostics segment. In the current and prior years the recoverable amount of the CGUs has been determined by value-in-use calculations. These calculations were based on the following key assumptions:

- Pre-tax discount rate: 20.0% (2015: 20.0%);
- Long term growth rate: 2.5% (2015: 2.5%); and
- Budgeted gross margin: 73% (2015: 73%).

Cash flows were projected based on approved financial budgets and management projections over a five year period. Management determined budgeted gross margin based on past performance and its expectations for the future. The weighted average growth rates used are consistent with forecasts included in industry reports. The discount rates used reflect specific risks relating to the relevant segment.

There was no impairment recognised in relation to the goodwill at 30 June 2016 as the carrying amount is estimated to be lower than its recoverable amount. The impairment calculation is not currently sensitive to major changes in key assumptions.

Movements in carrying amounts

	Capitalised Development costs $	Goodwill $	Patents $	Customer contracts $	Total $
Consolidated					
At 1 July 2014	–	588,375	–	–	588,375
Exchange differences	–	109,261	–	–	109,261
Additions – internal	54,420	–	–	–	54,420
Amortisation	–	–	–	–	–
At 30 June 2015	54,420	697,636	–	–	752,056
At 1 July 2015	54,420	697,636	–	–	752,056
Exchange differences	–	(7,789)	–	–	(7,789)
Additions – internal	651,877	–	–	–	651,877
Acquired through business combination – Note 5	–	4,154,174	5,000,000	512,383	9,666,557
Amortisation	–	–	(193,258)	(14,233)	(207,491)
Impairment – Note 6	–	–	(3,098,916)	–	(3,098,916)
Assets classified as held for sale and other disposals – Note 6	–	(4,154,174)	(1,707,826)	(498,150)	(6,360,150)
At 30 June 2016	706,297	689,847	–	–	1,396,144

Note 17. Share based payments

(a) Employee option plan

The TBG Directors and Employee Option Incentive Plan ("the Employee Plan") was last approved by shareholders at the 2010 annual general meeting.

Options granted to Company employees are issued under the Employee Plan. Options are granted under the Employee Plan for no consideration and once capable of exercise entitle the holder to subscribe for one fully-paid ordinary share upon exercise at the exercise price. The exercise price is determined in reference to the current market price at which the Group's shares traded on the Australian Securities Exchange during the five trading days immediately before they are granted plus a certain premium.

Options granted under the Employee Plan that have not vested at the time an option holder becomes ineligible (i.e. no longer an employee), are forfeited and not capable of exercise. When an option holder becomes ineligible and the options have already vested then the option holder has 3 months to exercise or they expire. Options must be exercised by the expiry dates or they lapse. The vesting period of the most recent options granted during the year ranges from 2 to 4 years of service from the grant date.

At 30 June 2016 there were 5,717,200 employee options outstanding (2015: 989,200).

(b) Consultant option plan

On 16 February 2005 the Directors approved the TBG Consultants and Advisors Option Incentive Plan ('the Consultant Plan"). The Consultant Plan rules are consistent with the Employee Plan rules, in that the consultants provide similar services to employees so the awards are accounted for in the same way as employee awards. There were no consultant's options granted during the financial year.

At 30 June 2016 there were 30,000 consultant options outstanding (2015: 1,030,000).

The following table summarises information about all options outstanding at 30 June 2016:

