



ANNUAL FINANCIAL REPORT

For the year ended 30 June 2015



Table of Contents

Review of Operations	1
Directors' Report	3
Auditor's Independence Declaration	20
Financial Report	22
Statement of Profit or Loss and Other Comprehensive Income	23
Statement of Financial Position	24
Statement of Changes in Equity	25
Statement of Cash Flows	26
Notes to the Financial Statements	27
Directors' Declaration.....	58
Independent Auditor's Report	59
Shareholder Information	61
Corporate Directory	64

Review of Operations

The company made significant progress in fiscal 2015 to build shareholder value. Global and country partnerships either as joint ventures or sales and distribution agreements remain as our core monetisation objective.

However, prior to negotiating sound partnership relationships that would deliver value to shareholders, iSonea needed to build a much stronger and scalable technology platform and undertake fundamental changes to our core business operations. These were delivered.

A Second Generation AirSonea® Wheeze Monitor

Testing of our first generation device revealed that incorrect positioning of the first Generation AirSonea® sensor could result in recordings without breath sounds and therefore no capacity to detect continuous adventitious breath sounds (CABS). In addition, new micro processing upgrades needed to be addressed.

Our Second Generation AirSonea® wheeze detection algorithm includes a breath-screening module to ensure the device will only record and pass sounds through to wheeze analysis when breath is detected. The app warns when breath is not detected and allows the user to reposition the sensor correctly without the need to stop the recording and start again.

Importantly, a totally new software IT infrastructure was built to support the AirSonea® device and App. The architecture supporting the original app was not stable or robust enough to support large numbers of consumers or regular updates, which would have resulted in the app crashing. Our new software from Two Bulls is more robust, scalable and secure. Further, it provides a substantially faster analysis of breath recordings and an app with a more engaging user interface.

The AirSonea® Asthma Wheeze Monitor and Asthma Management App is now ready for trials, recognising that app updates are, of course, a continuing process.

AirSonea® Clinical trials in place

A trial of this second generation product will be conducted at a leading American university in order to help expedite its FDA clearance. The principal investigator is a renowned respiratory physician and the clinical team at the university reported that the device and app worked well in demonstration with the clinical team.

We expect the recruitment of patients will start towards the end of September 2015 and the trial should be completed by the end of December 2015. Full details will be advised after the trial receives protocol approval from the Institutional Review Board (Independent Ethics Committee). As previously advised, our current clinical trial has the objective of verifying that the Second Generation AirSonea® Wheeze Monitor is at least as accurate in detecting and quantifying wheeze as a consensus of a panel of physicians and trained experts.

A Multi-Product Portfolio has been reintroduced that lowers risks for investors.

The Company has a strong portfolio of computerised wheeze detection products including AirSonea®, WHolter™, SonoSentry™, WheezoMeter™, PulmoTrack™ and the AsthmaSense™ App. All have been approved by the Australian TGA and carry the European Union's CE mark.

Business Turnaround

Overall, the business structure has been dramatically simplified, costs substantially reduced and streamlined for clearer focus and accountability with more robust financial controls. Management is now based in Melbourne, Australia and Haifa, Israel. Senior Management previously resided in multiple locations including Maryland, Boston, San Diego and New York.

Management has specifically:

- Reduced cash burn from over \$900,000 per month to a forecast underlying burn rate of around \$240,000 per month.
- Consolidated the Company's Intellectual Property Portfolio with one service provider to ensure our patent strategy is implemented and that our IP is secured in relevant jurisdictions.
- Development of clinical trial protocols and a trial ready product for AirSonea® has been greatly assisted by the advice of global and local scientific consultants.
- Improved relationships with leading clinicians, healthcare professionals and peak Asthma bodies in Australia and overseas have been established.

Commercial Partnerships

A broader focus on the whole portfolio of products has opened up substantially more commercial opportunities in both the home/ambulatory market and in hospital and clinical settings.

Thus iSonea already has an attractive portfolio to complement other product offerings in the health sector. Confidential discussions will continue during the current financial year.

Summary

The company has built a strong management and technical team and excellent global medical and scientific relationships to be able to deliver the outcomes expected by shareholders when the new board was appointed prior to fiscal 2015.

For and on behalf of the Company;



Mr Leon L'Huillier
Chairman

Directors' Report

The Directors of iSonea Limited ("iSN", "iSonea" or "the Company") provide the following Report in relation to the Group for the year ended 30 June 2015.

Directors

The names of the Directors in office at any time during the year, or since the end of the year, are as follows:

Mr Leon L'Huillier	Executive Chairman
<i>Appointed to the Board</i>	4 th February 2014
<i>Last elected by Shareholders</i>	28 th November 2014
<i>Experience</i>	<p>Mr Leon L'Huillier is an experienced Chairman, Company Director and Chief Executive with a strong background in the health sector.</p> <p>He has substantial experience across a range of industries, government, the not for profit sector and sport. He is a Director of ALH Group Limited, Deputy Chair Australian Prostate Cancer Research, a former Director and Audit Chairman of Woolworths Limited, and other listed public companies.</p> <p>Mr L'Huillier was foundation Chair of the Vision CRC at The University of NSW, a former Chairman of the Royal Children's Hospital Brisbane, former Chairman of the Australian Health Ministers Advisory Council, a former Director of the National Health and Medical Research Council, St. Vincent's Hospital Melbourne and the Microsurgery Foundation.</p> <p>Mr L'Huillier was Chief Executive of the Health Department, Victoria and Chairman and Chief Executive of the Transport Accident Commission (TAC) when the TAC established Victoria's first major Trauma Centre at the Alfred Hospital and introduced the innovative road safety campaigns that contributed to a 50% reduction in the Victorian road toll in the early 90s.</p>
<i>Qualifications</i>	MBA, MPhil, BCom (Hons)
<i>Interest in shares and options</i>	3,296,282 Ordinary Shares and 4,000,000 Unlisted Options
<i>Committees</i>	Member of the Audit, Risk and Compliance Committee until 1 Jan 2015.
<i>Directorships held in other listed entities</i>	No other Public Company Directorships in the past three years
Mr John Ribot-de-Bresac	Independent Non-Executive Director
<i>Appointed to the Board</i>	4 th February 2014
<i>Last elected by Shareholders</i>	28 th November 2014
<i>Experience</i>	<p>Mr. John Ribot-de-Bresac has extensive experience and a strong record of achievement as a senior executive across the sport, leisure and hospitality industries including in strategy development and implementation.</p> <p>Following a distinguished sports career where he received the Australian Sports Medal, he was instrumental in the establishment of the Brisbane Broncos and Melbourne Storm, in executive Director roles, and as chairman of the Brisbane Roar. Currently Mr. Ribot-de-Bresac serves as Director of Victorian Major Events Company, executive chairman of Queensland Clubs Management (QCM), and owns hospitality venues throughout Queensland.</p>
<i>Interest in shares and options</i>	5,300,000 Ordinary Shares and 2,000,000 Unlisted Options
<i>Committees</i>	Member of the Remuneration & Nomination Committee Member of the Audit, Risk and Compliance Committee until 1 Jan 2015.
<i>Directorships held in other listed entities</i>	No other Public Company Directorships in the past three years

Dr Timothy Oldham	
Independent Non-Executive Director	
<i>Appointed to the Board</i>	6 th January 2014
<i>Last elected by Shareholders</i>	28 th November 2014
<i>Experience</i>	<p>Dr Timothy Oldham has more than a decade of direct life sciences business development, alliance management, market entry, and sales & marketing experience in Europe, Asia and Australia. He is CEO of Cell Therapies Pty Ltd, a leading Asia Pacific provider of collection, manufacturing, delivery and distribution capabilities for stem cell therapies and regenerative medicine and was President of Asia Pacific for Hospira, Inc. (2007 to 2012), having held a variety of senior management roles with Mayne Pharma (2002 to 2007) prior to its acquisition by Hospira. These roles encompass the development and commercialisation of pharmaceuticals, devices, biologics and cellular therapies.</p> <p>Prior to this, Dr Oldham was an engagement manager with McKinsey & Co (1997 to 2001). He has been chairman of the European Generic Medicines Association Biosimilars and Biotechnology Committee, a Director of the Generic Medicines Industry Association and a member of the Pharmaceutical Industry Strategy Group. He is also a Director of Acrux Ltd (ASX:ACR).</p>
<i>Qualifications</i>	BSc (Hons), LLB (Hons), PhD, GAICD
<i>Interest in shares and options</i>	65,000 Ordinary Shares and 2,000,000 Unlisted Options
<i>Committees</i>	Member of the Audit, Risk and Compliance Committee; and Chairman and Member of the Remuneration & Nomination Committee
<i>Directorships held in other listed entities</i>	<p><u>Listed Directorships held now or in the past 3 years:</u> Acrux Limited (ASX Listed: ACR) - Non-Executive Director (from Oct 2013)</p>
Mr David Ashmore	
Independent Non-Executive Director	
<i>Appointed to the Board</i>	19 th June 2014
<i>Last elected by Shareholders</i>	28 th November 2014
<i>Experience</i>	<p>Mr. David Ashmore is a Fellow of the Institute of Chartered Accountants, a Fellow of the Financial Services Institute of Australasia and a Graduate of the Institute of Company Directors. He has over 40 years of professional assurance services experience and is a former senior partner at Grant Thornton Australia and one of its predecessor firms and was a leader in the audit services division for many years.</p> <p>Mr. Ashmore is an Independent Director and Chairman of Saferoads Holdings Ltd and holds a number of other private company directorships and appointments as an independent member of Audit and Risk Management Committees.</p>
<i>Qualifications</i>	FCA, GAICD and F.FIN
<i>Interest in shares and options</i>	486,449 Ordinary Shares and 2,000,000 Unlisted Options.
<i>Committees</i>	Chairman and Member of the Audit, Risk and Compliance Committee
<i>Directorships held in other listed entities</i>	<p><u>Listed Directorships held now or in the past 3 years:</u> Saferoads Holdings Limited (ASX Listed SRH) Non-Executive Chairman (from Nov 2012)</p>

Mr Ross Blair-Holt	Non-Executive Director
<i>Appointed to the Board</i>	28 th November 2014
<i>Last elected by Shareholders</i>	N/A
<i>Experience</i>	<p>After graduating from Melbourne University in 1974 with a Bachelor of Commerce, Mr Ross Blair-Holt was employed for 6 years (until 1980) with General Credits Ltd, a major Finance Company, originally as a Graduate Trainee, through Manager Planning to Executive Assistant to the CEO and Board of Directors.</p> <p>From 1980-1986, Mr Blair-Holt was employed by Citibank, as a Lending / Relationship Manager to middle market corporates, and major individuals, principally in the real estate and manufacturing areas.</p> <p>In 1986, Mr Blair-Holt joined the Bruce Mathieson Group, as his CEO and support staff. Subsequently he became a Director of all Bruce Mathieson Companies and has worked with Bruce for 29 years now. During that time, Bruce has been involved with many businesses, principally Hotels, Real Estate and various SME's.</p> <p>From 2004 until 2014, as well as being a Director of ALH Group, Mr Blair-Holt was employed by Woolworths Ltd as Chief Operating Officer of ALH Group. He remains as a Director of ALH Group, as well as being a Member of the ALH Audit & Risk Management Sub-Committee. During that period, he also looked after Bruce Mathieson private interests.</p> <p>Mr Ross Blair-Holt's key skills are strategic and structured decision making at all levels, finance expertise, business processes, risk management, and governance.</p>
<i>Qualifications</i>	BCom, FCPA
<i>Interest in shares and options</i>	49,800,000 Ordinary Shares and no Options.
<i>Committees</i>	Member of the Audit, Risk and Compliance Committee
<i>Directorships held in other listed entities</i>	<p><u>Listed Directorships held now or in the past 3 years:</u></p> <p>Omni Market Tide Limited (ASX Listed OMT) Non-Executive Director (from 22 Jul 2015)</p> <p>Western Desert Resources Limited (ASX Listed WDR) – resigned 5th Sep 2014</p>
Mr Bruce Mathieson	Independent Non-Executive Director
<i>Appointed to the Board</i>	4 th February 2014
<i>Resigned from the Board</i>	28 th November 2014
<i>Qualifications</i>	Not Applicable
Mr Stephen Tunnell	Managing Director
<i>Appointed to the Board</i>	4 th February 2014
<i>Resigned from the Board</i>	23 rd September 2014
<i>Qualifications</i>	Exec Edn Med Mktg, B.A.A.S Phy Edn, A.S Rep Care Edn

Company Secretaries

Mr Phillip Hains

Joint Company Secretary

Mr Hains has served as the Company Secretary since 21st November 2006.

Mr Hains is a Chartered Accountant and specialist in the public company environment. He has served the needs of a number of public company Boards of directors and related committees. He has over 20 years' experience in providing accounting, administration, compliance and general management services. He holds a Masters of Business Administration from RMIT and a Public Practice Certificate from the Institute of Chartered Accountants.

Mr Peter Vaughan

Joint Company Secretary

Mr Vaughan was appointed as Company Secretary on 5th October 2011.

Mr Vaughan is a Chartered Accountant who has worked in the listed company environment for over 10 years across a number of industries. He has served on and provided accounting, administration, compliance and general management services to a number of private, not-for-profit and public company Boards of directors and related committees.

Principal Activities

The Company's principal activities in the course of the financial year have been the research, development and commercialisation of medical devices, and the production of Mobile Health applications. There were no significant changes in the nature of the Company's principal activities during the financial year.

