SUN BIOMEDICAL LIMITED

(A.B.N. 18 001 285 230)

And Controlled Entities

Annual Report

30 June 2012

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SUN BIOMEDICAL LIMITED AND CONTROLLED ENTITY
ABN 18 001 285 230

REPORT OF THE DIRECTORS

Your Directors present their report on the Company and its controlled entities for the financial year ended 30 June 2012.

Directors

The following persons were Directors of Sun Biomedical Limited during the year and up to date of this report:

Mr. Terry Cuthbertson	Non Executive Chairman
Mr. Peter Herd	Non Executive Director
Mr. Gary Stewart	Non Executive Director
Mr. Evan Cross	Non Executive Director (Appointed 1 March 2012)

Principal Activities

The principal activity of the Group during the financial year was the maintenance of patents relating to drug detection devices, investing in equity investment while continuing the process of identifying and assessing potential new investment opportunities for the Company's future growth prospects. The Company is continuing to seek offers for its patents.

Results for the Year

The loss of the Group for the financial year after providing for income tax amounted to $386,070. (2011 profit: $5,656)

Dividends

No dividend was declared or paid during the current financial year.

Review of Operations

The consolidated loss for the 12 months ended 30 June 2012 was $386,070 compared to a profit of $5,656 for the previous 12 months ended 30 June 2011. Some of the key features of the year ended 30 June 2012 include:

- In May 2011 the Company entered into a 12 month Convertible Note Subscription Agreement with First Stop Money Pty Ltd for a convertible note of $250,000 at an interest rate of 8% per annum. The convertible note was rolled over for a period of three months at an interest rate of 16% in May 2012. During August 2012, the convertible note was redeemed in full and $8,584 of accrued interest received.

- On 29 July 2011 the Company entered into a Convertible Note subscription Agreement with Malachite Resources Limited (MAR) with five convertible notes being issued at a face value of $100,000 each and at an interest rate of 12%. This investment provides the Company with a commercial return and also the ability to assess potential opportunities that may exist to acquire one or more projects currently owned by MAR. The maturity date of the convertible notes has been extended by 7 months from the original maturity date (5 August 2012) with an option to further extend the maturity date by two additional periods of 3 months each. The interest payable on the notes has also been increased from 12% to 15% per annum for the initial 7 month extension and 18% per annum for each of the additional 3 month terms. As part of the Convertible note arrangement, the Company entered into an interest bearing Margin Loan Agreement with an entity associated with a former director of MAR. In accordance with the terms of the Margin Loan Agreement, the Company advanced $291,236 to the Borrower. The Margin Loan was secured by MAR shares. The Margin Loan has now been repaid by the Borrower, making a cash payment to the Company of $208,794.92 and transferring to the Company 10,995,593 MAR shares at a deemed price of $0.014 each.

Report of the Directors (Continued)

Review of Operations (Continued)

- In March 2012 the Company entered into a Convertible Note Subscription Agreement with Mint Wireless Limited ("MNW") with 1 convertible note being issued at face value of $25,000 each at an interest rate of 15% per annum. In July 2012, the convertible note was redeemed and $1,125 of accrued interest received.

- The Company continues to maintain its patents in respect of illicit drug testing devices. During the year the Company investigated the potential sale and/or commercialisation of this intellectual property. The Company will continue to assess such opportunities.

Financial Position

The net assets of the Group have decreased by $386,070 from 30 June 2011 to $1,179,766 as at 30 June 2012. This decrease was largely due to the following factors:

- Interest received of $157,774;
- Unrealised loss on equity investment of $123,684; and
- Operating expenses incurred during the year.

As at 30 June 2012, the consolidated group has a working capital surplus, being current assets less current liabilities, of $1,179,766 (2011: $1,565,836).

Significant Changes in State of Affairs

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

Matters Subsequent to the End of the Financial Year

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the consolidated group, the results of those operations, or the state of affairs of the consolidated group, in subsequent financial years.

Likely Developments

Disclosure of detailed information on likely developments in the operations of the group and the expected results of operations have not been included in this annual financial report because the Directors believe it would be likely to result in unreasonable prejudice to the group. The group will continue with the process of identifying and assessing potential new investment opportunities for the company's future growth prospects.

Report of the Directors (Continued)

Information on Directors

TERRY CUTHBERTSON — ***Non Executive Chairman***

B.Bus, ACA

Experience

Mr. Cuthbertson is currently Non-Executive Chairman of South American Iron and Steel Limited, Montec International Limited, Austpac Resources N.L., My Net Fone Limited, Mint Wireless Limited, OMI Holdings Limited. He was also a partner of KPMG Corporate Finance and NSW Partner in Charge of Mergers and Acquisitions where he coordinated government privatization, mergers, acquisitions and divesture activities and public offerings on the Australian Stock Exchange for the NSW practice. Prior to this, he was the Group Finance Director of Tech Pacific Holding Limited, which was the one of the largest information technology distributors in Asia with a turnover in 1999 over $2 billion and was a Director for Tech Pacific Limited‘s businesses in China, Hong Kong, Singapore, India, Philippines, Indonesia and Thailand.
Directorships held in other listed entities: Montec International Limited, Austpac Resources N.L., My Net Fone Limited, Mint Wireless Limited, OMI Holdings Limited, Malachite Resources Limited and South American Iron and Steel Limited.
Directorships held in the past three years in other listed entities: Healthzone Limited.

EVAN CROSS — ***Non Executive Director***

B.Bus, CA, FAICD

Experience

Mr. Cross is a member of the Institute of Chartered Accountants in Australia. He has held a number of senior positions in commerce and industry with particular focus on corporate finance and has international finance experience having worked in the investment banking industry in Australia and the U.S.
Mr. Cross is a co-founder and Executive Director of the private investment firm Greenday Corporate Pty Ltd.
Directorships held in other listed entities: Starfield Metals Limited and ISS Group Limited.
Directorships held in the past three years in other listed entities: Nil.

PETER HERD — ***Non Executive Director***

BEc (Hons), FAICD

Experience

Mr. Herd, since 2006, has been the Managing Director and previously a Non-Executive Director of Montec International Limited. Mr. Herd's previous career positions include General Manager of Dairy Farmers Milk and Beverages Division, responsible for manufacturing, distribution and marketing operations across four Australian states. Prior to joining Dairy Farmers, Mr. Herd held various general management and marketing positions with the Coca-Cola Company, including Regional Director of Australasia for Coca-Cola South Pacific, Division President of Coca-Cola Far East, located in the Philippines and Country Manager positions in Hong Kong, Taiwan and Indonesia
Directorships held in other listed entities: Montec International Limited.
Directorships held in the past three years in other listed entities: Nil.

GARY STEWART — ***Non Executive Director***

LLB

Experience

Mr. Stewart is company secretary of ASX Listed Company Mint Wireless Limited and a Director and Secretary of OMI Holdings Limited ("OMI") and has been a director of public listed companies in Australia and the United States of America.
Mr. Stewart has a practice in Corporate Law and advises and works in a number of public listed companies in Australia. In addition he holds the position of Company Secretary in both public listed companies and private companies.
Directorships held in the past three years in other listed entities: Nil.

Report of the Directors (Continued)

Information on Company Secretary

ALFONSO GRILLO *BA LLB*	***Company Secretary***
Experience	Alfonso Grillo is a partner with TressCox Lawyers and has expertise in various aspects of commercial law, including company meeting practice and corporate governance procedures, fundraising and fundraising documentation, ASX Listing Rules and mergers and acquisitions. Alfonso is currently also Company Secretary of ASX listed Nagambie Mining Limited. Alfonso has held the position of company secretary of Sun Biomedical Limited since 21 June 2007.

Directors' Interests in Shares and Options

Directors	Existing Shares	Existing Options
Peter Herd	-	-
Terry Cuthbertson	-	-
Gary Stewart	-	-
Evan Cross (i)	318,750,000	-

(i) Note that Mr. Evan Cross is shareholder and director of Fullerton Private Capital Pty Ltd and Manhattan Investments Pty Ltd, which held 300,000,000 and 18,750,000 shares respectively.