2016

Tranche	Grant Date	Expiry Date	Exercise Price	Balance at start of year	Granted in year	Forfeited during the year	Lapsed during the year	Balance at end of year	Vested and exercisable at end of year
1	1 Jan 2011	1 Jan 2016	$0.29	90,000	–	–	(90,000)	–	–
2	15 Mar 2013	13 Mar 2016	$0.30	1,000,000	–	–	(1,000,000)	–	–
3	19 Aug 2013	25 Sep 2018	$0.21	30,000	–	–	–	30,000	30,000
4	1 Apr 2014	1 Apr 2018	$1.20	142,800	–	–	–	142,800	142,800
5	1 Apr 2014	1 Jan 2018	$1.30	259,600	–	–	–	259,600	259,600
6	1 Apr 2014	1 Oct 2018	$1.50	226,800	–	(4,000)	(8,000)	214,800	214,800
7	7 Nov 2014	1 Dec 2018	$1.20	120,000	–	–	(60,000)	60,000	60,000
8	7 Nov 2014	1 Jun 2018	$1.30	120,000	–	–	(60,000)	60,000	60,000
9	7 Nov 2014	1 Apr 2018	$1.20	6,000	–	–	–	6,000	6,000
10	7 Nov 2014	1 Jan 2018	$1.30	12,000	–	–	–	12,000	12,000
11	7 Nov 2014	1 Oct 2018	$1.50	12,000	–	–	–	12,000	12,000
12	13 May 2016	13 May 2022	$0.30		2,000,000	–	–	2,000,000	–
13	13 May 2016	13 May 2022	$0.30		1,000,000	–	–	1,000,000	–
14	13 May 2016	13 May 2022	$0.40		1,000,000	–	–	1,000,000	–
15	13 May 2016	13 May 2022	$0.30		950,000	–	–	950,000	–
				2,019,200	4,950,000	(4,000)	(1,218,000)	5,747,200	797,200
Weighted average exercise price				0.75	0.32	1.50	0.31	0.47	1.28
Weighted average share price at date of exercise				–	–	–	–	–	–

Notes to the Financial Statements
continued

Note 17. Share based payments (continued)
2015

Tranche	Grant Date	Expiry Date	Exercise Price	Balance at start of year	Granted in year	Forfeited during the year	Lapsed during the year	Balance at end of year	Vested and exercisable at end of year
1	1 Jan 2011	1 Jan 2016	$0.29	90,000	–	–	–	90,000	90,000
2	15 Mar 2013	13 Mar 2016	$0.30	1,000,000	–	–	–	1,000,000	1,000,000
3	19 Aug 2013	25 Sep 2018	$0.21	30,000	–	–	–	30,000	30,000
4	1 Apr 2014	1 Apr 2018	$1.20	142,800	–	–	–	142,800	142,800
5	1 Apr 2014	1 Jan 2018	$1.30	285,600	–	–	(26,000)	259,600	259,600
6	1 Apr 2014	1 Oct 2018	$1.50	282,800	–	(30,000)	(26,000)	226,800	–
7	7 Nov 2014	1 Dec 2018	$1.20	–	270,000	–	(150,000)	120,000	120,000
8	7 Nov 2014	1 Jun 2018	$1.30	–	270,000	(150,000)	–	120,000	120,000
9	7 Nov 2014	1 Dec 2018	$1.50	–	150,000	(150,000)	–	–	–
10	7 Nov 2014	1 Apr 2018	$1.20	–	14,000	–	(8,000)	6,000	6,000
11	7 Nov 2014	1 Jan 2018	$1.30	–	28,000	–	(16,000)	12,000	12,000
12	7 Nov 2014	1 Oct 2018	$1.50	–	28,000	–	(16,000)	12,000	–
				1,831,200	760,000	(330,000)	(242,000)	2,019,200	1,780,400
Weighted average exercise price				0.71	1.31	1.41	1.27	0.75	0.65
Weighted average share price at date of exercise				–	–	–	–	–	–

The weighted average remaining contractual life of share options outstanding at the end of the period was 5.26 years (2015: 1.30 years).

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

The following table lists the inputs to the model used in the valuation of the options:

	2016	2015
Expected volatility	105%	112%
Risk-free rate average	1.78%	2.62% to 2.85%
Expected life average (years)	5	3 to 4
Dividend yield	–	–
Weighted average exercise price ($)	0.30 to 0.40	1.20 to 1.50
Share price at grant date ($)	0.20	0.17

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

(c) Expenses arising from share-based payment transactions
Total expenses arising from share-based payment transactions recognised during the period were $27,970 (period 29 January 2016 to 30 June 2016; 2015: $nil).