Operating and Financial Review

The loss of the Company after income tax for the financial year was \$5,464,443 (2014: \$10,309,957). This result has been achieved after fully expensing all research and development costs.

The 'Review of Operations' Report provides further details regarding the progress made by the Company since the prior financial period, which have contributed to its result for the year.

Dividends

The Company did not pay any dividends during the financial year. The Directors do not recommend the payment of a dividend in respect of the 2015 financial year.

Significant Changes in the State of Affairs

In the opinion of the Directors, there were no significant changes in the state of affairs of the Company during the financial year under review not otherwise disclosed in this Annual Report.

Matters Subsequent to Reporting Period

No matters or circumstances have arisen since the end of the reporting period which significantly affected or may significantly affect the operations of the economic entity, the result of those operations or the state of affairs of the economic entity in subsequent financial years.

Likely Developments and Expected Results

For further information in relation to Company's future Developments and Events please refer to the 'Review of Operations Report'.

Environmental Regulations

The Company's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation.

Risk Management

The Audit Committee is responsible for overseeing the establishment and implementation of the risk management system, and for reviewing and assessing the effectiveness of the Company's implementation of that system on a regular basis.

The Audit Committee and senior management will continue to identify the general areas of risk and their impact on the activities of the Company. The potential risk areas for the Company include:

- efficacy, safety and regulatory risk of pre-clinical and clinical medical device development;
- financial position of the Company and the financial outlook;
- economic outlook and share market activity;
- changing government policy (Australian and overseas);
- competitors' products/research and development programs;
- market demand and market prices for medical device technologies;
- environmental regulations;
- ethical issues relating to medical device research and development;
- the status of partnership and contractor relationships;
- other government regulations including those specifically relating to the biomedical and health industries; and
- occupational health and safety and equal opportunity law.

Management will continue to perform a regular review of the following:

- the major risks that occur within the business;
- the degree of risk involved;
- the current approach to managing the risk; and
- where appropriate, determine:
 - any inadequacies of the current approach; and
 - possible new approaches that more efficiently and effectively address the risk.

Biomedical Companies – Inherent Risks

Some of the risks inherent in the development of medical device products to a marketable stage include the uncertainty of patent protection and proprietary rights, whether patent applications and issued patents will offer adequate protection to enable product development or may infringe intellectual property rights of other parties, the obtaining of the necessary regulatory authority approvals and difficulties caused by the rapid advancements in technology.

Also a particular medical device may fail the clinical development process through lack of efficacy or safety. Companies such as iSonea Limited are dependent on the success of their medical devices and on the ability to attract funding to support these activities.

Investment in biomedical device research and development projects cannot be assessed on the same fundamentals as trading and manufacturing enterprises and thus investment in these areas must be regarded as speculative taking into account these considerations.

This Report may contain forward-looking statements regarding the potential of the Company's projects and interests, and the development of the Company's projects and interests, and the development potential of the Company's research and development projects.

Any statement describing a goal, expectation, intention or belief of the Company is a forward-looking statement and should be considered an at-risk statement. Such statements are subject to certain risks and uncertainties, particularly

those inherent in the process of discovering, developing and commercialising medical devices that are safe and effective for use as human devices and the financing of such activities.

There is no guarantee that the Company's medical device projects will be successful, or receive regulatory approvals, or prove to be commercially successful in the future. Actual results could differ from those projected, or detailed in this report.

As a result, you are cautioned not to rely on forward-looking statements. Consideration should be given to these, and other risks concerning the Company's research and development program referred to in this Directors' Report and in the Company's 'Review of Operations' Report as contained in this Financial Report for the year ended 30 June 2015.

Meetings of Directors

A number of formal meetings and circular resolutions were held during the year as tabled below:

Director	Directors' Meetings		Committee Meetings			
			Audit, Risk & Compliance		Remuneration & Nominations	
	Number Eligible to Attend	Number Attended	Number Eligible to Attend	Number Attended	Number Eligible to Attend	Number Attended
Mr Leon L'Huillier	17	16	3	3	-	-
Mr John Ribot-de-Bresac	17	15	3	2	4	4
Dr Timothy Oldham	17	15	6	6	4	4
Mr David Ashmore	17	17	6	6	-	-
Mr Ross Blair-Holt	10	10	3	3	-	-
Mr Bruce Mathieson	7	5	-	-	-	-
Mr Stephen Tunnell	3	3	-	-	-	-
Total Meetings Held	17		6		4	

For the date of appointment and resignation of each Director and Executive please refer to the Remuneration Report section of the Directors' Report.

In addition the Board established a number of special purpose committees to meet on regular basis to address various matters.

As at the date of this report, the Company had an Audit, Risk & Compliance Committee and a Remuneration & Nominations Committee, with membership of the committees as follows:

Position	Audit, Risk & Compliance Committee	Remuneration & Nominations Committee
Chairman	Mr David Ashmore	Dr Timothy Oldham
Members	Dr Timothy Oldham Mr Ross Blair-Holt	Mr John Ribot-de-Bresac

Indemnification of Officers and Auditors

During the financial year, the Company maintained an insurance policy to indemnify Directors and Officers against certain liabilities incurred as such a Director or Officer, including costs and expenses associated in successfully defending legal proceedings. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not otherwise, during or since the financial year, indemnified or agreed to indemnify the Auditor of the Company or any related body corporate against a liability incurred as such an Officer or Auditor.

Proceedings on Behalf of the Company

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001.

Non-Audit Services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important.

During the year ended 30 June 2015 the Company did not engage the external auditor to provide non-audit services.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 for the year ended 30 June 2015 has been received and can be found in the 'Auditor's Independence Declaration' section of this Annual Report.

Share Options on Issue as at the Date of this Report

The unissued ordinary shares of iSonea Limited under option as at the date of this report were:

Unlisted Options:

ASX Code	Date of Expiry	Exercise Price	No. under Option
ISNAO	15 December 2015	\$1.00	650,000
ISNAW	2 April 2017	\$0.28	143,060
ISNAW	2 April 2017	\$0.40	1,000,000
ISNAW	3 February 2017	\$0.28	10,000,000

There were no listed options outstanding at the reporting date.

Shares Issued as a Result of the Exercise of Options

As at 30 June 2014, iSonea Limited, had 5,674,861 shares to issue to Option holders who have requested to exercise their Listed ISNOB Options at an exercise price of \$0.14 per option. iSonea fulfilled this obligation on 4 July 2015.

Corporate Governance

In recognising the need for the highest standards of corporate behaviours and accountability, the Directors of iSonea support and adhere to good corporate governance practises. The Company's Corporate Governance Statement is available on the Company's website together with the Boards Skills Matrix at www.isonea.com.

Remuneration Report (Audited)

This Remuneration Report outlines the Director and Executive remuneration arrangements of the Company as required by the Corporations Act 2001 and its Regulations.

This report details the nature and amount of remuneration of each Director of iSonea Limited and all other Key Management Personnel.

For the purposes of this report, Key Management Personnel (KMP) are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly, including any Director (whether Executive or otherwise) of the Company. The Key Management Personnel disclosed below are, or were, also the Company's highest paid executives.

For the purposes of this report, the term 'executive' encompasses the Managing Director (MD), and senior executives of the Company.

Directors:

Name	Position	Appointment / Resignation
Mr Leon L'Huillier	Executive Chairman	Appointed Chairman on 4 th Feb 2014
Mr John Ribot-de-Bresac	Non-Executive Director	Appointed Non-Executive Director on 4 th Feb 2014
Dr Timothy Oldham	Non-Executive Director	Appointed Non-Executive Director on 6 th Jan 2014
Mr David Ashmore	Non-Executive Director	Appointed Non-Executive Director on 19 th Jun 2014
Mr Ross Blair-Holt	Non-Executive Director	Appointed Non-Executive Director on 28 th Nov 2014
Mr Bruce L Mathieson	Non-Executive Director	Appointed on 4 th Feb 2014 and Resigned on 28 th Nov 2014
Mr Stephen Tunnell	Managing Director	Appointed on 4 th Feb 2014 and Resigned on 23 rd Sep 2014

Other Key Management Personnel:

Name	Position	Appointment / Resignation
Mr Greg Tunny	Chief Executive Officer (CEO)	Appointed on 24 th Sep 2014 and Resigned 23 rd Jan 2015

Remuneration Policy

Remuneration of all Non-Executive Directors and Officers of the Company is determined by the Board following recommendation by the Remuneration and Nomination Committee.

The Company is committed to remunerating Executive Directors in a manner that is market-competitive and consistent with "Best Practice" including the interests of shareholders. Remuneration packages are based on fixed and variable components, determined by the Executives' position, experience and performance, and may be satisfied via cash or equity.

Non-Executive Directors are remunerated out of the aggregate amount approved by shareholders and at a level that is consistent with industry standards. Non-Executive Directors do not receive performance based bonuses and prior Shareholder approval is required to participate in any issue of equity. No retirement benefits are payable other than statutory superannuation, if applicable.

Voting and comments made at the Company's Annual General Meeting

The Remuneration Report for the 2014 financial year received positive shareholder support at the 2014 AGM with a vote of more than 98% in favour. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

Remuneration Policy Versus Company Financial Performance

Directors have been compensated for work undertaken and the responsibilities assumed in being Directors of this publicly listed company based on industry practice, as opposed to company performance which has been difficult to assess given the nature of the activities undertaken.

The Company envisages its performance in terms of earnings will remain negative whilst the Company continues in the development and commercialisation of its medical devices phase. Shareholder wealth reflects the speculative and volatile biotechnology market sector.

This pattern is indicative of the Company's performance over the past five years. Accordingly, no dividends have been paid during the year, or in respect of the 2015 financial year.

Financial Year	Net (Loss)/Profit	Share Price at Balance Date \$ AUD	Loss per Share cents per share
2015	(\$5,464,443)	\$0.06	(1.94)
2014	(\$10,309,957)	\$0.24	(3.91)
2013	(\$5,580,768)	\$0.36	(2.55)
2012	(\$5,585,172)	\$0.00	(9.69)
2011	(\$6,677,311)	\$0.01	(17.04)

Performance Based Remuneration

The purpose of a performance bonus is to reward individual performance in line with Company objectives. Consequently, performance based remuneration is paid to an individual where the individual's performance clearly contributes to a successful outcome for the Company. This is regularly measured in respect of performance against key performance indicators (KPI's).

The Company uses a variety of short-term and long-term KPI's to determine achievement, depending on the role of the executive or director being assessed and the particular KPI being targeted.

These include:

- successful contract negotiations;
- Company share price consistently reaching a targeted rate on the ASX or applicable market over a period of time;
- completion of set milestones.

Directors' Report *Continued...*

Details of Remuneration for Year Ended 30 June 2015

The remuneration for each Director and each of the Key Management Personnel of the consolidated entity during the year was as follows:

Note: For the date of appointment and resignation of each Director and Executive please refer to the Remuneration Report section of the Directors Report.

30 June 2015	Short-term Employment Benefits			Post-Employment Benefits	Share-based Payments	Total \$ AUD
	Cash salary and fees \$ AUD	Cash bonus \$ AUD	Consulting Fees \$ AUD	Superannuation Contribution \$ AUD	Shares/Options \$ AUD	
<u>Directors</u>						
Mr Leon L'Huillier	93,912	-	245,000 ²	7,338	48,560 ¹	394,810
Mr John Ribot-de-Bresac	49,656	-	-	3,886	24,280 ¹	77,822
Dr Timothy Oldham	57,500	-	-	-	24,280 ¹	81,780
Mr David Ashmore	55,000	-	-	-	24,280 ¹	79,280
Mr Ross Blair-Holt	30,625	-	-	-	-	30,625
	286,693	-	245,000	11,224	121,400	664,317
Mr Bruce Mathieson	19,026	-	-	1,807	-	20,833
Mr Stephen Tunnell	83,765	-	-	-	-	83,765
	102,791	-	-	1,807	-	104,598
<u>Other Key Management Personnel</u>						
Mr Greg Tunny	118,500	-	-	-	-	118,500
	118,500	-	-	-	-	118,500
	507,984	-	245,000	13,031	121,400	887,415

1. Issue of 10,000,000 unlisted ISNAW Options to Director's as approved by shareholders in accordance with resolution 3 of Company's 2014 Annual General Meeting.

2. Mr Leon L'Huillier received additional fees for consulting services performed as Executive Director for the period from February 2014.

Directors' Report *Continued...*

Details of Remuneration for Year Ended 30 June 2014

The remuneration for each Director and each of the Key Management Personnel of the consolidated entity during the year was as follows:

Note: For the date of appointment and resignation of each Director and Executive please refer to the Remuneration Report section of the Directors Report.