Meetings of Directors

The number of directors meetings attended by each of the directors of the Company during the financial year were**:**

Director	**Directors' Meetings**	
	Number Attended	**Number eligible to attend**
Mr. Evan Cross	2	2
Mr. Terry Cuthbertson	9	9
Mr. Peter Herd	9	9
Mr. Gary Stewart	8	9

Remuneration Report

This report details the nature and amount of remuneration for each director of Sun Biomedical Limited and for the executives receiving the highest remuneration.

The remuneration policy adopted by the Company has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives, such as options, which are exercisable at levels in excess of the Company's share price when granted.

The Directors believe the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the consolidated group, as well as create goal congruence between directors, executives and shareholders.

The board's policy for determining the nature and amount of remuneration for board members and senior executives of the consolidated group is as follows:

Report of the Directors (Continued)

Remuneration Report (Continued)

The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, is developed and approved by the Directors after seeking professional advice from independent external consultants where deemed appropriate. The Directors will review executive packages annually by reference to the consolidated group's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries. The Directors seek ratification of Executive remuneration packages by shareholders at general meeting. In the current year the remuneration is not linked to performance due to the stage in the life cycle of the company.

All remuneration paid to Directors and Executives is valued at the cost to the company and expensed. Options are valued using the Black-Scholes methodology.

The board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. The aggregate amount of remuneration has been set at $100,000.

Fees for non-executive directors are not linked to the performance of the consolidated group. Currently, all directors are paid $30,000 per annum. Remuneration for Directors and Executives for the period is as follows:

		Short term employee benefits			Equity compensation	
Directors		**Directors Fees**	**Consulting Fees**	**Salary**	**Value of options/shares**	**Total**
Non Executive		$	$	$	$	$
Terry Cuthbertson	**2012**	**30,000**	**-**	**-**	**-**	**30,000**
	2011	23,333	-	-	-	23,333
Peter Herd	**2012**	**30,000**	**-**	**-**	**-**	**30,000**
	2011	23,333	-	-	-	23,333
Gary Stewart	**2012**	**30,000**	**-**	**-**	**-**	**30,000**
	2011	23,333	-	-	-	23,333
Evan Cross	**2012**	**10,000**	**-**	**-**	**-**	**10,000**
	2011	-	-	-	-	-
Total	**2012**	**100,000**	**-**	**-**	**-**	**100,000**
	2011	69,999	-	-	-	69,999

Options issued as part of remuneration for the year ended 30 June 2012.

During this financial year, no options over ordinary shares in the Company were issued to any Director or other key management personnel of the group, including their personally related parties.

This is the end of the Remuneration Report.

Report of the Directors (Continued)

Audit Committee

The Directors have taken the view that in light of the Company's size and stage of development, the full board would fulfill the functions of the Audit Committee. This involves maintaining a Code of Corporate Conduct for the consolidated group, and to ensure additional assurance with respect to the quality and reliability of the information provided is prepared or approved by third party providers. The board is responsible for the appointment of the external auditor. The Board is responsible for reviewing the effectiveness of the organisation's internal control environment covering:

- effectiveness and efficiency of operations
- reliability of financial reporting
- compliance with applicable laws and regulations.

In fulfilling its responsibilities the Board receives monthly management accounts which are tabled at monthly board meetings.

Shares Issued

During the year ended 30 June 2012 no ordinary shares and options of Sun Biomedical Limited were issued.

Environmental Issues

The consolidated group's operations are not subject to significant environmental regulation under a law of China, or of the Commonwealth or of a state or territory of Australia.

Directors' and officers' liability insurance

During the year, the Company paid premium to insure the directors and officers of Sun Biomedical Limited against loss or liability arising out of claim for a wrongful act, including any costs, charges and expenses that may be incurred in defending any actions, suits, proceedings or claims.

Non-audit Services

The board of Directors confirmed that there were no non-audit services provided by the external auditors during the year ended 30 June 2012 (2011: Nil).

Options

There were no options granted over unissued shares or interest during or since the financial year by the Company or controlled entity.

At the date of this report, the unissued ordinary shares of Sun Biomedical Limited under option are nil.

Report of the Directors (Continued)

Auditor's Independence Declaration

The auditor's independence declaration for the year ended 30 June 2012 has been received and can be found on page 8 of this financial report.

Signed in accordance with a resolution of directors.

Terry Cuthbertson
Chairman

Sydney
26 September 2012

Armstrong Partners

CHARTERED ACCOUNTANTS

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of Sun Biomedical Limited for the year ended 30 June 2012, I declare that to the best of my knowledge and belief, there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contravention of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Sun Biomedical Limited and the entities it controlled during the period.

Armstrong Partners

David Armstrong
Partner

Melbourne

26 September 2012

SUN BIOMEDICAL LIMITED AND CONTROLLED ENTITY
ABN 18 001 285 230

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2012

	Note	Consolidated 2012 $	2011 $
Revenues	2	31,373	480,540
Expenses	3	(417,443)	(474,884)
Depreciation	3	-	-
(Loss) / Profit before income tax		(386,070)	5,656
Income tax expense	4	-	-
(Loss) / Profit for the year		(386,070)	5,656
Other comprehensive income			
Other comprehensive income for the year, net of tax		-	-
Total other comprehensive income for the year		-	-
Total comprehensive (loss) / income for the year attributable to members of the parent entity		(386,070)	5,656

Earnings per share

	Note	Cents per share	Cents per share
Basic and diluted (loss) / earnings per share	7	(0.0167)	0.0002

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

SUN BIOMEDICAL LIMITED AND CONTROLLED ENTITY
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STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2012

	Note	Consolidated 2012 $	2011 $
Current Assets			
Cash and cash equivalents	8	154,329	1,031,890
Trade and other receivables	9	29,907	137,933
Investments	10 (c)	1,030,054	424,000
Total Current Assets		1,214,290	1,593,823
Total Assets		**1,214,290**	**1,593,823**
Current Liabilities			
Trade and other payables	12	34,524	27,987
Total Current Liabilities		34,524	27,987
Total Liabilities		**34,524**	**27,987**
Net Assets		**1,179,766**	**1,565,836**
Equity			
Contributed equity	13	29,399,862	29,399,862
Reserves	14	-	22,600
Accumulated losses		(28,220,096)	(27,856,626)
Total Equity		**1,179,766**	**1,565,836**

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

SUN BIOMEDICAL LIMITED AND CONTROLLED ENTITY
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STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2012

CONSOLIDATED	Issued Capital	Accumulated Losses	Share Based Payment Reserves	Total
	$	$	$	$
Balance at 1 July 2010	29,399,862	(27,862,282)	22,600	1,560,180
Total comprehensive income for the year	-	5,656	-	5,656
Balance at 30 June 2011	**29,399,862**	**(27,856,626)**	**22,600**	**1,565,836**
Total comprehensive (loss) for the year	-	(386,070)	-	(386,070)
Transfer from /(to)		22,600	(22,600)	-
Balance at 30 June 2012	**29,399,862**	**(28,220,096)**	**-**	**1,179,766**

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

STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 30 JUNE 2012

		Consolidated	
	Note	2012 $	2011 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Commission received		2,761	68,200
Payments to suppliers and employees		(401,601)	(526,936)
Settlement from Forest Plantation investment		-	73,068
Interest received		166,512	57,533
Dividend received		-	1,600
Net cash (outflow) from operating activities	18	(232,328)	(326,535)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for equity investments		(250,800)	(594,993)
Proceeds from disposal of equity investments		134,505	989,253
Payment for loan investments		(816,236)	(755,969)
Proceeds from redemption of loan investments		287,298	556,138
Net cash (outflow) / inflow from investing activities		(645,233)	194,429
CASH FLOWS FROM FINANCING ACTIVITIES		-	-
Net cash flow from financing activities		-	-
Net (decrease) / increase in cash held		(877,561)	(132,106)
Cash at the beginning of the financial year		1,031,890	1,163,996
CASH AND CASH EQUIVALENTS AT END OF YEAR	8	154,329	1,031,890

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

Note 1: Summary of Significant Accounting Policies

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations), other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The financial statements were authorised for issue by the Board on 26 September 2012.

The financial statements include separate financial statements for Sun Biomedical Limited as an individual entity and the controlled group consisting of Sun Biomedical Limited and its subsidiaries. Sun Biomedical Limited is a listed public company, incorporated and domiciled in Australia.