Note 18. Current liabilities – trade and other payables

	Consolidated 2016 $	Consolidated 2015 $
Trade creditors[1]	608,527	422,922
Other creditors[2]	515,681	141,654
	1,124,208	564,576

Australian dollar equivalents

Australian dollar equivalent of amounts payable in foreign currencies (US$) - $25,847 (2015: $19,417) and (CNY) - $68,911 (2015: $214,222)

Terms and conditions

Terms and conditions relating to the above financial instruments:

1 Trade creditors are non-interest bearing and are normally settled between 30 to 90 days
2 Other creditors are non-interest bearing and have a term between 30 to 90 days

Note 19. Provisions

Make good provision

In accordance with the lease agreement terms, the company must restore its leased premises situated at Darra, Brisbane to its original condition at the end of the lease term. There was no increase in the make good provision recognised in the 2016 financial year (2015: nil) as the provision has reached the full estimated cost to restore the facility, i.e. $275,000. There is no make good provision applicable to the Taiwan premises.

	Consolidated 2016 $	Consolidated 2015 $
Make good provision	275,000	–
Employee benefits provision		
Long service leave	16,538	–
Annual leave	13,173	–
	29,711	–
	304,711	–

Movement in provision

	Make good provision $	Annual leave $	Long service leave $	Total $
Consolidated				
At 1 July 2015	–	–	–	–
Arising during the year from reverse acquisition	275,000	63,860	16,538	355,398
Amortised	–	–	–	–
Utilised	–	(50,687)	–	(50,687)
At 30 June 2016	275,000	13,173	16,538	304,711
Current 2016	275,000	13,173	–	288,173
Non-current 2016	–	–	16,538	16,538
	275,000	13,173	16,538	304,711

Notes to the Financial Statements
continued

Note 20. Contributed equity

	Consolidated 2016 $	Consolidated 2015 $
a) Issued and paid up capital	36,211,120	11,879,614

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote. Ordinary shares have no par value and the company does not have a limited amount of authorised capital.

b) Movements in shares on issue

	2016		2015	
	Number of shares	Amount $	Number of Shares	Amount $
Beginning of the financial year	101,722,974	11,879,614	122,722,974	14,575,657
Transactions during the year:	–	–	–	–
Reversal of existing shares on acquisition	(101,722,974)			
Shares bought back	–	–	(21,000,000)	(2,696,043)
TDL shares on acquisition of TBG Inc.	115,864,315	–	–	–
Shares issued to TBG Inc vendors on acquisition (refer to Note 5)	101,722,974	24,331,506	–	–
End of the financial year	217,587,289	36,211,120	101,722,974	11,879,614

c) Share options

At 30 June 2016 there were a total of 5,747,200 (2015: 2,019,200) unissued ordinary shares in respect of which options were outstanding.

Refer to Note 17 for more details on unlisted options.

d) Capital risk management

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

Note 21. Accumulated losses and reserves

Accumulated losses

Movement in accumulated losses were as follows:

	Consolidated	
	2016 $	2015 $
Balance 1 July	(2,790,925)	(931,368)
Net loss	(12,377,722)	(1,859,557)
Balance 30 June	(15,168,647)	(2,790,925)

Reserves

Share based payment reserve

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

	Consolidated	
Share based payment reserve	2016 $	2015 $
Balance 1 July	–	–
Cost of share based payments	27,970	–
Balance 30 June	27,970	–

	Consolidated	
Available-for-sale reserve	2016 $	2015 $
Balance 1 July	–	3,865,925
Changes in the fair value of available-for-sale financial assets	–	(3,865,925)
Balance 30 June	–	–

Foreign currency translation reserve

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

	Consolidated	
Foreign currency translation reserve	2016 $	2015 $
Balance 1 July	2,290,358	(210,101)
Foreign currency translation	(173,138)	2,500,459
Balance 30 June	2,117,220	2,290,358
Total Reserves	2,145,190	2,290,358

Notes to the Financial Statements
continued

Note 22. Financial risk management objectives and policies
The Group's principal financial instruments comprise cash and cash equivalents, trade and other receivables and trade and other payables.

The Group manages its exposure to key financial risks, including market risk (interest rate and currency risk) credit risk and liquidity risk in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

Depending on cash flow, the Group may simply procure the required amount of foreign currency to mitigate the risk of future obligations.

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

The Board reviews and agrees policies for managing each of these risks which are summarised below.