30 June 2014	Short-term Employment Benefits			Post-Employment Benefits	Share-based Payments	Total
	Cash salary and fees \$ AUD	Cash bonus \$ AUD	Non-monetary benefits \$ AUD	Superannuation Contribution \$ AUD	Shares/Options \$ AUD	\$ AUD
<u>Directors</u>						
Mr Leon L'Huillier	39,954	-	-	3,796	-	43,750
Mr John Ribot-de-Bresac	4,186	-	-	398	-	4,584
Mr Bruce Mathieson	3,805	-	-	361	-	4,166
Dr Timothy Oldham	28,958	-	-	-	-	28,958
Mr David Ashmore	6,195	-	-	-	-	6,195
	83,098	-	-	4,555	-	87,653
Dr Stewart Washer	87,500	50,000	-	-	78,000 ²	215,500
Mr Ross Haghighat	67,500	-	-	-	78,000 ²	145,500
Mr Jerome Korten	41,667	-	-	-	78,000 ²	119,667
Mr Jerome Korten: CEO	111,083	-	-	-	56,690	167,773
Dr David Dantzker	55,833	-	-	-	78,000 ²	133,833
Mr Ross MacDonald	42,500	-	-	-	78,000 ²	120,500
Mr Stephen Tunnell	118,089	54,503	-	-	23,544	196,136
	524,172	104,503	-	-	470,234	1,098,909
<u>Other Key Management Personnel</u>						
Mr Michael Thomas	256,680	-	-	-	586,747 ³	843,427
Mr David Model	140,845	-	-	-	4,253 ⁴	145,098
Mr Stephen Tunnell ¹	132,311	-	-	-	-	132,311
	529,836	-	-	-	591,000	1,120,836
	1,137,106	104,503	-	4,555	1,061,234	2,307,398

1. Represents Stephen Tunnell fees for services performed under Senior Vice President (SVP) of Operation role.
2. Issue of 200,000 listed ISNOB Options to each Director as approved by shareholders in accordance with resolution 3 of Company's 2013 Annual General Meeting.
3. Total value of \$255,063 of shares were issued via separation agreement. Remainder \$331,684 expense relates to options received with various exercise prices and vesting confirmation during services period. All option to Michael Thomas have now expired.
4. Options issued via separation agreement.

Performance Income as a Proportion of Total Remuneration

All Directors as key management personnel are eligible to receive incentives whether through employment contracts or by the recommendation of the Board. Their performance payments are based on a set monetary value, set number of shares or options or as a portion of base salary. Therefore there is no fixed proportion between incentive and non-incentive remuneration.

Non-Executive Directors are not entitled to receive bonuses and/or incentives.

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

	Fixed Remuneration		At Risk - STI		At Risk - LTI	
	2015	2014	2015	2014	2015	2014
Directors						
Mr Leon L'Huillier	68%	100%	-	-	32%	-
Mr John Ribot-de-Bresac	69%	100%	-	-	31%	-
Dr Timothy Oldham	70%	100%	-	-	30%	-
Mr David Ashmore	69%	100%	-	-	31%	-
Mr Ross Blair-Holt	100%	-	-	-	-	-
Mr Bruce Mathieson	100%	100%	-	-	-	-
Mr Stephen Tunnell	100%	100%	-	-	-	-
Dr Stewart Washer	-	100%	-	-	-	-
Mr Ross Haghighat	-	100%	-	-	-	-
Mr Jerome Korten	-	100%	-	-	-	-
Dr David Dantzker MD	-	100%	-	-	-	-
Mr Ross MacDonald	-	100%	-	-	-	-
Executives						
Mr Michael Thomas	-	100%	-	-	-	-
Mr David Model	-	100%	-	-	-	-
Mr Stephen Tunnell	-	65%	-	35%	-	-
Mr Greg Tunny	100%	-	-	-	-	-

At risk long term incentive (LTI) relates to remuneration in the form of share based payments, which are subject to vesting conditions based on length of service. At risk short term incentive (STI) relates to a discretionary bonus approved by the board in respect of performance during the current year.

Share-based Compensation

At the General Meeting held on 31 October 2013, Shareholders approved the establishment of the 2013 Employees', Directors' and Consultants' Share and Option Plan (ESOP). The ESOP is intended to reward Directors, employees and/or consultants for their contributions to the Group. The Plan is to be used as a method of retaining key personnel for the growth and development of the Group. Due to the Group's presence in Israel and USA, the Plan has been established to benefit personnel in Australia, Israel and USA. As at 30 June 2015 equity had been issued to 8 employees in USA and 2 employees in Israel under ESOP.

The terms and conditions of each grant of options affecting Director and Key Management Personnel remuneration in the current or future reporting periods are as follows:

Grant Date	Date Vested & Exercisable	Expiry Date	Exercise Price	Share Price Hurdle	Fully Vested	Value per Option at Grant Date
21 Nov 2008	20 Oct 2011	15 Dec 2015	\$1.00	N/A	Yes	\$0.180
5 May 2014	5 May 2014	2 Apr 2017	\$0.40	N/A	Yes	\$0.063
5 May 2014	5 May 2014	2 Apr 2017	\$0.28	N/A	Yes	\$0.077
28 Nov 2014	28 Nov 2014	3 Feb 2017	\$0.28	N/A	Yes	\$0.012

Options granted under the plan carry no dividend or voting rights until exercised into ordinary fully paid shares.

Directors' Report *Continued...*

When exercisable, each option is convertible into one ordinary share as soon as practical after the receipt by the Company of the completed exercise form and full payment of the exercise price.

The exercise price of options granted under this plan shall be determined by the Committee in its sole discretion.

The plan rules contain a restriction on removing the 'at risk' aspect of the instruments granted to executives. Plan participants may not enter into any transaction designed to remove the 'at risk' aspect of an instrument before it vests.

Details of options over ordinary shares in the Company provided as remuneration to each Director of the company and each of the Key Management Personnel are set out below:

	Number of Options Granted During the Year		Number of Options Forfeited/ Lapsed/ Exercised During the Year		Number of Options Vested During the Year	
	2015	2014	2015	2014	2015	2014
<u>Directors</u>						
Mr Leon L'Huillier	4,000,000	-	-	-	4,000,000	-
Mr John Ribot-de-Bresac	2,000,000	-	-	-	2,000,000	-
Dr Tim Oldham	2,000,000	-	-	-	2,000,000	-
Mr David Ashmore	2,000,000	-	-	-	2,000,000	-
Mr Ross Blair-Holt	-	-	-	-	-	-
Mr Bruce Mathieson	-	-	-	-	-	-
Mr Stephen Tunnell	-	-	-	-	-	-
<u>Other Key Management Personnel</u>						
Mr Michael Thomas	-	-	-	(525,000)	-	-
Mr David Model	-	55,023	-	-	-	-
Mr Greg Tunny	-	-	-	-	-	-
	10,000,000	55,023	-	(525,000)	10,000,000	-

Details of ordinary shares in the Company provided as remuneration to each Director of the Company and each of the Key Management Personnel of the parent entity and Group are set out below:

		Number of Shares Granted During the Year	
		2015	2014
<u>Directors</u>			
Mr Leon L'Huillier		-	-
Mr John Ribot-de-Bresac		-	-
Dr Tim Oldham		-	-
Mr David Ashmore		-	-
Mr Ross Blair-Holt		-	-
Mr Bruce Mathieson		-	-
Mr Stephen Tunnell		-	-
Dr Stewart Washer	2	-	200,000
Mr Ross Haghighat	2	-	200,000
Mr Jerry Korten	1,2	-	514,943
Dr David Dantzker MD	2	-	200,000
Mr Ross MacDonald	2	-	200,000
<u>Other Key Management Personnel</u>			
Mr Michael Thomas	1	-	481,250
Mr David Model		-	-
Mr Stephen Tunnell		-	-
Mr Greg Tunny		-	-
		-	1,796,193

Directors' Report *Continued...*

1. Issue of 796,193 new fully paid ordinary shares under ESOP for additional services performed for iSonea Limited.
2. Issue of 1,000,000 new fully paid ordinary shares (200,000 shares to each Director) as a result of Listed ISNOB option exercised, which were issued to Directors as part of their remuneration as approved by shareholders at iSonea Limited Annual General Meeting 2013.

(a) Shareholdings

The number of fully paid ordinary shares in the Company held during the financial year by each Director and Key Management Personnel of iSonea Limited, including their personally related parties, are set out below:

30 June 2015	Balance at Start of the Year	Granted as Compensation	Shares from Options Exercised	Net Change Other	Balance at End of the Year
Directors					
Mr Leon L'Huillier	2,816,282	-	-	480,000 ³	3,296,282
Mr John Ribot-de-Bresac	3,828,571	-	-	1,471,429 ³	5,300,000
Dr Timothy Oldham	-	-	-	65,000 ³	65,000
Mr David Ashmore	-	-	-	486,449 ³	486,449
Mr Ross Blair-Holt	-	-	-	49,800,000 ²	49,800,000
	6,644,853	-	-	52,302,878	58,947,731
Mr Bruce Mathieson	48,000,000	-	-	(48,000,000) ¹	-
Mr Stephen Tunnell	489,827	-	-	(489,827) ¹	-
Executives					
Mr Greg Tunny	-	-	-	-	-
	55,134,680	-	-	3,813,051	58,947,731

1. Directors resigned during Financial Year 2015.
2. Director was appointed during Financial Year 2015.
3. On Market Acquisition.

30 June 2014	Balance at Start of the Year	Granted as Compensation	Shares from Options Exercised	Net Change Other	Balance at End of the Year
Directors					
Mr Leon L'Huillier	2,000,000	-	-	816,282 ¹	2,816,282
Mr John Ribot-de-Bresac	2,300,000	-	-	1,528,571 ¹	3,828,571
Mr Bruce Mathieson	28,000,000	-	-	20,000,000 ¹	48,000,000
Dr Timothy Oldham	-	-	-	-	-
Mr David Ashmore	-	-	-	-	-
	32,300,000	-	-	22,344,853	54,644,853
Dr Stewart Washer	1,594,000	-	200,000	(1,794,000) ²	-
Mr Ross Haghighat	4,370,185	-	200,000	(4,570,185) ²	-
Mr Jerome Korten	1,822,560	314,943	200,000	(2,337,503) ²	-
Dr David Danzker	1,130,737	-	200,000	(1,330,737) ²	-
Mr Ross Macdonald	540,000	-	200,000	(740,000) ²	-
Mr Stephen Tunnell	409,955	-	79,872 ³	-	489,827
Executives					
Mr Michael Thomas	3,728,213	481,250	399,667	(4,609,130) ²	-
Mr David Model ²	-	-	-	-	-
	45,895,650	796,193	1,479,539	6,963,298	55,134,680

1. Equity acquired or disposed on-market or acquired during participation in Rights Issues.
2. Directors and Executives resigned during Financial Year 2014.
3. Director resigned 23rd September 2014. Share provided to Stephen Tunnell during his SVP of Operations role, however Options were exercised during his role as Director.

Directors' Report *Continued...*

b) Options and Rights

The number of options over ordinary shares in the Company held during the financial year by each Director and Key Management Personnel of iSonea Limited, including their personally related parties, are set out below:

30 June 2015	Balance at Start of the Year	Granted as Compensation	Options Exercised	Net Change Other	Balance at End of the Year	Vested and Exercisable	Unvested
Directors							
Mr Leon L'Huillier	-	4,000,000 ¹	-	-	4,000,000	4,000,000	-
Mr John Ribot-de-Bresac	-	2,000,000 ¹	-	-	2,000,000	2,000,000	-
Dr Timothy Oldham	-	2,000,000 ¹	-	-	2,000,000	2,000,000	-
Mr David Ashmore	-	2,000,000 ¹	-	-	2,000,000	2,000,000	-
Mr Ross Blair-Holt	-	-	-	-	-	-	-
	-	10,000,000	-	-	10,000,000	10,000,000	-
Mr Bruce Mathieson	-	-	-	-	-	-	-
Mr Stephen Tunnell	-	-	-	-	-	-	-
Executives							
Mr Greg Tunny	-	-	-	-	-	-	-
	-	10,000,000	-	-	10,000,000	10,000,000	-

1. Issue of 10,000,000 unlisted ISNAW Options to Directors as approved by shareholders in accordance with resolution 3 of Company's 2014 Annual General Meeting.

Directors' Report *Continued...*

30 June 2014	Balance at Start of the Year	Granted as Compensation	Options Exercised	Net Change Other	Balance at End of the Year	Vested and Exercisable	Unvested
Directors							
Mr Leon L'Huillier	-	-	-	-	-	-	-
Mr John Ribot-de-Bresac	-	-	-	-	-	-	-
Mr Bruce Mathieson	-	-	-	-	-	-	-
Dr Timothy Oldham	-	-	-	-	-	-	-
Mr David Ashmore	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
Dr Stewart Washer	-	200,000	(200,000)	-	-	-	-
Mr Ross Haghighat	74,820	200,000	(200,000)	(74,820) ¹	-	-	-
Mr Jerome Korten	46,875	200,000	(200,000)	(46,875) ¹	-	-	-
Dr David Danzker	-	200,000	(200,000)	-	-	-	-
Mr Ross Macdonald	-	200,000	(200,000)	-	-	-	-
Mr Stephen Tunnell ²	79,872	-	(79,872)	-	-	-	-
Executives							
Mr Michael Thomas	2,200,000	-	(399,667)	(1,800,333) ¹	-	-	-
Mr David Model	-	-	-	55,023 ³	55,023	55,023	-
	2,401,567	1,000,000	(1,479,539)	(1,867,005)	55,023	55,023	-

1. Represents Options expired during financial year 2014.

2. Stephen Tunnell is entitled to receive a total of 1,604,167 Unlisted Options subject to shareholder approval.

3. Options issued via separation agreement.

Directors' Report *Continued...*

The Directors and Key Management Personnel are subject to service agreements with normal commercial terms and conditions and are rolling with no fixed term.

This is the end of the Audited Remuneration Report.

This report is made in accordance with a resolution of Directors.