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (A-IFRS). Compliance with A-IFRS ensures that the financial statements and notes of the consolidated group comply with International Financial Reporting Standards (IFRS).

The following is a summary of the material accounting policies adopted by the consolidated group in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

Basis of Preparation

Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs.

Significant Estimates and Critical Judgments

The preparation of financial statements in conformity with A-IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

The following significant judgments and critical estimates have been made in preparation of this financial report. If these judgments or estimates were to significantly change this could have a material effect on the financial statements.

1. *Parent Entity – impairment of intercompany receivable*
   During the year the recoverability from subsidiaries had considered been impaired based on the recoverable amount assessed.

2. *Impairment of intangible assets*
   During the year there were no intangible assets to be tested for impairment.

3. *Non-recognition of deferred tax assets*
   A deferred tax asset has not been recognised due to the uncertainty of the recoverability of tax losses.

Note 1: Summary of Significant Accounting Policies (continues)

Accounting Policies

(a) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Sun Biomedical Limited (Company or parent entity) as at 30 June 2012 and the results of all subsidiaries for the year then ended. Sun Biomedical Limited and its subsidiaries together are referred to in this financial report as the Consolidated Group.

A subsidiary is any entity controlled by Sun Biomedical Limited. Control exists where Sun Biomedical Limited has the capacity to dominate the decision-making in relation to the financial and operating activities of another entity so that the other entity operates with Sun Biomedical Limited to achieve the objectives of Sun Biomedical Limited.

All inter-company balances and transactions between entities in the consolidated group, including any unrealised profits or losses, have been eliminated on consolidation.

Where subsidiaries have entered or left the consolidated group during the year, their operating results have been included from the date control was obtained or until the date control ceased.

Investments in subsidiaries are accounted for at cost less any impairment losses in the individual financial statements of Sun Biomedical Limited.

(b) Financial Instruments

Recognition
Financial instruments are initially measured at fair value (which represents cost) on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently at amortised cost using the effective interest rate method.

Other Financial Assets
Other financial assets, including investments in controlled entities, are recognised at cost, less where applicable any impairment losses.

Financial liabilities
Non-derivative financial liabilities are recognised initially at fair value and subsequently at amortised cost, comprising original debt less principal payments and amortisation.

Trade and other payables

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the 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.

Fair value estimations
The fair value of Financial assets and Financial liabilities must be estimated for recognition and disclosure purposes. The nominal value less estimated credit adjustment of trade receivables and payables are assumed to approximate their fair values. The fair values of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rates that is available for similar financial instruments.

Note 1: Summary of Significant Accounting Policies (continues)

Impairment

At each reporting date, the Group assess whether there is objective evidence that a financial instrument has been impaired. If recoverable amount is assessed as lower than carrying amount, impairment losses are recognised in the income statement.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. An allowance for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorgansiation, and defaults or delinquent payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment losses is recognised in the income statement.

(c) Intangibles

Intellectual Property

Intellectual property is recognised at cost of acquisition and is amortised over the period in which its benefits are expected to be realised. The intellectual property is amortised over seven years. The balances are reviewed annually for impairment and any balance representing future benefits for which the realisation is considered to be no longer probable are recognised in the income statement as impairment losses.

(d) Research and Development

Under AASB 138: Intangible Assets, costs associated with the research phase of the development of an asset must be expensed. Where no intangible asset can be recognised, research and development expenditure is recognised as an expense in the period as incurred.

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

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

(e) Income Tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recoginsed for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled. The relevant tax rate is applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. No deferred tax asset or liability is recognized in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

Note 1: Summary of Significant Accounting Policies (continues)

(e) Income Tax (continued)

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

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in subsidiaries where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

(f) Cash & Cash Equivalents

For the purpose of the statements of cash flows, cash includes:

- cash on hand and on call deposits with banks or financial institutions, net of overdrafts; and
- investments in money market instruments with less than 3 months to maturity.

(g) Comparative Amounts

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

(h) Revenue

Revenue from the sale of goods is recognised upon the delivery of goods to the customers. Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Dividend revenue is recognised when the right to receive a dividend has been established.
Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

(i) Goods and Services Tax (GST)

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

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

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

(j) Foreign Currency Transactions and Balances

Functional and presentation currency
The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Note 1: Summary of Significant Accounting Policies (continues)

(j) Foreign Currency Transactions and Balances (continued)

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange difference arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

Group companies

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

- Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date.
- Income and expenses are translated at average exchange rates for the period.
- Retained profits are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed of.

(k) Investments in Associates

Investments in associated companies are recognised in the parent financial statements at cost and in the consolidated financial statements by applying the equity method of accounting. Associates are all entities over which significant influence is exercised over an investee. Significant influence exists where the investor has the power to participate in the financial and operating policy decisions of the investees but does not have control or joint control over those policies, generally accompanying a shareholding of between 20% and 50% of the voting rights. The groups investment is associates includes goodwill (net of any impairment) identified on acquisition. The group's share of its associates' post acquisition profits or losses is recognised in the income statement and adjusted to the carrying amount of the investment. Unrealised gains or losses between the group and its associates are eliminated to the extent of the group's interest in the associate.

(l) Equity based payment transactions

The Group provides benefits to officers (including directors) and some payments to consultants of the Group in the form of share-based payment transactions, whereby officers and consultants render services in exchange for shares or rights over shares ('equity-settled transactions').

The cost of these equity-settled transactions with officers and consultants is measured by reference to the fair value at the date at which they are granted. The fair value is determined by applying a Black Scholes pricing model.

In valuing equity-settled transactions, no account is taken of any performance conditions, but is linked to the price of the shares of Sun Biomedical Limited ('market conditions').

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

Note 1: Summary of Significant Accounting Policies (continues)

(l) Equity based payment transactions (continued)

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 number of awards that, in the opinion of the directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date. 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.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where 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 increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where 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.

(m) Impairment of assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the assets value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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.

(n) Contributed equity

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

(o) Earnings per share

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

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

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

Note 1: Summary of Significant Accounting Policies (continues)

(p) Adoption of new and revised accounting standards

During the current year the Group adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory. For the reporting year to 30 June 2012, there were no adoption of new or revised accounting standards issued which would impact the reported financial position, financial performance and cash flows of the Group or accompanying notes

(q) New accounting standards and interpretations

Australian Accounting Standards that have recently been amended but are not yet effective and have not been early adopted by the Consolidated Entity are outlined in the table below:

Reference	Affected Standard(s)	Application date of standard*	Application date for Consolidated Entity
AASB 9	AASB 9: Financial Instruments, AASB 2009- 11 Amendments to Australian Accounting Standards arising from AASB 9	1 January 2013	1 July 2013
AASB 10	Consolidated Financial Statements	1 January 2013	1 July 2013
AASB 11	Joint Arrangements	1 January 2013	1 July 2013
AASB 12	Disclosure of Interests in Other Entities	1 January 2013	1 July 2013
AASB 13	Fair Value Measurement and related AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13	1 January 2013	1 July 2013
AASB 119	Employee Benefits, AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 and AASB 2011-11 Amendments to AASB 119 arising from Reduced Disclosure Requirements	1 January 2013	1 July 2013
AASB 127	Separate Financial Statements	1 January 2013	1 July 2013
AASB 128	Investments in Associated and Joint Ventures	1 January 2013	1 July 2013
AASB 2010-7	Amendments to Australian Accounting Standards arising from AASB 9	1 January 2013	1 July 2013
AASB 2010-8	Amendments to Australian Accounting Standards- Deferred Tax: Recovery of Underlying Assets	1 January 2013	1 July 2013
AASB 2011-7	Amendments to Australian Accounting Standards arising from the Consolidation and Join Arrangement standards	1 January 2013	1 July 2013
AASB 2011-9	Amendments to Australian Accounting Standards- Presentation of Items of Other Comprehensive Income	1 January 2013	1 July 2013

*Application date of the standard is for the reporting periods beginning on or after the date shown in the above table.

The adoption of the standards and amendments listed above in future periods is not expected to result in substantial changes to the Group's accounting policies.