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, financial liability and equity instrument are disclosed in Note 2 to the financial statements.

Fair Values
The fair values of financial assets and liabilities approximate their carrying value. No financial assets or liabilities are readily traded on organised markets in standardised form.

Credit risk
Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the Group incurring a financial loss. This usually occurs when debtors fail to settle their obligations owing to the Group. It arises from exposure to customers as well as through deposits with financial institutions.

The Group trades only with recognised, creditworthy third parties. Refer Note 12 for further details on trade and other receivables.

The Group does not have any material credit risk exposure to any single counterparty, except for its holdings of cash which is held with Westpac, Taiwan Cooperative Bank and Bank of Xiamen. Although there is a significant concentration of risk with these banks, the banks have strong credit ratings.

Maximum exposure to credit risk
The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. There is no collateral held as security at 30 June 2016. Credit risk is reviewed regularly by the Board.

	Consolidated	
	2016 $	2015 $
Cash and cash equivalents	14,561,869	6,445,974
Trade receivables	491,388	301,743
Other receivables	204,701	329,752
	15,257,958	7,077,469

Market risk

Foreign currency risk
The Group is primarily exposed to changes in AUD/USD and AUD/CNY exchange rates. The Group's exposure to other foreign exchange movements is not material.

At 30 June 2016, the Group held USD 4,986,350 (2015: USD 3,621,197) in cash deposits. The Group had the following exposure to US$ currency shown in AUD:

	Consolidated	
	2016 $	2015 $
Financial assets		
Cash and cash equivalents	6,699,832	4,709,949
Financial liabilities		
Trade and other payables	25,847	19,417
Net exposure	6,673,985	4,690,532

At 30 June 2016, had the Australian Dollar moved, as illustrated in the table below, with all other variables held constant, post tax loss and equity would have been affected as follows:

	Post tax loss (Higher)/Lower		Equity Higher/(Lower)	
	2016 $	2015 $	2016 $	2015 $
Consolidated				
AUD/USD + 15%	(870,520)	(611,809)	(870,520)	(611,809)
AUD/USD - 15%	1,177,762	827,741	1,177,762	827,741

At 30 June 2016, the Group held CNY 231,607 (2015: CNY 149,955) in cash deposits. The Group had the following exposure to CNY currency shown in AUD:

	Consolidated	
	2016 $	2015 $
Financial assets		
Cash and cash equivalents	46,829	31,830
Financial liabilities		
Trade and other payables	68,911	214,222
Net exposure	(22,082)	(182,392)

At 30 June 2016, had the Australian Dollar moved, as illustrated in the table below, with all other variables held constant, post-tax loss and equity would have been affected as follows:

	Post tax loss (Higher)/Lower		Equity Higher/(Lower)	
	2016 $	2015 $	2016 $	2015 $
Consolidated				
AUD/CNY + 15%	2,880	23,790	2,880	23,790
AUD/CNY - 15%	(3,897)	(32,187)	(3,897)	(32,187)

The sensitivity analysis for the foreign currency exposure was determined based on historical movements over the past two years.

Notes to the Financial Statements
continued

Note 22. Financial risk management objectives and policies (continued)

Interest rate risk
The Group's exposure to market interest rates relates primarily to the Group's cash and short-term deposits. These deposits are held to fund the Group's ongoing and future development activities. Cash at bank of $14,561,869 earns interest at floating rates based on daily and "at call" bank deposit rates. Short term and call deposits of $12,689,926 are made for varying periods of between one to three months, depending on the immediate cash requirements of the Group, and earn interest at the respective term deposit rates. Refer to Note 11 for details on the Group's cash and cash equivalents at 30 June 2016.

The following sensitivity analysis is based on the weighted average interest rates applicable to the Group's cash and short-term deposits in existence at the reporting date.

At 30 June 2016, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post-tax loss and equity would have been affected as follows:

	Post tax loss (Higher)/Lower		Equity Higher/(Lower)	
	2016 $	2015 $	2016 $	2015 $
Consolidated				
+ 0.5%/50 basis points	72,809	–	72,809	–
- 0.5%/50 basis points	(72,809)	–	(72,809)	–

The sensitivity in interest rates were determined based on historical movements over the past two years and management expectations of reasonable movements.