Mr Leon L'Huillier
Chairman
Melbourne

Dated: This the 8th September 2015



Mr David Ashmore
Non-Executive Director
Melbourne

Dated: This the 8th September 2015

Auditor's Independence Declaration



Tel: +61 3 9603 1700
Fax: +61 3 9602 3870
www.bdo.com.au

Level 14, 140 William St
Melbourne VIC 3000
GPO Box 5099 Melbourne VIC 3001
Australia

DECLARATION OF INDEPENDENCE BY JAMES MOONEY TO THE DIRECTORS OF ISONEA LIMITED

As lead auditor of iSonea Limited for the year ended 30 June 2015, I declare that, to the best of my knowledge and belief, there have been:

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

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

A handwritten signature in black ink, appearing to read 'J Mooney', is written over a light blue horizontal line.

James Mooney
Partner

BDO East Coast Partnership

Melbourne, 8 September 2015

BDO East Coast Partnership ABN 83 236 985 726 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO East Coast Partnership and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the International BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation, other than for the acts or omissions of financial services licensees.

This page has intentionally been left blank



Annual Financial Report
For the year ended 30 June 2015

Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2015

		Consolidated 30 June 2015	Consolidated 30 June 2014
	Note	\$ AUD	\$ AUD
Revenue			
Operating Revenue	3	93,988	18,975
Non-operating Revenue	3	32,521	250,843
Total Revenue		126,509	269,818
Expenses	4		
Amortisation expenses		(183,653)	(217,335)
Consulting, employee and director expenses		(1,399,296)	(1,997,072)
Equity-based payment expenses	24	(121,400)	(910,578)
Corporate administration expenses		(550,458)	(2,022,781)
Depreciation expenses		(32,550)	(27,269)
Marketing and promotion expenses		(27,400)	(1,760,301)
Fair value adjustment		-	661,812
Research and development expenses		(3,054,345)	(3,841,215)
Travel expenses		(221,850)	(465,036)
Loss before income tax expense from continuing operations		(5,464,443)	(10,309,957)
Income tax expense	5	-	-
Loss after income tax for the year		(5,464,443)	(10,309,957)
Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		167,035	42,609
Total comprehensive income for the year		(5,297,408)	(10,267,348)
Loss attributable to members of the parent entity		(5,464,443)	(10,309,957)
Total comprehensive income attributable to members of the parent entity		(5,297,408)	(10,267,348)
Loss per share for the year attributable to the members of the parent entity			
Basic loss per share (cents per share)	8	(1.94)	(3.91)
Diluted loss per share (cents per share)	8	(1.94)	(3.91)

The accompanying notes form part of these financial statements.

Statement of Financial Position

As at 30 June 2015

	Note	Consolidated 30 June 2015 \$ AUD	Consolidated 30 June 2014 \$ AUD
ASSETS			
Current Assets			
Cash and cash equivalents	9	3,008,627	8,212,003
Trade and other receivables	10	69,861	84,211
Inventories	11	777,500	1,064,477
Other	15	702,824	494,170
Total Current Assets		4,558,812	9,854,861
Non-Current Assets			
Property, plant and equipment	13	74,811	96,771
Intangible assets	14	548,489	649,958
Other assets	15	2,848	2,619
Total Non-Current Assets		626,148	749,348
TOTAL ASSETS		5,184,960	10,604,209
LIABILITIES			
Current Liabilities			
Trade and other payables	16	1,265,366	1,508,305
Other financial liabilities	17	19,197	19,499
Total Current Liabilities		1,284,563	1,527,804
TOTAL LIABILITIES		1,284,563	1,527,804
NET ASSETS		3,900,397	9,076,405
EQUITY			
Issued capital	18	95,149,981	95,149,981
Reserves		177,821	426,737
Accumulated Losses		(91,427,405)	(86,500,313)
TOTAL EQUITY		3,900,397	9,076,405

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

For the Year Ended 30 June 2015

	Issued Capital	Option Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total
CONSOLIDATED	\$ AUD	\$ AUD	\$ AUD	\$ AUD	\$ AUD
Balance as at 30 June 2013	77,310,846	1,706,441	(477,129)	(76,917,741)	1,622,417
Loss after income tax expense for the year	-	-	-	(10,309,957)	(10,309,957)
Other comprehensive income for the year, net of tax	-	-	42,609	-	42,609
Total Comprehensive Income for the year	-	-	42,609	(10,309,957)	(10,267,348)
Transactions with Equity holders in their capacity as equity holders:					
Shares Issued	17,398,376	-	-	-	17,398,376
Shares to be Issued	794,481	-	-	-	794,481
Capital Raising Costs	(1,093,722)	-	-	-	(1,093,722)
Options Exercised into Shares	-	(682,500)	-	-	(682,500)
Options Issued	-	1,304,701	-	-	1,304,701
Options Lapsed	740,000	(740,000)	-	-	-
Transfers to/from reserves ¹	-	(727,385)	-	727,385	-
Balance at 30 June 2014	95,149,981	861,257	(434,520)	(86,500,313)	9,076,405
Loss after income tax expense for the year	-	-	-	(5,464,443)	(5,464,443)
Other comprehensive income for the year, net of tax	-	-	167,035	-	167,035
Total Comprehensive Income for the year	-	-	167,035	(5,464,443)	(5,297,408)
Transactions with Equity holders in their capacity as equity holders:					
Options Issued	-	121,400	-	-	121,400
Transfers to/from reserves ¹	-	(537,351)	-	537,351	-
Balance at 30 June 2015	95,149,981	445,306	(267,485)	(91,427,405)	3,900,397

1. To transfer the value of lapsed/expired options from the reserve to accumulated losses.

The accompanying notes form part of these financial statements.

Statement of Cash Flows

For the Year Ended 30 June 2015

	Note	Consolidated 30 June 2015 \$ AUD	Consolidated 30 June 2014 \$ AUD
<u>Cash flows from operating activities</u>			
Receipts from customers		-	18,976
Payments to suppliers and employees (inclusive of GST)		(6,017,949)	(9,759,274)
Interest received		32,521	251,271
Receipt of R&D Tax Refund		-	390,787
Receipt of Grants		93,488	-
Net cash flows used in operating activities	23a	(5,891,940)	(9,098,240)
<u>Cash flows related to investing activities</u>			
Proceeds from sales of plant and equipment		2,390	-
Payments for purchases of plant and equipment		(17,349)	(71,467)
Loans to unrelated entities		-	(32,813)
Net cash flows used in investing activities		(14,959)	(104,280)
<u>Cash flows related to financing activities</u>			
Proceeds from issues of securities		29,703	16,941,793
Capital raising costs		-	(853,600)
Other		(568)	(169)
Net cash flows from financing activities		29,135	16,088,024
Net (decrease)/increase in cash and cash equivalents		(5,877,764)	6,885,504
Cash and cash equivalents at the beginning of the year		8,212,003	1,346,736
Effects of exchange rate changes on cash and cash equivalents		674,388	(20,237)
Cash and cash equivalents at the end of the year	9	3,008,627	8,212,003

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

Note 1 - Statement of Significant Accounting Policies

Corporate Information

iSonea Limited is a listed public company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Stock Exchange.

The principal activities of the Company are the research, development and commercialisation of medical devices, and the production of Mobile Health applications.

The financial report of iSonea Limited (the Company) for the year ended 30 June 2015 was authorised for issue in accordance with a resolution of the Directors on the 8th Day of September 2015.

Statement of Compliance

The financial report is a general purpose financial report that has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Australian Accounting Interpretations, and complies with other authoritative pronouncements from the Australian Accounting Standards Board, as appropriate for for-profit orientated entities.

The financial report covers iSonea Limited as a consolidated entity consisting of iSonea Limited and the entities it controlled during the year. The separate financial statements of the parent entity, iSonea Limited, have not been presented within this financial report as permitted by amendments made to the Corporations Act 2001 effective as at 30 June 2010. However, certain disclosure information relating to the parent has been provided in Note 2.

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

Basis of Preparation

The financial report has been prepared on an accruals basis and is based on historical costs, except for the revaluation of certain non-current assets and financial instruments. Cost is based on fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted and amounts rounded to the nearest dollar.

Critical Accounting Estimates and Judgements

The preparation of the financial statements requires the Directors and Management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results.

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

The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below:

Share-based payment transactions

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

Provision for impairment of receivables

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

Provision for impairment of inventories

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

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

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

Operating Segments

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

Going Concern Basis

As at 30 June 2015 the Company's cash and cash equivalents amounted to \$3,008,627 (2014: \$8,212,003). For the year ended 30 June 2015 the Company experienced a net cash outflow of \$5,877,764 (2014: \$6,885,504 inflow). This included substantial expenditures associated with Research and Development of \$3,054,345 for redeveloping the AirSonea and its associated App technologies.

The Company has achieved a number of key operational successes in the past 12 months including:

- the finalisation of the \$3M redevelopment of the AirSonea product with only relative modest costs going forward into 2016. The relocation of the R&D work back to Australia will provide the added benefit of a substantial cash refund from the R&D Tax Concession Refund scheme for its FY2015 expenditures;
- the reduction in reoccurring expenditures;
- a substantial reduction in the size of the workforce whilst retaining the technical skill necessary;
- more focused activities in fewer locations, now only Australian and Israel.

The above initiatives have resulted in a reduced level of operational cash outflows now, in the future, equating to an underlying monthly net cash outflow of approximately \$240,000.

The successful redevelopment of the AirSonea product now enables the Company to commence Clinical Trials to obtain the necessary independent validation of the AirSonea. Following completion of the trials, the Company will implement a product sales model and further pursue partnering discussions with key technology and medical device companies.

Whilst the Company is projecting further net losses and a net cash outflow from operations for the 2016 financial year, the directors are confident that its cost reductions, the ongoing support from its major shareholders, and the other fundraising options available to it will provide the funds needed. Accordingly the Directors have prepared the financial statements on a going concern basis. As such, the financial statements do not include any adjustments as to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the entity not continue as a going concern.

New, revised or amending accounting standards and Interpretations adopted

The following amending Standards have been adopted from 1 July 2014. Adoption of these Standards did not have any effect on the financial position or performance of the Company:

Ref	Title	Summary
AASB 2012-3	<i>Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities</i>	The consolidated entity has applied the added application guidance to address inconsistencies in the application of offset criteria in AASB 132 'Financial Instruments: Presentation', by clarifying the meaning of 'currently has a legally enforceable right of set-off'; and clarifies that some gross settlement systems may be considered equivalent to net settlement.
AASB 2013-3	<i>Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets</i>	The consolidated entity has applied the additional disclosure requirements of AASB 136 'Impairment of Assets' for fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposals. Additionally, if measured using a present value technique, the discount rate is disclosed.
AASB 2014-1	<i>Annual Improvements to IFRSs 2010-2012 Cycle</i>	<p>The consolidated entity has applied the following amendments under AASB 2014-1:</p> <ul style="list-style-type: none"> - AASB 2 'Share-based Payment': clarifies the definition of 'vesting condition' by separately defining a 'performance condition', 'service condition' and amends the definition of 'market condition'; - AASB 8 'Operating Segments': disclosures of judgements made in applying the aggregation criteria and clarifies that reconciliation of the total reportable segment assets to the entity's assets is required only if segment assets are reported regularly to the chief operating decision maker; - AASB 13 'Fair Value Measurement' and the amending of AASB 139 'Financial Instruments: Recognition and Measurement' and AASB 9 'Financial Instruments' did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amount, if the effect of discounting is immaterial; - AASB 116 'Property, Plant and Equipment' and AASB 138 'Intangible Assets': on revaluation, restatement of accumulated depreciation will not necessarily be in the same proportion to the change in the gross carrying value of the asset; - AASB 124 'Related Party Disclosures': extended definition of 'related party' to include a management entity that provides KMP services to the entity or its parent and requires disclosure of the fees paid to the management entity;

Other than the amended accounting standards listed above, all other accounting standards adopted by the Company are consistent with the most recent Annual Report for the year ended 30 June 2014.