Note 1: Summary of Significant Accounting Policies (continues)

(r) Business combinations

The purchase method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group’s share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the Group’s share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity’s incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Note 2: Revenue	**Consolidated**	
	2012	**2011**
	$	**$**
Interest received	157,774	64,232
Profit from disposal of equity investments	(5,227)	303,460
Settlement from Forest Plantation investment	-	73,068
Commission received	2,510	62,000
Dividend received	-	1,600
Unrealised loss on equity investments	(123,684)	(23,820)
	31,373	480,540

Note 3 Expenses

Consulting fees	(96,967)	(107,888)
Travel and accommodation expense	(20,138)	(20,530)
Insurance	(14,647)	(14,504)
Administration expense	(13,072)	(47,130)
Regulatory compliance expenses	(204,991)	(147,522)
Legal expenses	(67,628)	(137,310)
	(417,443)	(474,884)

Note 4: Income tax expense

(a) Income tax expense

Current tax	-	-
Deferred tax	-	-
	-	-

(b) Numerical reconciliation of income tax expense / (benefit) to prima facie tax payable:

(Loss) /Profit before income tax	(386,070)	5,656
Tax at the Australian tax rate of 30% (2011: 30%):	(115,821)	1,697
Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:		
Unrealised (gain) / loss on equity investments	29,959	7,146
Decrease in accruals	387	(937)
unrecognised tax losses / (recouped to reduce current tax expense)	85,475	(7,906)
Income tax expense / (benefit)	-	-

(c) Unrecognised tax losses

Unused tax losses for which no deferred tax assets have been recognized	4,549,141	4,264,224
Potential tax benefit @30%	1,364,742	1,279,267

All unused tax losses were incurred by Australian entities.

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

Note 5: Auditor's remuneration

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

	Consolidated	
	2012	**2011**
	$	**$**
(a) Audit Services		
Remuneration of the auditor of the parent entity for:		
- auditing or reviewing the financial reports	19,500	17,000
- under provision of previous year	1,000	-
	20,500	**17,000**
(b) Non Audit Services		
- taxation services – paid to a related practice of the auditor	-	-

Note 6: Dividends

No dividend was declared or paid during the financial year.

Balance of franking account at year end adjusted for franking credits arising from payment of provision of income tax and dividends recognised as receivables, franking debits arising from payment of proposed dividends and franking credits that may be prevented from distribution in subsequent financial years:	326,258	326,258

Note 7: Earnings per share

Basic and diluted (loss) / earnings per share (cents per share)	(0.0167)	0.0002
(Loss)/Profit attributable to ordinary shareholders used in the calculation of basic and diluted EPS ($)	(386,070)	5,656
Weighted average number of ordinary shares used in the calculations of basic and diluted earnings per share	2,317,969,628	2,317,969,628

There was no differential dilutive effect of options outstanding at balance sheet date. Information on options outstanding at the balance sheet date can be found in Note 19.

Note 8: Cash and cash equivalents

	Consolidated 2012 $	Consolidated 2011 $
Cash at bank	154,329	1,031,890
Reconciliation to cash at year end		
Cash at bank	154,329	1,031,890
Cash and cash equivalents as per Statement of Cash Flows	154,329	1,031,890

Note 9: Trade and other receivables

	2012	2011
Current		
Other receivables	15,251	123,287
Prepayments	14,656	14,646
	29,907	137,933
Non-Current		
Amounts receivable from controlled entities:		
- MDM Technologies Pty Ltd	13,729	13,729
- Sun Biomedical Australia Pty Ltd	49,427	49,427
Less: Impairment provision	(63,156)	(63,156)
	-	-

Note 10: Investments

(a) Controlled entities and their contribution to consolidated profit / (loss)

	Country of Incorporation	Percentage Owned 2012 %	Percentage Owned 2011 %	Contribution to Consolidated (Loss)/Profit 2012 $	Contribution to Consolidated (Loss)/Profit 2011 $
Parent Entity					
Sun Biomedical Limited	Australia	-	-	(380,070)	5,656
Controlled Entities					
MDM Technologies Pty Ltd	Australia	100	100	-	-
Harrington Group USA Inc	USA	100	100	-	-
Sun Biomedical Australia Pty Ltd	Australia	100	100	-	-
Sun Biomedical Laboratories Inc.	USA	100	100	-	-
				(380,070)	5,656

(b) Investment in controlled entities

Name of Entity	Country of Incorporation	Class of Shares	Equity Holding 2012 %	Equity Holding 2011 %	Cost of Parent Entity's Investment 2012 $	Cost of Parent Entity's Investment 2011 $
MDM Technologies Pty Ltd	Australia	Ordinary	100	100	2	2
Harrington Group USA Inc	USA	Ordinary	100	100	-	-
Sun Biomedical Australia Pty Ltd	Australia	Ordinary	100	100	1,000	1,000
Sun Biomedical Laboratories Inc.	USA	Ordinary	100	100	136,789	136,789
					137,791	137,791
Less: Impairment provision					(137,791)	(137,791)
					-	-

Note 10: Investments (Continued)

Current
(c) Investment in listed entities

Name of Entity	Investment Type	Equity Holding Number	Consolidated	
			2012	**2011**
Moore Australasia (Holdings) Limited	Shares	33,000	-	-
OMI Holding Limited	Shares	8,000,000	32,000	24,000
Mint Wireless Limited	Convertible Notes	1	25,000	150,000
First Stop Money Pty Ltd*	Convertible Notes	1	250,000	250,000
Malachite Resources Limited	Convertible Notes	5	500,000	-
Malachite Resources Limited	Shares	20,277,593	223,054	-
Totals			1,030,054	424,000

* First Stop Money Pty Ltd is not listed in ASX.

Note 11: Intangible assets

Consolidated	**Shockrounds**	**Sun Biomedical Laboratories Inc. Intellectual Property**	**Total**
	$	**$**	**$**
At 30 June 2012			
Cost	8,110,484	3,851,323	11,961,807
Accumulated amortisation and impairment	(8,110,484)	(3,851,323)	(11,961,807)
Net book amount	-	-	-
Movement			
Opening balance 1 July 2011	-	-	-
Additions	-	-	-
Amortisation charge and impairment	-	-	-
Impairment	-	-	-
Closing balance 30 June 2012	-	-	-

The intellectual property relates to patents for the design of drug testing products.

(a) Impairment tests for intangible assets – Sun Biomedical Laboratories Inc. Intellectual Property

The intellectual property capitalised through the acquisition of Sun Biomedical Laboratories Inc. related to five patents for device and proprietary technology. Following enforcement of the first ranking security over the loan to SBL and the closure of the US operations on 30 April 2009, these patents have been transferred back to the Parent entity. In light of the closure of the US operations, the directors have fully impaired the carrying value of the intellectual property.

(b) Impairment tests for intangible assets - Shockrounds

Shockrounds, being an intangible asset with an indefinite life has been tested for impairment annually by comparing its carrying amount with its recoverable amount. The fully impaired amount was recognised in the financial year ended 30 June 2007. There are no indications that impairment losses previously recognised should be reversed.
The Directors considered and concluded the Shockrounds Intangible Asset remains impaired.

	Consolidated 2012 $	2011 $

Note 12: Trade and other payables

	2012 $	2011 $
Current		
Trade creditors	24,024	18,777
Sundry creditors and accrued expenses	10,500	9,210
	34,524	27,987

Note 13: Contributed equity

	2012 $	2011 $
2,317,969,628 (2011: 2,317,969,628) fully paid ordinary shares	29,399,862	29,399,862
(a) Ordinary shares – value		
At the beginning of the reporting period	29,399,862	29,399,862
Share issue during the year	-	-
Less share issue costs	-	-
Balance at end of reporting period	29,399,862	29,399,862

(b) Ordinary shares – number	**No.**	**No.**
At the beginning of the reporting period	2,317,969,628	2,317,969,628
Movement during the year	-	-
Balance at end of reporting period	2,317,969,628	2,317,969,628

Ordinary shares

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.
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.

Note 13: Contributed equity (Continued)

Capital Risk Management

The Group's and parent entity's objectives when managing capital is to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits to 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, issue new shares or sell assets to reduce debt.