Liquidity risk

The Group's objective is to maintain a balance between continuity of project research utilising an optimal combination of equity funding and available credit lines. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities. The Group has no financial liabilities due after twelve months.

Liquid non-derivative assets comprising cash and receivables are considered in the Group's overall liquidity risk. The Group ensures that sufficient liquid assets are available to meet all the required short-term cash payments.

The table below reflects all financial liabilities as of 30 June 2016. Financial liabilities are presented at their undiscounted cash flows. Cash flows for financial liabilities without fixed amounts or timing are based on the conditions existing at 30 June 2016. The Group had no derivative financial instruments at 30 June 2016.

Remaining contractual maturities
The remaining contractual maturities of the Group's financial liabilities are:

	Consolidated	
	2016 $	2015 $
1 year or less	1,124,208	564,576

Investments
Investments are made in accordance with a Board approved Investment Policy. Investments are typically in bank bills and held to maturity investments. Policy stipulates the type of investment able to be made. The objective of the policy is to maximise interest income within agreed upon creditworthiness criteria.

Maturity analysis of financial assets and liabilities based on management's expectation
The risk implied from the values shown in the table below, reflects a balanced view of cash inflows and outflows. Trade payables and receivables are considered in the Group's overall liquidity risk.

Consolidated	6 months or less $	6 to 12 months $	More than 12 months $	Total carrying amount as per the statement of financial position $	Weighted average effective interest rates %
Financial instruments 2016					
Consolidated financial assets					
Cash and cash equivalents	671,943	–	–	671,943	0.0%
Short term and call deposits	12,689,926	–	–	12,689,926	2.8%
Trade and other receivables	696,089	–	–	696,089	0.0%
Security deposit	13,000	–	–	13,000	2.6%
	14,070,958	–	–	14,070,958	
Consolidated financial liabilities					
Trade and other payables	1,124,208	–	–	1,124,208	0.0%
	1,124,208	–	–	1,124,208	
Net maturity	12,946,750	–	–	12,946,750	

	6 months or less $	6 to 12 months $	More than 12 months $	Total carrying amount as per the statement of financial position $	Weighted average effective interest rates %
Financial instruments 2015					
Consolidated financial assets					
Cash and cash equivalents	682,496	–	–	682,496	0.0%
Short term and call deposits	5,763,478	–	–	5,763,478	0.0%
Trade and other receivables	631,495	–	–	631,495	0.0%
	7,077,469	–	–	7,077,469	
Consolidated financial liabilities					
Trade and other payables	564,576	–	–	564,576	
	564,576	–	–	564,576	0.0%
Net maturity	6,512,893	–	–	6,512,893	

Notes to the Financial Statements

continued

Note 23. Expenditure commitments

	Consolidated	
	2016 $	2015 $
(a) Capital commitments[1]		
Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:		
Intangible assets	740,546	725,468
(b) Non-cancellable operating lease commitments[2]		
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	362,862	172,119
Later than one year but not later than five years	167,858	258,178
	530,720	430,297

1 TBG Xiamen has a lease agreement pertaining to the manufacturing facility in Xiamen that is due to expire in November 2016. Under the agreement there is currently no rent payable and at the end of the expiry, TBG Xiamen has the option to acquire the facility for CNY 1,930 per square meter, or approximately $2,450,000.

2 The group leases various offices and warehouse under non-cancellable operating leases expiring within 5 years. The leases have varying terms and renewal rights. On renewal, the terms of the leases are renegotiated.

Note 24. Employee benefits and superannuation commitments

	Consolidated	
	2016 $	2015 $
The aggregate employee entitlement liability is comprised of:		
Accrued wages, salaries and on-costs	123,384	88,405
Provisions (current)	13,173	–
Provisions (non-current)	16,538	–
	153,095	88,405

Superannuation

The parent makes no superannuation contributions other than the statutory superannuation guarantee levy.

The Group contributed $38,924 on behalf of employees to superannuation funds (considered a related party) from the acquisition date to 30 June 2016.