New accounting standards and interpretations not yet mandatory or early adopted

The following Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective and therefore have not been adopted by the Company for the annual reporting period ended 30 June 2015:

Ref	Title	Summary	Application date of standard	Impact on financial report	Application date
AASB 9	<i>Financial Instruments and its consequential amendments</i>	Completes phases I and III of the IASB's project to replace IAS 39 (AASB 139) 'Financial Instruments: Recognition and Measurement'. This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. Accounting for financial liabilities continues to be measured in accordance with AASB 139, with one exception, the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. Chapter 6 'Hedge Accounting' supersedes the general hedge accounting requirements in AASB 139 and provides a new simpler approach to hedge accounting that is intended to more closely align with risk management activities undertaken by entities when hedging financial and non-financial risks.	1 Jan 18	The company is still determining if there will be any potential impact	1 Jul 18
AASB 15	<i>Revenue from Contracts with Customers</i>	This amends AASB 18 'Revenue', AASB 111 'Construction Contracts' and revenue-related interpretations. The amendment establishes a new control-based revenue recognition model, which changes the basis for deciding whether revenue is to be recognised over time or at point in time.	1 Jan 17	Not yet assessed in detail	1 Jul 17
AASB 2014-1	<i>Amendments to Australian Accounting Standards (Part E: Financial Instruments)</i>	Part E of AASB 2014-1 makes amendments to Australian Accounting Standards to reflect the AASB's decision to defer the mandatory application date of AASB 9 Financial Instruments to annual reporting periods beginning on or after 1 January 2018. In addition, Part E makes amendments to numerous standards as a consequence of the introduction of disclosure requirements for AASB 7 Financial Instruments: Disclosure and AASB 101 Presentation of Financial Statements.	1 Jan 16	No Impact	1 Jul 16

Ref	Title	Summary	Application date of standard	Impact on financial report	Application date
AASB 2014-4	<i>Amendments to AASB - Classification of Acceptable Methods of Depreciation and Amortisation</i>	AASB 116 Property Plant and Equipment and AASB 138 Intangible Assets both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The amendment also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.	1 Jan 16	No Impact	1 Jul 16
AASB 2014-5	<i>Amendments to AASB 15</i>	Incorporates the consequential amendments arising from the issuance of AASB 15.	1 Jan 17	No Impact	1 Jul 17
AASB 2014-7	<i>Amendments to AASB 9</i>	Incorporates the consequential amendments arising from the issuance of AASB 9.	1 Jan 18	No Impact	1 Jul 18
AASB 2014-8	<i>Amendments to AASB 9</i>	Limits the application of the existing versions of AASB 9 from 1 February 2015.	1 Jan 15	No Impact	1 Jul 15
AASB 2015-2	<i>Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101</i>	The Standard makes amendments to AASB 101 Presentation of Financial Statements arising from the IASB's Disclosure Initiative project. The amendments are designed to further encourage companies to apply professional judgment in determining what information to disclose in the financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. The amendments also clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures.	1 Jan 16	No Impact	1 Jul 16

Ref	Title	Summary	Application date of standard	Impact on financial report	Application date
AASB 2015-3	<i>Amendments to Australian Accounting Standards - Withdrawal of AASB 1031 Materiality</i>	The Standard completes the AASB's project to remove Australian guidance on materiality from Australian Accounting Standards.	1 Jul 15	No Impact	1 Jul 15

Accounting Policies

(a) *Basis of Consolidation*

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) (referred to as 'the Group' in these financial statements). Control is achieved where the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

A list of controlled entities is contained in Note 12 to the financial statements. All controlled entities have a 30 June financial year-end.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. In the separate financial statements of the Company, intra-group transactions ('common control transactions') are generally accounted for by reference to the existing book value of the items. Where the transaction value of common control transactions differ from their consolidated book value, the difference is recognised as a contribution by or distribution to equity participants by the transacting entities.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those policies applied by the parent entity. Subsidiaries are accounted for at cost in the parent entity.

The results of subsidiaries acquired or disposed of during the year are included in profit or loss from the effective date of acquisition or up to the effective date of disposal, as appropriate.

(b) *Income Tax*

The income tax expense is based on the taxable income for the year. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax is accounted for using the balance sheet liability method. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the statement of financial position. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes. In principle, deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (excluding a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled. Current and deferred tax is recognised as an expense or income in Profit or Loss, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company/Group intends to settle its current tax assets and liabilities on a net basis.

iSonea Limited (head entity) and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime.

Where the company is entitled to a tax rebate under the R&D Tax Concession during a particular financial year, the rebate is accrued and disclosed as revenue within profit or loss for the year that the expenditure was incurred.

(c) Current and non-current classification

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

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

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

(d) Inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value on a 'first in first out' basis. The cost of inventories comprise cost of purchase and costs incurred in bringing inventories to their present location and condition. Cost of purchased inventory are determined after deducting rebates and discounts received or receivable.

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

The Company periodically evaluates the condition and age of inventories and makes provisions for slow moving inventories accordingly.

If in a particular period production is not at normal capacity, the costs of inventories does not include additional fixed overheads in excess of those allocated based on normal capacity. Such unallocated overheads are recognised as an expense in Profit or Loss in the period in which they are incurred. Furthermore, cost of inventories does not include abnormal amounts of materials, labour or other costs resulting from inefficiency.

(e) Plant and Equipment

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

Cost includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group

and the cost of the item can be measured reliably. All other repairs and maintenance are charged to Profit or Loss during the financial period in which they are incurred.

Depreciation

The depreciable amount of all plant and equipment is depreciated on a straight line basis commencing from the time the asset is held ready for use.

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

<u>Class of Plant & Equipment</u>	<u>Depreciation Rate</u>
Furniture & fittings	6 - 15%
Computer equipment & software	15 - 33%
Medical equipment	15%
Tooling and Devices for Test	25%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in Profit or Loss.

(f) Leases

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

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

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

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

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

(g) Financial Assets and Liabilities

Recognition

Financial assets and liabilities are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist.

A financial asset is derecognised when the contractual rights to the cash flows from the financial assets expire or are transferred and are no longer controlled by the entity. A financial liability is removed from the Statement of Financial Position when the obligation specified in the contract is discharged or cancelled or expired.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are carried at amortised cost using the effective interest rate method less impairment.

Financial Liabilities

Financial liabilities are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist.

A financial liability is removed from the balance sheet when the obligation specified in the contract is discharged or cancelled or expires.

Non-derivative financial liabilities are recognised at amortised cost using the effective interest rate method, comprising original debt less principal payments, amortisation and impairment.

(h) Impairment of Assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the assets carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to Profit or Loss.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(i) Intangibles

Intellectual Property

Intellectual property relates to technology assets, know-how and patents related to assets acquired on acquisition of iSonea (Israel) Limited (previously KarmelSonix (Israel) Limited) and is recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight line basis over the expected life, being 10 years. Amortisation commences when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

The amortisation period and the amortisation method for an intangible assets is reviewed at least at the end of each reporting period. If the expected useful life of the asset is different from the previous estimates, the amortisation shall be changed accordingly. Such changes are accounted for as changes in accounting estimates.

(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.

Transaction 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 retranslated at the rates prevailing at the reporting date. Non-monetary items that are measured in terms of historical cost are not retranslated. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined.

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

Exchange differences 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 Profit or Loss.

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; and
- retained earnings 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 Statement of Financial Position. These differences are recognised in the Profit or Loss in the period in which the operation is disposed.

(k) Employee Benefits

Annual Leave and Long Service Leave

A liability is recognised for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Short term benefits include salaries, paid annual leave, paid sick leave, recreation and social security contributions (Israel only) and are recognised as expenses as the services are rendered.

Post employment benefits include superannuation and payments to insurance companies (Israel only) and are defined contribution plans. Such payments are made in accordance with the relevant legislation for country and/or state where an employee normally performs their duties as an employee. Payments are recognised as expenses as the services are rendered.

Share-Based Payments

Shared-based compensation benefits are provided to employees via the iSonea Limited Employee Option Plan and an employee share scheme.

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

The fair value at grant date was determined using an option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and the expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

(l) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably measured. Provisions are not recognised for future operating losses.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

(m) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

(n) Revenue

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

Interest

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. All revenue is stated net of the amount of goods and services tax (GST).

Sale of goods

Sale of goods revenue is recognised at the point of sale, which is where the customer has taken delivery of the goods, the risks and rewards are transferred to the customer and there is a valid sales contract. Amounts disclosed as revenue are net of sales returns and trade discounts.

Government Grants

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating. Grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to Profit or Loss over the expected useful life of the related asset on a straight-line basis.

Government grants received in Israel as support for research and development projects, include an obligation to pay royalties (ranging from 3.5% to 5%) conditional on future sales arising from the project. These grants are recognised upon receipt as a liability if future economic benefits are expected from the project (i.e. sales). If no economic benefits are expected, the grants are recognised as a reduction of the related research and development expenses and the royalty obligation treated as a contingent liability.

At the end of each reporting date, the Company evaluates if there is reasonable assurance that the liability recognised, in whole or part, will not be repaid. If there are indications the liability will not be repaid, the appropriate amount of the liability is derecognised and recorded in Profit or Loss as a reduction of research and development expenses. Otherwise, the appropriate amount of the liability that reflects expected future royalty payments is recognised with a corresponding adjustment to research and development expenses.

Royalty payments are treated as a reduction of the liability.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

(o) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Statement of Financial Position sheet are shown inclusive of GST.

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

(p) Share Capital

Ordinary share capital is recognised as the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(q) Earnings per share

Basic earnings per share

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

Diluted earnings per share

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

Note 2 - Parent Entity Information

The following information has been extracted from the books and records of the parent entity and has been prepared in accordance with the accounting standards.

	Parent Entity	
	30 June 2015	30 June 2014
Note	\$ AUD	\$ AUD
Statement of Financial Position		
<u>Assets</u>		
Current Assets	2,601,784	8,140,666
Non-Current Assets	9,713	508,252
Total Assets	2,611,497	8,648,918
<u>Liabilities</u>		
Current Liabilities	503,920	375,200
Total Liabilities	503,920	375,200
Net Assets	2,107,577	8,273,718
<u>Equity</u>		
Issued Capital	95,149,981	95,149,982
Reserves	445,306	861,257
Accumulated Losses ¹	(93,487,710)	(87,737,521)
Total Equity	2,107,577	8,273,718
Statement of Profit or Loss and Other Comprehensive Income		
Loss after income tax	(6,287,540)	(11,067,154)
Total Comprehensive Income	(6,287,540)	(11,067,154)

1. Includes transfer of lapsed/expired options from reserve of \$537,351 (2014:\$727,385).

Parent Entity Contingencies and Commitments

Parent Entity does not have any contingent liabilities and commitments.

Expenditure Commitments

Parent Entity does not have any expenditure commitments.

Parent Entity Guarantees in Respect of the Debts of its Subsidiaries

The Parent Entity has no guarantees in respect of its subsidiaries.

Note 3 - Revenue

	30 June 2015	30 June 2014
	\$ AUD	\$ AUD
Revenue		
<i>Operating Revenue</i>		
Sales - Medical Devices	500	18,975
Grant Received	93,488	-
Total Operating Revenue	93,988	18,975
<i>Non-operating Revenue</i>		
Interest	32,521	250,843
Total Non-operating Revenue	32,521	250,843
Total Revenue	126,509	269,818

Note 4 - Expenses

	Note	30 June 2015	30 June 2014
		\$ AUD	\$ AUD
Expenses			
a) Amortisation expenses		183,653	217,335
b) Consulting, employee and director expenses			
Consulting Expenses		321,296	296,903
Employee Expenses		555,485	903,607
Director Expenses		509,484	792,007
Director Superannuation Expenses- defined contribution fund		13,031	4,555
		1,399,296	1,997,072
c) Equity-based payment expenses		121,400	910,578
d) Corporate administration expenses			
Audit and accounting fees		65,503	59,705
Foreign exchange (gain)/loss		(826,279)	342,960
Corporate administration expenses		1,186,147	1,390,221
Office rentals under operating leases		89,275	87,600
Other		35,812	142,295
		550,458	2,022,781
e) Depreciation expenses		32,550	27,269
f) Marketing and promotion expenses		27,400	1,760,301
g) Research and development expenses		3,054,345	3,841,215
h) Travel expenses		221,850	465,036
i) Fair value adjustment to liability		-	(661,812)
Total Expenses		5,590,952	10,579,775

Note 5 - Income Tax Expenses

	30 June 2015	30 June 2014
	\$ AUD	\$ AUD
a)		
The prima facie tax on loss from ordinary activities before the loss is reconciled to the income tax as follows:		
Loss before income tax	(5,464,443)	(10,309,957)
Income tax benefit calculated at 30% (2014:30%)	(1,639,333)	(3,092,987)
<i>Tax effect of amounts which are not deductible in calculating income tax:</i>		
- impairment and amortisation expenses	55,096	65,201
- share-based payments expenses	36,420	273,174
- other expenses not deductible	739	2,161
Other deductible items	(112,091)	(148,453)
(Over)/Under provision of income tax in previous year relating to correction of estimate	-	-
Deferred tax assets relating to tax losses and temporary differences not recognised	1,659,169	2,900,904
Income tax expense	-	-
b) Unrecognised Deferred Tax Assets and Liabilities		
Deferred tax assets and liabilities are attributable to the following:		
- Tax losses	15,661,781	14,002,612
- Prepayments	(210,847)	(148,172)
- Inventory	37,569	-
- Provision	16,263	-
- Accruals	255,703	308,040
Net deferred tax assets not recognised	15,760,469	14,162,480
c) Components of Tax		
The components of tax expense comprise:		
- Current Tax	-	-
- Deferred Tax	-	-
Income tax expense	-	-

Included in the total of deferred tax assets attributable to tax losses not recognised are tax losses in relation to operations in Israel, United States of America and Australia. Tax losses in Australia of \$16,272,258 relate to losses generated from 22 November 2006 to 30 June 2014. The ongoing availability of these tax losses are subject to further review by the Company to ensure compliance with the relevant provisions of Australia Income Tax laws.

Note 6 - Key Management Personnel Compensation

The aggregate compensation made to Directors and other Key Management Personnel of the Company is set out below:

	30 June 2015	30 June 2014
	\$ AUD	\$ AUD
Short-term employee benefits	752,984	1,241,609
Post-employment benefits	13,031	4,555
Long-term benefits	-	-
Termination benefits	-	-
Share-based payments ¹	121,400	1,061,234
	887,415	2,307,398

1. Refer to Note 24 for reconciliation.

Note 7 - Auditor's Remuneration

	30 June 2015	30 June 2014
	\$ AUD	\$ AUD
Remuneration of Company's Auditor, BDO East Coast Partnership for:		
- auditing or reviewing the financial report of the Group	60,920	59,150
	60,920	59,150
Remuneration of Subsidiary Company's Auditor, Ernst & Young Israel for:		
- auditing or reviewing the financial report of the subsidiary ¹	8,863	8,691
	69,783	67,841

1. Audit fees paid to Ernst & Young subsidiaries for the auditing and/or review of the financial report of iSonea (Israel) Ltd.