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

	Consolidated	
	2012	**2011**
	$	**$**
Note 14: Reserves		
Equity based payments		
Balance as at the beginning of the financial year	22,600	22,600
Options lapsed	(22,600)	-
Balance as at the end of the financial year	-	22,600
Total Reserves	-	22,600

Note 15: Segment Reporting

	Total Revenue		**Total comprehensive income) / (loss) attributable to members of the parent company**		**Total Assets**		**Total Liabilities**	
	2012 $	**2011 $**	**2012 $**	**2011 $**	**2012 $**	**2011 $**	**2012 $**	**2011 $**
(a) Primary Reporting								
- Business Segments								
Drug Screening	-	-	-	-	-	-	-	-
Unallocated	31,373	480,540	(386,070)	5,656	1,214,290	1,593,823	34,524	27,987
Total Operations	**31,373**	**480,540**	**(386,070)**	**5,656**	**1,214,290**	**1,593,823**	**34,524**	**27,987**
(b) Secondary Reporting								
- Geographic Segments								
- Australian external	31,373	480,540	(386,070)	5,656	1,214,290	1,593,823	34,524	27,987
- USA	-	-	-	-	-	-	-	-
Total Operations	**31,373**	**480,540**	**(386,070)**	**5,656**	**1,214,290**	**1,593,823**	**34,524**	**27,987**

Note 15: Statement of Operations by Segments (continued)

Accounting Policies

Segment revenues and expenses are those directly attributable to the segments. Segment assets include all assets used by a segment and consist principally of cash, receivables, inventories, intangibles and property, plant and equipment, net of allowances and accumulated depreciation and amortisation. While most such assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis. Segment liabilities consist principally of accounts payable, employee entitlements, accrued expenses, provisions and borrowings. Segment assets and liabilities do not include deferred income taxes.

Business Segment

Drug screening relates to the Sun Biomedical business and the development and sale of screening products for drugs of abuse. This business was discontinued during the 2009 financial year.

Geographic Segment

Although the consolidated entity's divisions are managed on a global basis they operate in two main geographical areas:

Australia – the home country of the parent entity and the principal location of management and the financing of the operations.

United States – comprises operations for the manufacture and development of the company's products. These operations were discontinued during the 2009 financial year.

Note 16: Financial instruments

(a) General objectives, policies and processes

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

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

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

Note 16: Financial instruments (Continued)

(b) 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 the debtors or counterparties to derivative contracts fail to settle their obligations owing to the Group.

The maximum exposure to credit risk at the balance sheet date is as follows:

	Consolidated	
	2012	**2011**
	$	**$**
Cash and cash equivalents	154,329	1,031,890
Other receivables	29,907	137,933
Convertible Notes – Malachite Resources Limited	500,000	-
Convertible Notes – First Stop Money Pty Ltd	250,000	250,000
Convertible Notes – MNW	25,000	150,000
	959,236	1,569,823

The fair value of the current receivables approximates their carrying values.

Ageing

There are no allowances against trade receivables (2011: Nil)

Not past due	15,251	123,289
Past due 0 – 30 days	-	-
Past due 31 – 60 days	-	-
Over 60 days	-	-
	15,251	123,289

(c) Liquidity risk

Liquidity risk is the risk that the Group may encounter difficulties raising funds to meet commitments associated with financial instruments, e.g. borrowing repayments. It is the policy of the board of Directors that the Treasury maintain adequate committed facilities to be able to meet debts as they fall due.

Note 16: Financial instruments (Continued)

The following maturity analysis is done on a contractual undiscounted cashflow basis:

Maturity Analysis – Consolidated

Financial liabilities	Carrying Amount	Contractual Cashflows	< 6 months	6 – 12 months	1-3 years	> 3 years
	$	$	$	$	$	$
2012						
Trade and other payables	34,524	34,524	34,524	-	-	-
2011						
Trade and other payables	27,987	27,987	27,987	-	-	-

The fair value of the current trade and other payables approximates their carrying values.

(d) Market rate risk

Market risk arises from the use of interest bearing and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk) or foreign exchange rates (currency risk). The Company and Group are not subject to other price risk on its financial instruments.

i. Interest rate risk

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

Sensitivity to changes in interest rates:

If interest rates were to move 100 bps up or down in the next 12 months, the following effect on reported profits or losses from all interest bearing financial assets and financial liabilities, is expected:

- The profit effect on the consolidated group of an interest rate increase of 1% is $1,578 (2011: $642) and the profit effect of an interest rate decrease is $(1,578) (2011:$(642).

ii. Currency risk

The Company is not exposed to currency risk.

iii. Other Price risk

Price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices largely due to demand and supply factors. Equity securities price risk arises from investments in equity securities. The Group has the following investments in equity securities:

Name of Entity	Investment Type	Carrying Value
Moore Australasia (Holdings) Limited	Shares	-
OMI Holdings Limited	Shares	32,000
Malachite Resources Limited	Shares	223,054
		255,054

Note 17: Related Party Transactions

No director has entered into contracts with the Company or its controlled entities since the end of the previous financial year.

Wholly-owned Group

The group consists of Sun Biomedical Limited and its wholly-owned controlled entities MDM Technologies Pty Ltd, Harrington Group USA Inc., Sun Biomedical Laboratories Inc., and Sun Biomedical Australia Pty Ltd.

Key management personnel

In March 2012 the Company entered into a Convertible Note Subscription Agreement with Mint Wireless Limited ("MNW") in which Mr. Terry Cuthbertson also holds the position of non executive chairman.
With the Convertible Note Subscription Agreement 1 convertible notes have been issued at a face value of $25,000 and an interest rate of 15%. In July 2012, the convertible note was redeemed.

All transactions between the companies are on an arm's-length basis.

Note 18: Reconciliation of profit / (loss) after income tax to net cash (outflows) from operating activities

	Consolidated	
	2012	**2011**
	$	**$**
(Loss) / Profit after income tax	(386,070)	5,656
Non cash flows items:		
(Profit)/loss from disposal of equity investments	5,227	(303,460)
Unrealised equity investment loss	123,684	23,820
Change in operating assets and liabilities		
Decrease)/(Increase) in other receivables	18,304	(19,544)
(Increase)/decrease in prepayments	(10)	(14,646)
Increase/(decrease) in trade creditors and accruals	6,537	(18,361)
Net cash (outflow) from operating activities	(232,328)	(326,535)

Note 19: Equity Based Payments

Options may not be offered to a director or associates except where approval is given by shareholders at a general meeting.

In the reporting period no options were offered to directors or associates. Options issued as part of remuneration to directors and key management personnel are included in the Directors' Report.

On exercise, each option is convertible to one ordinary share on receipt of the exercise notice and payment of the exercise price in Australian dollars. Amounts received on the exercise of options are recognised as share capital.

No share based payments to directors or associates have been made this year (2011: Nil).

No share based payments to external consultants have been made this year (2011: $Nil).

Set out below is a summary of options granted:

Grant Date	Expiry Date	Exercise Price	Number of Options
25 June 2008	15 September 2011	2 cents	2,000,000
			2,000,000

	Consolidated Group			
	2012		2011	
	Number of options	Weighted Average Exercise Price	Number of options	Weighted Average Exercise Price
	No.	$	No.	$
Outstanding at the beginning of the year	2,000,000	0.02	22,000,000	0.09
Granted	-	-	-	-
Forfeited	-	-	-	-
Exercised	-	-	-	-
Expired	(2,000,000)	0.02	(20,000,000)	0.10
Outstanding at year end	-	-	2,000,000	0.02
Exercisable at year end	-	-	2,000,000	0.02

There is no option outstanding at 30 June 2012.

There were no options issued during the financial year ended 30 June 2012.

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future tender, which may not eventuate. The life of the options is based on the expiry date, which may not eventuate in the future.

Note 20: Key Management Personnel

(i) Details of Key Management Personnel

Chairman – non-executive
Mr. T Cuthbertson (from 2 September 2009).

Non-Executive directors
Mr. P Herd (from 1 October 2009); and
Mr. G Stewart (from 28 January 2010); and
Mr. Evan Cross (from 1 March 2012).

(ii) Compensation of Key Management Personnel

These remuneration disclosures are provided in the Directors' Report under Remuneration Report and designated as audited.