Pension

On 1 July 2005, the subsidiaries of TBG Inc. established a defined contribution pension plan (the 'New Plan') under the Labor Pension Act (the 'Act'), covering all regular employees with Republic of China nationality. Under the New Plan, TBG Inc. and its subsidiaries make a contribution equal to 6% of the employee's monthly gross salaries to the employee's individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

The Group contributed $66,605 on behalf of employees to the pension fund (considered a related party) for the year ended 2016 (2015: $25,804).

Note 25. Contingent liabilities and assets

There are no contingent liabilities or contingent assets at 30 June 2016 that require disclosure in the financial report.

Note 26. Subsequent events

Sale of PG500 assets

On 22 August 2016, the Company announced that it had entered into a binding agreement to sell the PG500 assets to Zucero for a total deferred consideration of $6,000,000 payable in 3 years. The Company has negotiated the right to be able to convert the deferred consideration into equity such that the Company will hold 20% of the total issued share capital of Zucero. In order to secure payment of the deferred consideration and protect the Company's interests, the parties have entered into security interest agreements and a guarantee.

This is the final stage of the strategic review commenced on 1 May 2015. The purpose of the disposal of the business assets acquired is to focus on the company's core competencies in the In Vitro Diagnostics ("IVD") industry as a result of the acquisition of TBG Inc.

27. Auditors' remuneration

	Consolidated 2016 $	Consolidated 2015[1] $
Audit services – BDO Audit Pty Ltd		
Audit or review of the financial reports of the entity		
– The Australian financial reports of the entity	152,240	63,000
(b) Amounts received or due and receivable by PKF O'Connor Davies for:		
Audit or review of the financial reports of the entity		
– The US financial report of the entity	–	37,883
	152,240	100,883
Non-audit services – BDO (QLD) Pty Ltd		
(b) Other non-audit services in relation to the entity[2]	113,484	63,943
	247,350	164,826

1 Pertains to audit and other services in relation to the financials of the legal parent
2 Non-audit services received from BDO for tax and other services

28. Director and executive and related party disclosures

(a) Remuneration of directors and other key management personnel

TBG Diagnostics Limited

	2016 $	2015 $
Short term benefits	759,633	1,009,384
Long term benefits	(1,134)	18,449
Post-employment benefits	51,268	86,856
Share-based payments	6,747	71,400
Termination payments	71,687	–
Total key management personnel compensation	888,201	1,186,089

Notes to the Financial Statements
continued

28. Director and executive and related party disclosures (continued)

TBG Inc.

	2016 $	2015 $
Short term benefits	303,296	–
Long term benefits	2,394	–
Post-employment benefits	13,395	–
Total key management personnel compensation	319,085	–

(b) Related party transactions to ultimate parent, Medigen Biotechnology Corporation, a company incorporated in Taiwan

	2016 $	2015 $
Revenues		
- Sale of goods	2,175,342	607,002
Purchases		
- Purchases of inventories	268,580	664,016
Receivables from related party		
- Trade receivables	362,020	249,320
Payables to related party		
- Trade and other payables	31,286	283,901
Property transactions		
- Purchase of equipment	38,630	1,438,973
Disposal of financial assets		
- Proceeds from sale of available-for-sale financial asset	–	1,273,000

(c) Subsidiaries

The consolidated financial statements include the financial statements of TBG Diagnostics Limited and the subsidiaries which are listed in the following table:

		% Equity Interest	
Name	Country of Incorporation	2016	2015
PharmaSynth Pty Ltd	Australia	–	100
Progen PG500 Series Pty Ltd	Australia	100	–
TBG Inc.	Cayman Islands	100	–
TBG Biotechnology Corp.	Taiwan	100	–
TBG Biotechnology Corp. (Xiamen)	China	100	–
Texas Biogene Inc.	United States	100	–

Directors' Declaration

The directors of the company declare that:

1. The financial statements, comprising the statement of profit or loss and other comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, accompanying 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 consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date.
2. The company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.
3. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
4. The remuneration disclosures included in paragraphs pages 15 to 27 of the directors' report (as part of audited Remuneration Report), for the year ended 30 June 2016, comply with section 300A of the *Corporations Act 2001*.
5. The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