Note 8 - Loss per Share

	30 June 2015	30 June 2014
Basic loss per share (cents)	(1.94)	(3.91)
Diluted loss per share (cents)	(1.94)	(3.91)
a) Net loss used in the calculation of basic and diluted loss per share	(5,464,443)	(10,309,957)
b) Weighted average number of ordinary shares outstanding during the period used in the calculation of basic and diluted loss per share	281,526,626	263,761,594
c) Potential ordinary shares, including options, are excluded from the weighted average number of shares used in the calculations of basic loss per share. Potential ordinary shares are not considered to be dilutive because the conversion of potential ordinary shares into ordinary shares would increase the basic loss per share.		

Note 9 - Cash and Cash Equivalents

	30 June 2015	30 June 2014
	\$ AUD	\$ AUD
Cash at Bank	3,008,627	8,212,003
	3,008,627	8,212,003

The interest rates on cash at bank on 30th June 2015 was 1.50% (2014: 2.35%).

Notes to the Financial Statements *Continued...*

The Group's exposure to interest rate risk is discussed in Note 27. The maximum exposure to credit risk at the end of the financial year is the carrying amount of each class of cash and cash equivalents mentioned above.

Note 10 - Trade and Other Receivables

	30 June 2015	30 June 2014
	\$ AUD	\$ AUD
Current		
Trade Receivables ¹	-	299
Other Receivables ²	69,861	83,912
	69,861	84,211

1. Trade Receivables has aged 91 days and over.

2. Other receivables include GST/V.A.T receivable and funds receivable from option exercise. Any trade debtors which are past due are not considered impaired.

Refer to Note 27 for more information on the Groups foreign currency risk management policy.

Note 11 - Inventories

	30 June 2015	30 June 2014
	\$ AUD	\$ AUD
At cost		
Raw Materials and Stores	-	186,877
Work in Progress	20,661	65,121
Finished Goods	756,839	812,479
	777,500	1,064,477

Note 12 - Controlled Entities

a) Controlled Entities

	Country of Incorporation	Percentage of Ownership*	
		30 June 2015	30 June 2014
Parent Entity:			
iSonea Limited	Australia	-	-
Subsidiaries of iSonea Limited:			
KarmelSonix Australia Pty Ltd ¹	Australia	100%	100%
iSonea (Israel) Limited	Israel	100%	100%
iSonea USA Inc.	United States of America	100%	100%

* Percentage of voting power is in proportion to ownership.

1. KarmelSonix Australia Pty Ltd changed its trading name on 27 March 2015.

Note 13 - Property, Plant and Equipment

	30 June 2015	30 June 2014
	\$ AUD	\$ AUD
<u>Furniture & Fittings</u>		
At cost	10,418	17,981
Accumulated depreciation	(4,588)	(10,705)
	5,830	7,276
<u>Computer Equipment & Software</u>		
At cost	198,385	162,627
Accumulated depreciation	(157,753)	(129,949)
	40,632	32,678
<u>Medical Equipment</u>		
At cost	58,338	81,361
Accumulated depreciation	(49,119)	(43,540)
	9,219	37,821
<u>Tooling and Devices for Test</u>		
At cost	33,997	23,663
Accumulated depreciation	(14,867)	(4,667)
	19,130	18,996
Total Plant and Equipment	74,811	96,771

a) Movement in Carrying Amounts

Movements in carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.

	Furniture & Fittings \$ AUD	Computer Equip & Software \$ AUD	Medical Equipment \$ AUD	Tooling & Devices for Test \$ AUD	Total \$ AUD
Balance as at 1 July 2013	6,456	12,728	34,458	-	53,642
Additions	1,534	31,890	13,963	24,081	71,468
Depreciation expense	(854)	(11,299)	(10,345)	(4,771)	(27,269)
Disposals of assets	-	-	-	-	-
Exchange adjustments	140	(641)	(255)	(314)	(1,070)
Carrying amount as at 30 June 2014	7,276	32,678	37,821	18,996	96,771
Additions	-	16,634	-	6,800	23,434
Depreciation expense	(863)	(14,699)	(8,161)	(8,827)	(32,550)
Disposals of assets	(1,681)	-	(31,664)	-	(33,345)
Exchange adjustments	1,098	6,019	11,223	2,161	20,501
Carrying amount as at 30 June 2015	5,830	40,632	9,219	19,130	74,811

Note 14 - Intangible Assets

	30 June 2015	30 June 2014
	\$ AUD	\$ AUD
<u>Intellectual Property</u>		
At cost	1,986,039	1,903,855
Accumulated Amortisation	(1,437,550)	(1,253,897)
	548,489	649,958

	Acquired Intellectual Property
Balance as at 1 July 2013	764,061
Additions	-
Amortisation	(217,335)
Exchange adjustments	103,232
Carrying amount as at 30 June 2014	649,958
Additions	-
Amortisation	(183,653)
Exchange adjustments	82,184
Carrying amount as at 30 June 2015	548,489

Amortisation

Amortisation is charged on a straight line basis over the expected life of the asset and begins when the asset is available for use. The Directors have determined that the asset was available for use on 1 January 2008 and the life of the intangible is 10 years. Intellectual property relates to acquired assets. Remaining useful life of intangible asset is 2.5 years.

Note 15 - Other Assets

	30 June 2015	30 June 2014
	\$ AUD	\$ AUD
<u>Current</u>		
Prepayments	57,002	49,627
Inventory Prepayment	564,868	444,281
Deposits	80,954	262
	702,824	494,170
<u>Non-Current</u>		
Car Leases	2,848	2,619
	2,848	2,619
	705,672	496,789

Note 16 - Trade and Other Payables

	30 June 2015	30 June 2014
	\$ AUD	\$ AUD
Current		
Trade payables	386,398	509,696
Accrued expenses	878,968	998,136
Other payables	-	473
	1,265,366	1,508,305

Refer to Note 27 for more information on the Groups foreign currency risk management policy.

Note 17 - Other Financial Liabilities

	30 June 2015	30 June 2014
	\$ AUD	\$ AUD
Current		
Chief Scientist ¹	19,197	19,499
	19,197	19,499

1. Detailed information in relation to the Chief Scientist and Bird Foundation grants received in Israel is contained in Note 21.

Note 18 - Issued Capital

The Company has an unlimited authorised share capital of no par value ordinary shares.

	30 June 2015		30 June 2014	
	No.	\$ AUD	No.	\$ AUD
Fully Paid Ordinary Shares				
Balance at beginning of year	275,913,955	95,149,981	219,675,323	77,310,846
Shares issued during the year	-	-	39,954,437	14,036,089
Shares to be issued ¹	-	-	-	794,481
Share issued from the exercise of options ¹	5,674,861	-	16,284,195	3,362,287
Transactions costs relating to share issues	-	-	-	(353,722)
Total Issued Capital	281,588,816	95,149,981	275,913,955	95,149,981

1. As at 30 June 2014, iSonea Limited, had 5,674,861 shares to issue to Option holders who have requested to exercise their Listed ISNOB Options at an exercise price of \$0.14 per option. iSonea Limited fulfilled this obligation on 4 July 2014.

During the Year ended 30 June 2015, the Company issued the following securities:

Date	Details	No.	Issue Price \$ AUD	Total Value \$ AUD
04 Jul 14	Issue of shares- Exercise of Listed ISNOB Options ¹	5,674,861	0.140	-
		5,674,861		-

1. As at 30 June 2014, iSonea Limited, had 5,674,861 shares to issue to Option holders who have requested to exercise their Listed ISNOB Options at an exercise price of \$0.14 per option. iSonea Limited fulfilled this obligation on 4 July 2014.

Notes to the Financial Statements *Continued...*

During the Year ended 30 June 2014, the Company issued the following securities:

Date	Details	No.	Issue Price \$ AUD	Total Value \$ AUD
05 Jul 13	Issue of Shares pursuant to \$13.5m Capital Raising via Private Placement as announced to the market on Private Placement 28 June 2013	38,571,429	0.350	13,500,000
05 Jul 13	Issue of shares- Exercise of Listed ISNOB Options	9,551	0.140	1,337
19 Jul 13	Issue of shares- Exercise of Listed ISNOB Options	218,888	0.140	30,644
26 Jul 13	Issue of shares- Exercise of Listed ISNOB Options	557,784	0.140	78,090
26 Jul 13	Issue of shares- Exercise of Unlisted ISNAW Options	650,000	0.460	451,100
12 Aug 13	Issue of shares- Exercise of Listed ISNOB Options	6,906	0.140	967
12 Aug 13	Issue of shares- Exercise of Unlisted ISNAW Options	600,000	0.460	416,400
02 Sep 13	Issue of shares- Exercise of Listed ISNOB Options	171,322	0.140	23,985
23 Sep 13	Issue of shares- Exercise of Listed ISNOB Options	388,717	0.140	53,895
23 Sep 13	Issue of shares to Consultant in lieu of cash payment for services	50,000	0.790	39,500
27 Sep 13	Issue of shares- Exercise of Listed ISNOB Options	22,465	0.140	3,670
11 Oct 13	Issue of shares- Exercise of Listed ISNOB Options	127,125	0.140	17,798
18 Oct 13	Issue of shares- Exercise of Listed ISNOB Options	571,072	0.140	79,950
13 Nov 13	Issue of shares- Exercise of Listed ISNOB Options	66,305	0.140	9,283
29 Nov 13	Issue of shares- Exercise of Listed ISNOB Options	84,062	0.140	11,769
29 Nov 13	Issue of shares pursuant to Resolution 8 approved by members at the 2013 Annual General Meeting on 31 Oct 2013	231,348	0.407	94,114
29 Nov 13	Issue of shares in accordance with the Employee Share and Option Plan (ESOP)	481,250	0.530	255,062
27 Dec 13	Issue of shares- Exercise of Listed ISNOB Options	347,051	0.140	48,587
17 Jan 14	Issue of shares in lieu of cash payment for professional services rendered	89,074	0.337	30,000
17 Jan 14	Issue of shares- Exercise of Listed ISNOB Options	25,000	0.140	3,500
14 Feb 14	Issue of shares- Exercise of Listed ISNOB Options	664,236	0.140	248,993
28 Feb 14	Issue of shares- Exercise of Listed ISNOB Options	636,940	0.140	323,172
21 Mar 14	Issue of shares- Exercise of Listed ISNOB Options	58,159	0.140	8,142
05 May 14	Issue of shares in lieu of cash payment for professional services rendered	314,943	0.180	56,690
05 May 14	Issue of shares in accordance with the Employee Share and Option Plan (ESOP)	102,265	0.268	27,450

Date	Details	No.	Issue Price \$ AUD	Total Value \$ AUD
05 May 14	Issue of shares in accordance with the Employee Share and Option Plan (ESOP)	73,059	0.297	21,728
05 May 14	Issue of shares in accordance with the Employee Share and Option Plan (ESOP)	17,959	0.345	6,203
05 May 14	Issue of shares in accordance with the Employee Share and Option Plan (ESOP)	23,110	0.231	5,341
05 May 14	Issue of shares- Exercise of Listed ISNOB Options	101,406	0.140	14,197
30 May 14	Issue of shares- Exercise of Listed ISNOB Options	291,694	0.140	40,837
05 Jun 14	Issue of shares- Exercise of Listed ISNOB Options	1,647,271	0.140	230,618
13 Jun 14	Issue of shares- Exercise of Listed ISNOB Options	60,243	0.140	8,434
20 Jun 14	Issue of shares- Exercise of Listed ISNOB Options	4,796,094	0.140	671,453
27 Jun 14	Issue of shares- Exercise of Listed ISNOB Options	4,181,904	0.140	585,467
30 Jun 14	Shares to be issued ¹		0.140	794,481
			56,238,632	18,192,857

1. As at 30 June 2014, iSonea Limited, had 5,674,861 shares to issue to Option holders who have requested to exercise their Listed ISNOB Options at an exercise price of \$0.14 per option. iSonea Limited fulfilled this obligation on 4 July 2014.

Terms and Conditions of Issued Capital

Ordinary Shares:

Ordinary shareholders have the right to receive dividends as declared and in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy at a meeting of the Company.

Options:

Option holders do not have the right to receive dividends and are not entitled to vote at the meeting of the Company until options are exercised into ordinary shares by payment of the exercise price. Options may be exercised at any time from the date they vest to their expiry date. Share options convert into ordinary shares on a one for one basis on the date they are exercised.

Capital Risk Management:

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

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

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

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

The capital risk management policy remains unchanged from the 30 June 2014 Annual Report.

Note 19 - Option Reserves

	30 June 2015		30 June 2014	
	No.	\$ AUD	No.	\$ AUD
Options				
Balance at beginning of year	8,725,964	861,257	25,557,724	1,706,441
Listed Options issued during the year	-	-	1,000,000	390,000
Unlisted Options issued during the year	10,000,000	121,400	1,143,060	73,759
Share issued from the exercise of options ¹	(5,674,861)	-	(16,284,195)	(682,500)
Expense recorded options over vesting period	-	-	-	840,942
Lapse of options due to nil exercise	(1,258,043)	(537,351)	(2,690,625)	(1,467,385)
Total Reserves	11,793,060	445,306	8,725,964	861,257

1. As at 30 June 2014, iSonea Limited, had 5,674,861 shares to issue to Option holders who have requested to exercise their Listed ISNOB Options at an exercise price of \$0.14 per option. iSonea Limited fulfilled this obligation on 4 July 2014.