(iii) Shareholdings of Key Management Personnel

Shares held directly and indirectly in the Company:

2012	Balance at the start of the year	Movements during the year	Balance at the end of the period
Directors			
Mr. Even Cross (i)	-	318,750,000	318,750,000

2011	Balance at the start of the year	Movements during the year	Balance at the end of the period
Directors			
Mr. Peter King	2,480,762	-	2,480,762

(i) Note that Mr. Evan Cross is shareholder and director of Fullerton Private Capital Pty Ltd and Manhattan Investments Pty Ltd, which held 300,000,000 and 18,750,000 shares respectively.

(ii) Mr. Peter King was former non-executive director of Sun Biomedical Limited from 2 September 2009 to 28 October 2010.

All equity transactions with key management personnel, which relate to the Company's listed ordinary shares, have been entered into on an arms length basis.

(iv) Option holdings of Key Management Personnel

There were no options held directly and indirectly in the Company.

Note 22: Parent entity financial information

	2012 **$**	**2011** **$**
FINANCIAL POSITION		
ASSETS		
Current Assets	1,214,290	1,593,823
TOTAL ASSETS	1,214,290	1,593,823
LIABILITIES		
Current liabilities	34,524	27,987
TOTAL LIABILITIES	34,524	27,987
EQUITY		
Contributed equity	29,399,862	29,399,862
Reserves	-	22,600
Accumulated losses	(28,220,096)	(27,856,626)
TOTAL EQUITY	1,179,766	1,565,836
FINANCIAL PERFORMANCE		
Profit / (Loss) for the year	(386,070)	5,656
Other comprehensive income	-	-
TOTAL COMPREHENSIVE (LOSS) / INCOME	(386,070)	5,656

GUARANTEES IN RELATION TO THE DEBTS OF SUBSIDIARIES
No guarantees provided under the deed of cross guarantee

CONTINGENT LIABILITIES OF THE PARENT ENTITY
No contingent liabilities of a material nature identified as at the date of this report.

CONTRACTUAL COMMITMENTS OF THE PARENT ENTITY
There is no contractual commitment as at 30 June 2012.

Note 23: Company Details

The registered office of the Company is:

Sun Biomedical Limited
c/o TressCox Lawyers
Level 9, 469 La Trobe Street
Melbourne, Victoria, Australia 3000

Note 24: Subsequent Events

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the consolidated group, the results of those operations, or the state of affairs of the consolidated group, in subsequent financial years.

DECLARATION BY DIRECTORS

The directors of the company declare that:

1. the financial statements and notes for the financial year ended 30 June 2012 are in accordance with the Corporations Act 2001, including:

   (a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

   (b) give a true and fair view of the Consolidated Entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

2. in the directors' opinion there are reasonable grounds to believe that the group will be able to pay its debts as and when they become due and payable.

Note 1 confirms that the financial statements also comply with International Financial Reporting Standards as issued by International Accounting Standards Board.

The directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer of Sun Biomedical Limited required by section 295A of the Corporations Act 2001.

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:

Terry Cuthbertson
Chairman

26 September 2012

Armstrong Partners

CHARTERED ACCOUNTANTS

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

Report on the financial report

We have audited the accompanying financial report of Sun Biomedical Limited (the company), which comprises the statement of financial position as at 30 June 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Sun Biomedical Limited Group (the consolidated entity). The consolidated entity comprises 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 is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 1, the directors also state, in accordance with Accounting Standards 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 the Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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

Independence

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

Auditor's Opinion

In our opinion:

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

   i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

   ii. complying with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

b. the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 4 to 5 of the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001.* Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Sun Biomedical Limited for the year ended 30 June 2012 complies with section 300A of the *Corporations Act 2001.*

Armstrong Partners

David Armstrong
Partner

Melbourne

26 September 2012

Corporate Governance Statement

The Board is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom it is elected and to whom it is accountable.

In accordance with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations: 2nd Edition (Revised Principles) (*the Principles*), the Corporate Governance Statement must contain specific information and also report on the Company's adoption of the Council's best practice recommendations on an exception basis, whereby disclosure is required of any recommendations that have not been adopted by the Company and why. The Company's corporate governance principles and policies are therefore structured with reference to the Principles, which are as follows:

1: Lay solid foundations for management and oversight.
2: Structure the board to add value.
3: Promote ethical and responsible decision making.
4: Safeguard integrity in financial reporting.
5: Make timely and balanced disclosure.
6: Respect the rights of shareholders.
7: Recognise and manage risk.
8: Remunerate fairly and responsibly.

A number of the Recommendations under the Principles recommend that certain governance documents should be made publicly available, ideally by posting such information on the company's website. All corporate governance principles and policies, regarding the Company as required by the Principles are set out in this Corporate Governance Statement.

1. Lay Solid Foundations for Management and Oversight

Recommendation 1.1: Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.

The Board is committed to maximising Company and management performance, thereby generating appropriate levels of shareholder value and financial return.

The Board, therefore, ensures that the Company is properly managed to protect and enhance shareholder interests and that the Company, its directors, officers and employees operate in an appropriate environment of corporate governance.

The Board is responsible for, inter alia, development of strategy, oversight of business and Company management, risk management and compliance systems and monitoring performance. The Board has established certain policies and protocols in relation to the Company's operations, some of which are summarised in this Corporate Governance Statement.

Recommendation 1.2: Companies should disclose the process for evaluating the performance of senior executives.

The performance of the Board, individual Directors and key executives is reviewed regularly, and has taken place during this reporting period.

The Company has not established a Remuneration or Nomination Committee as subcommittees of the Board. Remuneration and nomination issues are discussed and resolved at Board meetings and accordingly, the Board is responsible for determining and reviewing the remuneration of the Directors. This process requires consideration of the levels and form of remuneration appropriate to securing, motivating and retaining executives with the skills to manage the Company's operations. In making decisions regarding the appointment of Directors, the Board as a whole periodically assesses the appropriate mix of skills and experience represented on the Board. The Board may also obtain information from, and consult with management and external advisers, as it considers appropriate and in accordance with the provisions of the Corporations Act 2011 (Cth).

The remuneration policy for the Directors is disclosed in the Directors' Report.

Recommendation 1.3 Companies should provide the information indicated in the Guide to reporting on Principle 1.

In accordance with the 'Guide to Reporting on Principle 1', the Company provides the following information:

- as at the date of this Corporate Governance Statement, the Company is of the view that it has complied with each of the Recommendations under Principle 1; and
- the Company has undertaken a performance evaluation for senior executives during the financial year in accordance with the process set out in Recommendation 1.2.

2. Structure the Board to Add Value

Recommendation 2.1: A majority of the Board should be independent directors

At the date of this statement, the Board comprises of four Directors, three of which are deemed as independent Non-Executive Directors as defined under the Board policy on Director independence:

- Mr Terry Cuthbertson, who was appointed as the Non-Executive Chairman of the Company on 2 September 2009; and
- Mr Peter Herd, who was appointed as a Non-Executive Director of the Company on 1 October 2009; and
- Mr Gary Stewart who was appointed as a Non-Executive Director of the Company on 28 January 2010.
- Mr Evan Cross who was appointed as a Non-Executive Director of the Company on 1 March 2012. On the basis that Mr Cross is a shareholder and director of Fullerton Private Capital Pty

Ltd, a substantial shareholder in the Company, Mr Cross is non deemed to be an independent director.

Recommendation 2.2: The Chairperson should be an independent Director

The Chairman, Mr Terry Cuthbertson, has acted as an independent Non-Executive Chairman since his appointment on 2 September 2009.

Recommendation 2.3: The roles of Chairperson and Chief Executive Officer should not be exercised by the same person

At the date of this Corporate Governance Statement Mr. Terry Cuthbertson is the Chairman of the Board. The Company does not currently engage an Executive Officer due to the size of the Company and its current level of operations.

Recommendation 2.4: The Board should establish a nomination committee

Due to the small size of the Board and the Company's current level of operations, the Company does not have a separate nomination committee.

Recommendation 2.5: Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.

The Board reviews and evaluates the performance of the Board and the Board committees. The process is to involve the assessment of all of the Board's key areas of responsibility. The Board's contribution as a whole is reviewed and areas where improvement can be made are noted. The performance evaluation process is as follows:

- each Director will periodically evaluate the effectiveness of the Board and its committees and submit observations to the Chairman;
- the Chairman of the Board will make a presentation incorporating his assessment of such observations to enable the Board to assess, and if necessary, take action;
- the Board will agree on development and actions required to improve performance;
- outcomes and actions will be minuted; and
- the Chairman will assess during the year the progress of the actions to be achieved.