On behalf of the directors

Jitto Arulampalam
Executive Chairman
Date: 21 September 2016

Eugene Cheng
Executive Director
Date: 21 September 2016

Independent Auditor's Report

for the year ended 30 June 2016

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INDEPENDENT AUDITOR'S REPORT

To the members of TBG Diagnostics Limited

Report on the Financial Report

We have audited the accompanying financial report of TBG Diagnostics Limited, which comprises the statement of financial position as at 30 June 2016, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

BDO

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 TBG Diagnostics Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

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

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

Other matter

The corresponding figures for the year ended 30 June 2015 are unaudited.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 15 to 27 of the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of TBG Diagnostics Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

BDO Audit Pty Ltd

BDO

TMann

T R Mann
Director

Brisbane, 21 September 2016

ASX Additional Information

Additional information required by the Australian Securities Exchange Ltd not shown elsewhere in this report is as follows. The information is current as at 20 September 2016.

Substantial shareholders

The number of shares held by substantial shareholders listed in the Company's ASX register as at 20 September 2016 were:

	Number of ordinary shares held	Percentage
MEDIGEN BIOTECHNOLOGY CORPORATION	105,915,938	48.68
ETERNAL MATERIALS CO LTD	40,200,000	18.48
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	22,141,868	10.18

Class of equities and voting rights

The voting rights attached to all ordinary shares in the Company as set out in the Company's constitution are:

a) On a show of hands every Member has one vote;

b) On a poll, every Member has one vote for each fully paid share

Under the terms of the Company's unlisted options there are no voting rights attached to options.

Distribution of equity securities

Category (size of holding)	No. of ordinary shareholders	No. of Unquoted employee option holders	No. of Unquoted consultant option holders
1 – 1,000	975	–	–
1,001 – 5,000	760	6	–
5,001 – 10,000	171	5	–
10,001 – 100,000	207	18	1
100,001 and over	63	12	–
Total	2,176	41	1
Shareholders holding less than a marketable parcel of shares	1,424	N/A	N/A

Names of the twenty largest holders of quoted securities are:

	Listed Ordinary Shares	
	No.	Percent
MEDIGEN BIOTECHNOLOGY CORPORATION	105,915,938	48.68
ETERNAL MATERIALS CO LTD	40,200,000	18.48
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	22,141,868	10.18
J P MORGAN NOMINEES AUSTRALIA LIMITED	7,681,018	3.53
MISS FU MEI WANG	2,157,128	0.99
US CONTROL ACCOUNT	1,762,951	0.81
MS WEN-MIN WANG	1,576,289	0.72
MR YUNG-FONG LU	1,571,020	0.72
ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD <CUSTODIAN A/C>	1,485,593	0.68
MRS LEE LI HSUEH YANG	1,322,558	0.61
CITICORP NOMINEES PTY LIMITED	1,066,843	0.49
YING CHENG	1,031,000	0.47
MR HSIEN-JUNG YANG + MRS MA SHU-HWA YANG <THE LAMBERT SUPER FUND A/C>	1,001,000	0.46
CHI-LIANG YANG	945,984	0.43
WEI CHENG	931,000	0.43
BNP PARIBAS NOMS PTY LTD <DRP>	853,070	0.39
MIN-HUA YEH	844,894	0.39
MS YI-HUI SHEN	819,000	0.38
MR QIWEI GUO	770,000	0.35
MR IFAN CHIU	611,500	0.28
TOTAL	194,688,654	89.48

Unquoted Equity Securities:

Number	No. on issue	No. of holders
Options issued under the Executive Directors and Employees Option Incentive Plan	5,667,200	41
Options issued under the Consultants and Advisors Option Incentive Plan	30,000	1

Corporate Directory

Directors
I. S. Arulampalam (Chairman)
S. Chang
E. Cheng
E. Lee
E. Chang

Company Secretary
B. Lucas

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West End, Queensland 4101
Phone 1300 552 1168

Share Registry - United States
Computershare Trust Company
350 Indiana Street
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Golden, CO, 80401
Phone + 1 303 262 0600

ABN
82 010 975 612

Bankers
Westpac Banking Corporation

Stock Exchanges
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OTC: PGLA

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