During the Year ended 30 June 2015, the Company issued the following securities:

30 June 2015		Option fair value	Total Value
Date	Details		
No.		\$ AUD	\$ AUD
Unlisted Options			
28 Nov 14	Issue pursuant to approval by shareholders at Company's Annual General meeting on 28th November 2014	10,000,000	0.012
			121,400
		10,000,000	121,400

During the Year ended 30 June 2014, the Company issued the following securities:

30 June 2014		Option fair value	Total Value
Date	Details		
No.		\$ AUD	\$ AUD
Listed Options			
29 Nov 14	Issue of listed options pursuant to Resolution 3A, B, C, D and E approved by members at the 2013 Annual General Meeting on 31 Oct 2013	1,000,000	0.390
			390,000
		1,000,000	390,000
Unlisted Options			
05 May 14	Issue of options to Employees under Employee Share Option Plan (ESOP)	143,060	0.077
			11,059
05 May 14	Issue of options to Employees under Employee Share Option Plan (ESOP)	1,000,000	0.063
			62,700
		1,143,060	73,759

Option Reserve:

The option reserve recognises the proceeds from the issue of options over ordinary shares and the expense recognises in respect of share based payments.

Note 20 - Capital and Leasing Commitments

a) Operating Lease Commitments

	30 June 2015	30 June 2014
	\$ AUD	\$ AUD
Non-cancellable operating leases contracted for but not capitalised in the financial statements:		
Minimum lease payments payable		
- not later than 12 months	46,867	69,644
- between 12 months and 5 years	66,395	-
	113,262	69,644

Haifa, Israel

The lease is a non-cancellable lease with a five-year term, with rent payable monthly in advance. There are contingent rental provisions within the lease agreement which link the lease payments to CPI. The option to renew the lease at the end of the initial five-year term for two additional terms of one year has been accepted.

In order to secure the company's obligations, the Company gave a bank guarantee in the amount of ILS \$50,000 to the lessor.

San Diego, USA

iSonea Ltd no longer has an office in San Diego. The lease was cancelled and settled mid-June 2015.

b) Other commitments

iSonea Limited have no other commitments.

Note 21 - Contingent Liabilities

Office of the Chief Scientist- Israel

Following approval from the Office of the Chief Scientist in Israel (OCS), certain intellectual property (IP) and associated OCS grant royalty payment commitments were acquired by iSonea from Karmel Medical Acoustic Technologies Ltd (KMAT) in 2006.

The terms of the OCS grant scheme specify that once any IP developed and commercialised from these advances generates sale revenue for the company, a 3.5% of sales revenue royalty is to be paid to the OCS. The total royalty payment commitment is capped at an amount calculated by adding to the grant amounts received a London Interbank Offered Rate (LIBOR) based interest indexation factor.

As at 30 June 2015, the maximum royalty payment commitment to the OCS of all six grants which may result in commercialised IP was USD\$1,157,028 (2014: USD\$1,116,795).

Binational Industrial Research and Development Foundation – Israel

In December 2008 the company signed a three party joint venture grant agreement with the Binational Industrial Research and Development Foundation (BIRD) and an American company Sandhill Scientific Inc. (JV partner).

Under this grant agreement iSonea received four grants totalling USD\$459,933 to assist with the joint funding of IP development in conjunction with our JV partner. The terms of these grants include a condition that if any IP developed under this agreement is commercialised, iSonea would pay a royalty amount of 5% on any revenues generated. The royalty payment commitment is capped at a maximum total value equal to the BIRD grants received by the company plus a CPI indexation factor.

On the basis of the current status of our research and development outcomes, the Company does not anticipate that any future revenues will be received from the IP developed under this co-funded grants scheme.

As at 30 June 2015, the maximum royalty payment commitment of iSonea under the BIRD JV agreement was USD\$459,933 (2014: USD\$367,622).

Note 22 - Segment Reporting

Primary Reporting Format - Business Segments

The consolidated entity has identified its operating segments based on the internal reports that are reviewed and used by the executive management team in assessing performance and determining the allocation of resources.

The executive management team considers the business from both a product and a geographic perspective and has identified three reportable segments. Medical devices consists of research and development, commercialisation and sale of a suite of medical devices being developed by the Company in the subsidiaries in Israel, United States of America and Australia.

Management monitors the performance in these three regions separately. Corporate, administration and support services are provided in Australia and performance is monitored separately to the medical device business.

The Board assesses the performance of the operating segments at a number of operating levels including adjusted EBITDA. This measurement excludes the effects of certain expenditure from the operating segments such as depreciation, amortisation and finance costs.

The reportable segments are based on aggregated operating segments determined by similarity of expenses, where expenses in the reportable segments exceed 10% of the total expenses for either the current and/or previous reporting period.

30 June 2015	----- Medical Devices -----			Segment	Corporate	Total
	Australia	Israel	USA	Total		
	\$ AUD	\$ AUD	\$ AUD	\$ AUD	\$ AUD	\$ AUD
Segment Revenue						
External sales/grant income	340	93,648	-	93,988	-	93,988
Interest revenue	110	-	-	110	32,411	32,521
Total Segment Revenue	450	93,648	-	94,098	32,411	126,509
Segment Expenses						
Segment Depreciation Expenses	(3,271)	(9,851)	(18,305)	(31,427)	(1,123)	(32,550)
Segment Expenses	(1,653,660)	(749,263)	(1,299,923)	(3,702,846)	(1,855,556)	(5,558,402)
Total Segment Expense	(1,656,931)	(759,114)	(1,318,228)	(3,734,273)	(1,856,679)	(5,590,952)
Income Tax Expense	-	-	-	-	-	-
Net Result	(1,656,481)	(665,466)	(1,318,228)	(3,640,175)	(1,824,268)	(5,464,443)
Assets						
Segment assets	1,852,908	690,545	32,765	2,576,218	2,608,742	5,184,960
Total Assets	1,852,908	690,545	32,765	2,576,218	2,608,742	5,184,960
Liabilities						
Segment liabilities	465,866	138,780	175,997	780,643	503,920	1,284,563
Total Liabilities	465,866	138,780	175,997	780,643	503,920	1,284,563

Notes to the Financial Statements *Continued...*

30 June 2014	----- Medical Devices -----			Segment	Corporate	Total
	Australia \$ AUD	Israel \$ AUD	USA \$ AUD	Total \$ AUD	\$ AUD	\$ AUD
Segment Revenue						
External sales	14,684	4,291	-	18,975	-	18,975
Interest revenue	-	-	545	545	250,298	250,843
Other Income	-	-	-	-	-	-
Total Segment Revenue	14,684	4,291	545	19,520	250,298	269,818
Segment Expenses						
Segment Depreciation Expenses	(816)	(5,700)	(3,829)	(10,345)	(16,924)	(27,269)
Segment Expenses	(1,509,595)	(1,232,438)	(4,462,318)	(7,204,351)	(3,348,155)	(10,552,506)
Total Segment Expense	(1,510,411)	(1,238,138)	(4,466,147)	(7,214,696)	(3,365,079)	(10,579,775)
Income Tax Expense	-	-	-	-	-	-
Net Result	(1,495,727)	(1,233,847)	(4,465,602)	(7,195,176)	(3,114,781)	(10,309,957)
Assets						
Segment assets	1,500,007	744,440	219,096	2,463,543	8,140,666	10,604,209
Total Assets	1,500,007	744,440	219,096	2,463,543	8,140,666	10,604,209
Liabilities						
Segment liabilities	697,013	87,130	368,461	1,152,604	375,200	1,527,804
Total Liabilities	697,013	87,130	368,461	1,152,604	375,200	1,527,804

Note 23 - Cash Flow Information

a) Reconciliation of cash flow from operations with loss after income tax

	30 June 2015 \$AUD	30 June 2014 \$AUD
Net Loss for the year	(5,464,443)	(10,309,957)
Add back depreciation expense	32,550	27,269
Add back amortisation expense	183,653	217,335
Add back options issued for nil consideration	121,400	1,602,005
Add back impairment of inventory	125,029	-
Add back profit or loss on sale of asset	30,955	-
Add back foreign exchange adjustments	(610,038)	(27,969)
(Increases)/Decreases in Accounts Receivable	(96,274)	528,469
Increases in Other Current Assets	(127,692)	(415,725)
(Decreases)/Increases in Accounts Payable	(248,758)	282,424
Increases/(Decreases) in Other Current Liabilities	-	19,499
Decreases/(Increases) in Inventory	161,678	(1,021,590)
Net cash flows used in operating activities	(5,891,940)	(9,098,240)

b) Non-Cash financing and investing activities

Please refer to Note 18 and 19 for further details regarding equity issued for nil consideration.

Note 24 - Share-based Payments

At the Annual General Meeting held on 30 October 2013, Shareholders approved the establishment of the 2013 Employees', Directors' and Consultants' Share and Option Plan (ESOP). The ESOP is intended to reward Directors, employees and/or consultants for their contributions to the Group. The Plan is to be used as a method of retaining and providing incentives to key personnel for the growth and development of the Group. The Plan has been established to benefit personnel in Australia, Israel and USA.

As at 30 June 2015 equity had been issued to 8 employees in USA and 2 employees in Israel under ESOP.

a) The following shares were issued to eligible persons under the ESOP:

	30 June 2015	30 June 2014
	No. of Shares	No. of Shares
Total granted at the beginning of the year	2,484,108	1,786,465
Granted	-	697,643
Total granted at end of the year	2,484,108	2,484,108

Shares issued to employees and consultants were valued at 35% of their base Salary and are equal to the value of services provided under an agreement / invoice.

No shares have been granted during the current financial year. The weighted average fair value of the shares granted during for 2014 was \$0.45. For the year ended 30 June 2014, \$315,785 has been expensed in profit or loss.

b) The following options were issued to eligible persons under the ESOP:

	30 June 2015		30 June 2014	
	No. of Options	Weighted Average Exercise Price \$ AUD	No. of Options	Weighted Average Exercise Price \$ AUD
Outstanding at the beginning of the year	2,203,060	0.23	3,335,000	0.40
Granted	-	-	1,143,060	0.06
Expired/lapsed	(1,060,000)	-	(2,275,000)	-
Outstanding at year-end	1,143,060	0.23	2,203,060	0.23
Exercisable at year-end	1,143,060	0.23	2,203,060	0.23

All option vest immediately and are exercisable as at 30 June 2015. No options were exercised during the current or previous year under ESOP.

The options outstanding at 30 June 2015 had a weighted average exercise price of \$0.23 and a weighted average remaining contractual life between 1 to 2 years. Exercise prices range from \$0.28 to \$0.40 in respect of options outstanding at 30 June 2015:

Ref	Issue Date	Quantity	Expiry Date	Exercise Price \$ AUD	Value Attributed at Grant Date \$ AUD	Expensed YTD \$ AUD	Balance to be Expensed over Life \$ AUD
1	15 May 14	1,000,000	02 Apr 17	0.40	62,700	62,700	-
2	15 May 14	143,060	02 Apr 17	0.28	11,101	11,101	-

No options have been granted during the financial year 2015. A total of \$244,121 of unlisted options has been expensed under Consultants, Employees and Directors expense in profit or loss for financial year 2014.

c) The following shares were issued outside of the ESOP:

	No. of Shares	
	30 June 2015	30 June 2014
Total granted at the beginning of the year	273,429,847	217,888,858
Granted	-	39,256,794
From the exercised of options	5,674,861	16,284,195
Total granted at end of the year	279,104,708	273,429,847

Shares issued to employees and consultants were valued at the market price of the shares at grant date and are equal to the value of services provided under an agreement/invoice.

iSonea Limited had 5,674,861 Listed ISNOB Options still due to fulfil the requested exercise as at 30 June 2014. iSonea Limited issued 5,674,861 fully paid ordinary shares as a result on 4 July 2015 at an exercise price of \$0.14 per option. The weighted average fair value of the shares granted during 2014 financial year was \$0.35. No shares were issued during 2015 financial year that were expensed in profit or loss. For the year ended 30 June 2014 \$39,500 has been expensed in profit or loss.

d) The following options were issued outside of the ESOP:

	30 June 2015		30 June 2014	
	No. of Options	Weighted Average Exercise Price \$ AUD	No. of Options	Weighted Average Exercise Price \$ AUD
Outstanding at the beginning of the year	6,522,904	0.40	22,222,724	0.40
Granted	10,000,000	0.28	1,000,000	-
Exercised	(5,674,861)	-	(16,284,195)	-
Expired/lapsed	(198,043)	-	(415,625)	-
Outstanding at year-end	10,650,000	0.32	6,522,904	0.40
Exercisable at year-end	10,650,000	0.32	6,522,904	0.40

The options outstanding at 30 June 2015 had a weighted average exercise price of \$0.32 and a weighted average remaining contractual life of 1.5 years. Exercise prices range from \$0.28 to \$1.00 in respect of options outstanding at 30 June 2015.