This process aims to ensure that individual Directors and the Board as a whole contribute effectively in achieving the duties and responsibilities of the Board. The performance of the Board, individual Directors and key executives has taken place during this reporting period in accordance with the process set out above.

Recommendation 2.6: Provide the information indicated in Guide to Reporting on Principle 2

The Board takes the ultimate responsibility for corporate governance and operates in accordance with the following broad principles:

- the Board shall comprise of between 3 and 10 Directors;
- Directors shall have the power at any time to appoint any other suitably qualified person subject to election at the Company's following annual general meeting;
- in the interest of ensuring a continual supply of new talent to the Board, all Directors with the exception of the Managing Director (where appointed) will serve for a period of three years before they are requested to stand down for re-election; and
- the Board should comprise Directors with a broad range of skills and experience.

The 'Guide to Reporting on Principle 2' provides that certain information should be included in the corporate governance section of the Company's Annual Report or be made publicly available. In accordance with the 'Guide to Reporting on Principle 2', the Company provides the following information:

- The skills, experience and expertise relevant to the position of Director held by each Director in office at the date of the Annual Report is detailed in the Director's Report.
- With the exception of Mr Evan Cross, all the Directors are considered by the Board to constitute independent directors. In assessing whether a Director is independent, the Board has regard to the standards it has adopted that reflect the independence requirements of applicable laws, rules and regulations, including the Principles.
- Whenever necessary, individual members of the Board may seek independent professional advice at the expense of the Company up to $5,000 per annum in relation to fulfilling their duties as Directors. All Directors are encouraged to actively participate in all decision making processes and are given every opportunity to have their opinion heard and respected on all matters.
- The term of office held by each Director in office at the date of the Annual Report is detailed in the Director's Report.
- Due to the small size of the Board and the Company's current level of operations, the Company does not have a separate nomination committee and therefore a charter or an appointment policy has not been created.
- The performance of the Board, individual Directors and key executives has taken place during the reporting period in accordance with the process set out in Recommendation 2.5.
- As at the date of this statement, the Company is of the view that it has complied with each of the Recommendations under Principle 2, except for Recommendation 2.4. An explanation for the departure from Recommendation 2.4 is set out above.

3. Promote Ethical and Responsible Decision-making

Recommendation 3.1: Companies should establish a code of conduct and disclose the code or a summary of the code as to:

- ***the practices necessary to maintain confidence in the company's integrity***
- ***the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders***
- ***the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.***

The Board has adopted a Code of Conduct that provides a framework in which the Company and its representatives conduct their business and activities in a fiscally efficient and socially responsible manner whilst seeking to maximise shareholder returns.

The Code of Conduct also outlines how the Company expects Directors, management and employees to behave and conduct business in a range of circumstances. In particular, the Code of Conduct requires awareness of, and compliance with laws and regulations relevant to the Company's operations.

Recommendation 3.2: Companies should establish a policy concerning diversity and disclose the policy or a summary of the policy.

The Company does not have a formal policy concerning diversity. Given the small size of the Company's workforce, the Board has determined that it is not currently practicable to implement a policy concerning diversity. The Board will further consider the establishment of a diversity policy as the Company grows.

Recommendation 3.3: Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.

. As Recommendation 3.2 relates to the measurable objectives set out within a diversity policy, it has not been implemented by the Company.

Recommendation 3.4: Companies should disclose in each annual report the proportion of women employees in the whole organisation, women senior executive positions and women on the board.

The Company has no employees and the Company currently has no female senior executives or Board members.

The 'Guide to Reporting on Principle 3' provides that certain information should be included in the corporate governance section of the Company's Annual Report or be made publicly available. The Company notes that it has not made the Code of Conduct publicly available as the Company currently does not have a website.

4. **Safeguard Integrity in Financial Reporting**

Recommendation 4.1: The Board should establish an Audit Committee

The Company has not established an Audit Committee as recommended under Recommendation 4.1 as the Board is of the view that, having regard to the Company's current level of operations and the number of current Directors of the Company, the implementation of an Audit Committee is currently cost prohibitive. As the Company's level of operations increases, the Company will consider establishing an Audit Committee

Accordingly, it is the Board's responsibility to establish and maintain an effective internal control framework to examine the effectiveness and efficiency of the management of the Company and significant business processes such as the safeguarding of assets, the maintenance of proper accounting records and the integrity of financial information, the implementation of quality assurance practices and procedures and ensuring compliance with environmental regulations.

Recommendation 4.2, 4.3 and 4.4 Structure of the Audit Committee, Audit Committee Charter and information indicated in the Guide to Reporting on Principle 4

As recommendations 4.2, 4.3 and 4.4 relate to the composition and charter of the Audit Committee, they have not been implemented by the Company.

5. Make Timely and Balanced Disclosure

Recommendation 5.1: Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

The Board and senior management are aware of the continuous disclosure requirements of the ASX and have written policies and procedures in place to disclose any information concerning the Company that a reasonable person would expect to have a material effect on the price of the Company's securities. Furthermore, the Directors and senior management of the Company acknowledge that they each have an obligation to immediately identify and immediately disclose information that may be regarded as material to the price or value of the Company securities.

The Directors are authorised to make statements and representations on the Company's behalf. The Company Secretary is responsible for overseeing and coordinating the disclosure of information to the ASX, analysts, stockbrokers, shareholders, the media and the public.

The Directors of the Company ensure that the Secretary is aware of all information to be presented at briefings with analysts, stockbrokers, shareholders, the media and the public. Prior to being presented, information that has not already been the subject of disclosure to the market and is not generally available to the market is the subject of disclosure to the ASX. Only when confirmation of receipt of the disclosure and release to the market by the ASX is received may the information be presented.

If information that would otherwise be disclosed comprises of matters of supposition or is insufficiently definite to warrant disclosure, or if the effect of a disclosure on the value or price of the

Company's securities is unknown, the Company may request that the ASX grant a trading halt or suspend the Company's securities from quotation. Management of the Company may consult the Company's external professional advisers and the ASX in relation to whether a trading halt or suspension is required.

Recommendation 5.2: Provide the information indicated in Guide to Reporting on Principle 5

The 'Guide to Reporting on Principle 5' provides that certain information should be included in the corporate governance section of the Company's Annual Report or be made publicly available. The Company notes that it has not made the Code of Conduct publicly available as the Company currently does not have a website.

6. Respect the Rights of Shareholders

Recommendation 6.1: Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.

The Board aims to ensure in accordance with Recommendation 6.1, all shareholders are informed of relevant major developments affecting the affairs of the Company. Information is communicated to the shareholders through the annual and half year reports, disclosures made to the ASX, notices of meetings and occasional letters to shareholders where appropriate.

Recommendation 6.2: Companies should provide the information indicated in the Guide to reporting on Principle 6.

The 'Guide to Reporting on Principle 6' provides that certain information should be included in the corporate governance section of the Company's Annual Report or be made publicly available. The Company notes that it has not made the Code of Conduct publicly available as the Company currently does not have a website.

7. Recognise and Manage Risk

Recommendation 7.1: Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

The Board has procedures in place to recognise and manage risk in accordance with Recommendation 7.1. The risk oversight and management system covers:

- operations risk;
- financial reporting; and
- compliance

The Company is committed to the proper identification and management of risk. The Company regularly undertakes reviews of its risk management procedures which include implementation of a system of internal sign-offs to ensure not only that the Company complies with its legal obligations, but that the Board and ultimately shareholders can take comfort that an appropriate system of checks and balances are in place regarding those areas of the business which present financial or operating risks.

The Company has also adopted a Code of Conduct which sets out the Company's commitment to maintaining a high level of integrity and ethical standards in all business practices.

Recommendation 7.2: The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.

The Company does not currently engage any executives due to the size of the Company and its current level of operations. Accordingly the Company's Board is responsible for providing leadership and direction for the Company, for establishing a context which fosters a risk management culture and for ensuring business, financial and risk management approaches are integrated during the planning, implementation and reporting of major ventures at all levels within the organisation.

The Company regularly undertakes reviews of its risk management procedures, which include implementation of a system of internal approvals to ensure not only that it complies with its legal obligations, but that the Board and shareholders can take comfort that an appropriate system of checks and balances is in place in those areas of the business that present financial or operating risks. As part of this risk management process, the Company's management has reported to the Board in relation to its management of the Company's material business risks.

Recommendation 7.3: The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

As set out under Recommendation 2.3, since 30 April 2009, the Company has not had an Executive Officer because of the size of the Company and its current level of operations. Accordingly, each of the Directors have reviewed the Financial Reports and the Chairman on behalf of the Board has declared that the Financial Reports are founded on a sound system of risk management, internal compliance and control which implements the policies adopted by the Board. The Chairman has also declared that the Company's risk management, internal compliance and control system is operating efficiently and effectively in all material respects.

Recommendation 7.4: Companies should provide the information indicated in the Guide to reporting on Principle 7.

In accordance with the 'Guide to Reporting on Principle 7', the Company provides the following information:

- The Company has not departed from Recommendations 7.1 and 7.2.
- As the Company does not have a chief executive officer or chief financial officer, the Directors have given the assurances under Recommendation 7.3

8. Remunerate Fairly and Responsibly

Recommendation 8.1: The board should establish a remuneration committee

The performance of the Board, individual Directors and key executives is reviewed annually, and has taken place during this reporting period.

The Company has not established an Audit, Remuneration or Nomination Committee as subcommittees of the Board. Section 4 of this Statement sets out why the Company does not have an Audit Committee and discusses the processes the Company has in place as a result. Remuneration and Nomination issues are discussed and resolved at Board meetings and accordingly, the Board is responsible for determining and reviewing the remuneration of the Directors. This process requires consideration of the levels and form of remuneration appropriate to securing, motivating and retaining executive with the skills to manage the Company's operations. In making decisions regarding the appointment of Directors, the Board as a whole periodically assesses the appropriate mix of skills and experience represented on the Board. The Board may also obtain information from, and consult with management and external advisers, as it considers appropriate.

It is the Company's objective to provide maximum shareholder benefit from the retention of high quality Board members having regard to the Company's level of operations and financial resources. Directors are remunerated with reference to market rates for comparable positions. Remuneration policies for each Non-Executive Director are disclosed in the Directors' Report.

The Remuneration policy for the Directors is disclosed in the Directors' Report.

Recommendation 8.2: Structure of Remuneration Committee

As Recommendation 8.2 relates to the composition of the Remuneration Committee, it has not been implemented by the Company.

Recommendation 8.3 Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.

Non-Executive Directors are paid a set fee as disclosed in the Director's Report in this Annual Report. The remuneration of executives is dependent on the terms of the employment agreement with those executives. The remuneration structure of Non-Executive Directors and executives is clearly distinguishable.

There are no schemes for retirement benefits, other than statutory superannuation, in existence for the Non-Executive Directors.

Recommendation 8.4: Companies should provide the information indicated in the Guide to reporting on Principle 8.

In accordance with the 'Guide to Reporting on Principle 8', the Company provides the following information:

- there are no schemes for retirement benefits, other than statutory superannuation, in existence for the Non-Executive Directors;

- due to size of the Company and its current level of operations, the Company does not have a separate Remuneration Committee and therefore a charter or an appointment policy has not been created; and

- as at the date of this statement, the Company is of the view that it has complied with each of the Recommendations under Principle 8, except for Recommendation 8.1. An explanation for the departure from Recommendation 8.1 is set out above.

OTHER INFORMATION

STATEMENT OF SHAREHOLDING AS AT 12 SEPTEMBER 2012

The following additional information is required by the Australian Securities Exchange Ltd in respect of listed public companies only.

Twenty Largest Shareholders

	Shareholder	Number of Shares Held	% Holding
1	FULLERTON PRIVATE CAPITAL PTY LIMITED	300,000,000	12.94
2	MR ANDREW MCMILLAN + MRS SALLY MCMILLAN <THE MCMILLAN SUPER FUND A/C>	187,651,316	8.10
3	MR JASON PETERSON + MRS LISA PETERSON <J & L PETERSON S/F A/C>	122,374,301	5.28
4	INTERCORP PTY LTD	115,891,798	5.00
5	DOMINION INVESTMENTS PTY LTD	85,213,967	3.68
6	TRANDARA PTY LTD	79,345,760	3.42
7	FORSYTH BARR CUSTODIANS LTD <FORSYTH BARR LTD-NOMINEE A/C>	51,389,338	2.22
8	INTERCORP PTY LTD	48,077,469	2.07
9	COLTRANGE PTY LTD	40,000,000	1.73
10	MRS NATHA SUSAN EVANS	34,884,517	1.50
11	MR TERRENCE PETER WILLIAMSON + MS JONINE MAREE JANCEY <THE WILJAN SUPER FUND A/C>	30,769,580	1.33
12	INTERWEST GROUP PTY LTD	30,000,000	1.29
13	CITICORP NOMINEES PTY LIMITED	28,024,233	1.21
14	MR ROBERT RAYMOND ROGET + MRS MARINA ROGET <LILYBROOK S/F A/C>	26,311,198	1.14
15	MR NICOLO FLOYD BONTEMPO <BONTEMPO FAMILY A/C>	25,000,000	1.08
16	EST MR BRIAN WILLIAM ATKINSON	20,000,000	0.86
17	MR PETER KEITH CHRISTIE	20,000,000	0.86
18	MAMMOTH RESOURCES LTD	20,000,000	0.86
19	MR MARK EVANS + MR COLIN EVANS <MARK EVANS FAMILY A/C>	19,968,381	0.86
20	MR KEVIN HARVEY PAYNE + MRS RUTH LINDA PAYNE <KP FAMILY FUND A/C>	19,562,254	0.84
		1,304,464,112	**56.27**

Distribution of Shareholdings

Category (size of holding)	Number of Ordinary Shares	Number of Holders
1- 1,000	28,789	70
1,001 – 5,000	284,920	90
5,001 – 10,000	809,755	93
10,001 – 100,000	24,460,196	513
100,001 and over	2,292,385,968	818
	2,317,969,628	**1,584**

OTHER INFORMATION

Stock Exchange Listing – Listing has been granted for all the ordinary shares and listed options of the company on all Member Exchanges of the Australian Securities Exchange Limited.

Voting Rights
The voting rights attached to Ordinary shares are as follows:
Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

Unmarketable parcels
There are 1,118 shareholdings held in less than the marketable parcels.

Substantial shareholders
The names of the substantial shareholders listed in the holding company's register as at 11 September 2012 are:

	Shareholder	Number of shares	% Holding
1.	FULLERTON PRIVATE CAPITAL PTY LIMITED	300,000,000	12.94
3.	MR ANDREW MCMILLAN + MRS SALLY MCMILLAN <THE MCMILLAN SUPER FUND A/C>	187,651,316	8.10
2.	MR JASON PETERSON + MRS LISA PETERSON <J & L PETERSON S/F A/C>	122,374,301	5.28
4.	INTERCORP PTY LTD	115,891,798	5.00

ASX Corporate Governance and Best Practice Recommendations

Directors have reviewed the ASX Corporate Governance and Best Practice Recommendations and the principles as set out hereunder:

1: Lay solid foundations for management and oversight.
2: Structure the board to add value.
3: Promote ethical and responsible decision making.
4: Safeguard integrity in financial reporting.
5: Make timely and balanced disclosure.
6: Respect the rights of shareholders.
7: Recognise and manage risk.
8: Encourage enhanced performance.
9: Remunerate fairly and responsibly.
10: Recognise the legitimate interests of stakeholders.

These principles have been adopted by the Board where practicable and an outline of the Corporate Governance practices adopted by the Company is set out in the Directors' Report.

CORPORATE DIRECTORY

DIRECTORS

Terry Cuthbertson
Non Executive Chairman

Peter Herd
Non-Executive Director

Gary Stewart
Non – Executive Director

Evan Cross
Non-Executive Director

COMPANY SECRETARY
Alfonso Grillo

AUDITORS
Armstrong Partners

BANKERS
National Australia Bank

SHARE REGISTRY
Computershare Investor Services Pty Ltd
Yarra Falls,
452 Johnston Street
Abbotsford, Victoria, 3067

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