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

Grant Date	Expiry date	Share price at grant date \$ AUD	Exercise price \$ AUD	Expected Volatility	Dividend yield	Risk-free interest rate	Fair value at grant date \$ AUD
12 Dec 15	03 Feb 17	\$ 0.07	\$ 0.28	88.40%	-	2.23%	\$ 0.012

Expected Volatility was calculated using the Hoadley Historic Volatility calculator.

The reconciliation of Share-Based Payments expensed during the period is as follows:

	30 June 2015	30 June 2014
	\$ AUD	\$ AUD
Share-Based Payments to Directors	121,400	390,000
Share-Based Payments to Executives	-	335,937
Share-Based Payments to Consultants	-	184,641
Share-Based Payments	121,400	910,578
Separation Agreement Payments via Share-Based Payment		335,297
Termination Payments via Share-Based Payment	-	335,297

Note 25 - Matters subsequent to Reporting Date

No matters or circumstances have arisen since the end of the reporting period which significantly affected or may significantly affect the operations of the economic entity, the result of those operations or the state of affairs of the economic entity in subsequent financial years.

Note 26 - Related Party Transactions

iSonea Limited loans funds to subsidiaries on an at-call basis and charges interest on the balance of the funds outstanding based on the Australian Taxation Office (ATO) benchmark interest rate of the prior year 6.2% (2014: 7.05%) per annum. As at 30 June 2015, the balance outstanding from subsidiaries was \$44,383,728 (2014: \$38,289,605) and the interest charged for the financial year was \$2,575,164 (2014: \$2,476,661). An accumulated provision for impairment of \$44,383,728 (2014: \$37,784,108) has been recognised by iSonea Limited against these loans. In the current period the parent recognised an impairment expense of \$6,599,620 (2014: \$8,416,734) on the loans to subsidiaries. All loans and interest are eliminated on consolidation.

Note 27 - Financial Risk Management

The Group's activities expose it to a variety of financial risks including market risk, credit risk and liquidity risk. Price risk is not a risk exposure. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The Company and Group do not have written policies regarding risk management however, these risks are managed prudently by senior management.

a) Market Risk

(i) Foreign Currency Risk

The Group engages in international purchase transactions and is exposed to foreign currency risk arising from various currency exposures, primarily with respect to the US dollar (USD) and Israeli shekel (ILS). The parent has minimal exposure to foreign exchange risk as it does not hold any foreign currency cash reserves and only makes minor foreign currency payments. The Group does not make use of derivative financial instruments to hedge foreign exchange risk.

Notes to the Financial Statements *Continued.....*

The carrying amount of the foreign currency denominated monetary assets and liabilities at the reporting date is as follows, all amounts in the table below are displayed in \$AUD at year-end spot rates:

	30 June 2015 \$ AUD	30 June 2014 \$ AUD
Cash and trade and other receivables		
- ILS	32,074	47,755
- USD	2,165,915	5,591,453
- EUR	3,494	1,592
	2,201,484	5,640,800
Trade and other payables		
- ILS	(119,583)	(70,738)
- USD	(582,087)	(1,042,793)
	(701,670)	(1,113,531)

Sensitivity Analysis

The Group currently has material exposures to the Israeli New Shekel (ILS), US dollar (USD) and Euro (EUR). The sensitivity analysis below is conducted on a bi-currency basis using the same sensitivity analysis variable, which has been based on the average annual movement in the AUD/ILS, AUD/USD and AUD/EUR exchange rate over the year based on the year-end spot rates.

All the amounts in the table below are displayed in \$AUD. A positive number indicates an increase in profit and equity. A negative number indicates a decrease in profit and equity.

	(Higher) / Lower 30 June 2015	(Higher) / Lower 30 June 2014
Cash and trade receivables:		
AUD/ILS: 2015: +13.00% (2014: +6.00%)	4,170	2,865
AUD/ILS: 2015: -13.00% (2014: -6.00%)	(4,170)	(2,865)
AUD/USD: 2015: +19.00% (2014: +6.00%)	411,524	335,487
AUD/USD: 2015: -19.00% (2014: -6.00%)	(411,524)	(335,487)
AUD/EUR: 2015: +8.00% (2014: +6.00%)	280	95
AUD/EUR: 2015: -8.00% (2014: -6.00%)	(280)	(95)

	(Higher) / Lower 30 June 2015	(Higher) / Lower 30 June 2014
Trade and other payables		
AUD/ILS: 2015: +13.00% (2014: +6.00%)	15,546	4,244
AUD/ILS: 2015: -13.00% (2014: -6.00%)	(15,546)	(4,244)
AUD/USD: 2015: +19.00% (2014: +6.00%)	110,597	62,568
AUD/USD: 2015: -19.00% (2014: -6.00%)	(110,597)	(62,568)

(ii) Interest Rate Risk

The Group's exposure to interest rate risk is the risk that a financial instruments value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities.

Notes to the Financial Statements *Continued.....*

30 June 2015	Weighted Average Effective Interest Rate %	Floating Interest Rate \$ AUD	Fixed Interest Rate within Year \$ AUD	Non-Interest Bearing \$ AUD	Total \$ AUD
Financial Assets					
Cash and trade receivables	1.50%	3,008,627	-	-	3,008,627
Trade and other receivables	-	-	-	69,861	69,861
Total Financial Assets		3,008,627	-	69,861	3,078,488
Financial Liabilities					
Trade and other payables	-	-	-	1,265,366	1,265,366
Total Financial Liabilities		-	-	1,265,366	1,265,366

30 June 2014	Weighted Average Effective Interest Rate %	Floating Interest Rate \$ AUD	Fixed Interest Rate within Year \$ AUD	Non-Interest Bearing \$ AUD	Total \$ AUD
Financial Assets					
Cash and trade receivables	2.35%	8,212,003	-	-	8,212,003
Trade and other receivables	-	-	-	84,211	84,211
Total Financial Assets		8,212,003	-	84,211	8,296,214
Financial Liabilities					
Trade and other payables	-	-	-	1,508,305	1,508,305
Total Financial Liabilities		-	-	1,508,305	1,508,305

There has been no change to the Group's exposure to interest rate risk or the manner in which it manages and measures its risk in the current year.

Sensitivity Analysis

A movement in the interest rate by +/- 20.00% (2014: 6.00%), being reflective of the movement of the weighted average interest rates from financial years 2014 to 2015, and all other variables had remained constant, would impact the consolidated entity's loss after tax and equity as follows:

	30 June 2015 \$ AUD	30 June 2014 \$ AUD
+20.00% (2,000 basis points) (2014: +6.00%)	601,725	492,720
-20.00% (2,000 basis points) (2014: -6.00%)	(601,725)	(492,720)

b) Credit Risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Group. The Group has no significant concentration of credit risk in the current or prior year.

The Group ensures that surplus cash is invested with financial institutions of appropriate credit worthiness and limits the amount of credit exposure to any one counter party.

There has been no significant change in the Group's exposure to credit risk since the previous year. The carrying amount of the Group's financial assets represent the maximum credit exposure.

Ageing of Trade Receivables

	0-30 days	31-60 days	61-90 days	90+ days	Total
	\$ AUD	\$ AUD	\$ AUD	\$ AUD	\$ AUD
2015 Trade and other receivables	69,861	-	-	-	69,861
2014 Trade and other receivables	83,912	-	-	299	84,211

The credit period offered by the Group is 30 days from the date of invoice. No interest is charged on trade receivables.

c) Liquidity Risk

Liquidity risk is the risk that the Group will not pay its debtors when they fall due. Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Group manages liquidity risk by maintaining sufficient bank balances to fund its operations and the availability of funding through committed credit facilities.

Management manages this risk by monitoring rolling forecasts of the Group's liquidity reserve on the basis of expected cash flows.

	0-30 days	31-60 days	61-90 days	90+ days	Total
	\$ AUD	\$ AUD	\$ AUD	\$ AUD	\$ AUD
2015 Trade and other payables	1,144,396	62,700	4,648	53,622	1,265,366
2014 Trade and other payables	1,448,318	56,658	3,329	-	1,508,305

d) Capital Risk Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain a capital structure that maximises shareholder value. In order to maintain or achieve an optimal capital structure, the Group may issue new shares or reduce its capital, subject to the provisions of the Group's constitution.

The capital structure of the Group consists of equity attributed to equity holders of the Group, comprising contributed equity and reserves disclosed in Notes 18 and 19. By monitoring undiscounted cash flow forecasts and actual cash flows provided to the Board by the Group's Management the Board monitors the need to raise additional equity from the equity markets.

e) Fair Value Estimation

The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective fair values determined in accordance with the accounting policies disclosed in Note 1.

Note 28 - Company Details

The Company's Registered Office and Principal Place of Business is:

iSonea Limited
The Rialto, Level 29,
525 Collins Street
Melbourne, Victoria
AUSTRALIA 3000

Ph: +61 (0)3 9824 5254

Fx: +61 (0)3 9822 7735

www.isonea.com

www.airsona.com.au

Directors' Declaration

The Directors of the Company declare that:

In the opinion of the Directors:

1. the financial statements and the notes, as set out on pages 22 to 57, and the remuneration disclosures that are contained within the Remuneration report within the Directors' report, set out on pages 10 to 19, are in accordance with the Corporations Act 2001 and:
 - a. comply with Accounting Standards and the Corporations Regulations 2001 and other mandate professional reporting requirements; and
 - b. give a true and fair view of the financial position as at 30 June 2015 and of the performance for the year ended on that date of the Company;
 - c. the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1.
2. in the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2015.

For and on behalf of the Company;



Mr Leon L'Huillier
Chairman
Melbourne

Dated: This the 8th September 2015

Independent Auditor's Report



Tel: +61 3 9603 1700
Fax: +61 3 9602 3870
www.bdo.com.au

Level 14, 140 William St
Melbourne VIC 3000
GPO Box 5099 Melbourne VIC 3001
Australia

INDEPENDENT AUDITOR'S REPORT

To the members of iSonea Limited

Report on the Financial Report

We have audited the accompanying financial report of iSonea Limited, which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

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

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

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

BDO East Coast Partnership ABN 83 236 985 726 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO East Coast Partnership and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the International BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation, other than for the acts or omissions of financial services licensees.



Independence

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

Opinion

In our opinion:

- (a) the financial report of iSonea 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 2015 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 19 of the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of iSonea Limited for the year ended 30 June 2015 complies with section 300A of the *Corporations Act 2001*.

BDO East Coast Partnership

A stylized signature of the BDO East Coast Partnership, written in a dark ink.

A handwritten signature of James Mooney, written in a dark ink.

James Mooney
Partner

Melbourne, 8 September 2015

NUMBER OF HOLDERS OF EQUITY SECURITIES

Ordinary Shares

281,588,816 (ASX: ISN) fully paid ordinary shares are held by 4,404 individual shareholders.

All ordinary shares carry one vote per share.

Options

Unlisted Options

650,000 (ASX: ISNAO) unlisted options exercisable at \$1.00 on or before 15/12/2015, are held by 2 individual unlisted option holders.

1,143,060 (ASX: ISNAW) unlisted options exercisable at various prices on or before 02/04/2017, are held by 2 individual unlisted option holders.

10,000,000 (ASX: ISNAW) unlisted options exercisable at \$0.28 on or before 03/02/2017, are held by 4 individual unlisted option holders.

Options do not carry a right to vote. Voting rights will be attached to the unissued shares when the options have been exercised.

DISTRIBUTION OF HOLDERS IN EQUITY SECURITIES

	No. of Holders
	Ordinary Shares
1 - 1,000	1,969
1,001 - 5,000	652
5,001 - 10,000	419
10,001 - 100,000	1,019
100,001 +	345
Total number of shareholders	4,404
Unmarketable parcels	3,070

TWENTY LARGEST HOLDERS OF QUOTED SECURITIES

Shareholders	Number	%
1 Investment Holdings Pty Ltd	48,000,000	17.05%
2 Holdrey Pty Ltd	5,916,000	2.10%
3 Luhopi Pty Ltd	5,000,000	1.78%
4 Braun Peter Karl	4,863,913	1.73%
5 UBS Nominees Pty Ltd	3,500,000	1.24%
6 Equitas Nominees Pty Ltd	3,340,000	1.19%
7 Laval Enterprises Pty Ltd	3,296,282	1.17%
8 Winconlon Pty Ltd	3,110,027	1.10%
9 One Dog One Bone Pty Ltd	3,000,000	1.07%
10 Renlyn Bell Investments Pty Ltd	2,943,132	1.05%
11 Principal Asset Management Pty Ltd	2,877,155	1.02%
12 Clemwell Pty Ltd	2,695,733	0.96%
13 HSBC Custody Nominees Australia Pty Ltd	2,619,623	0.93%
14 Mick Ashton Nominees Pty Ltd	2,459,880	0.87%
15 Mcewen Pty Ltd	2,376,500	0.84%
16 Graham Thomas Montrose	2,328,796	0.83%
17 Stonemine Pty Ltd	2,230,000	0.79%
18 John W King Nominees Pty Ltd	2,142,917	0.76%
19 Atlantis Investigations	2,113,534	0.75%
20 Hills Ingrid	2,015,790	0.72%
Total	106,829,282	37.95%
Total balance of remaining holders	174,759,534	62.05%
Total on Issue	281,588,816	100%

SUBSTANTIAL SHAREHOLDERS

The names of substantial shareholders who have notified the Company in accordance with Section 671B of the Corporations Act.

Substantial Shareholders	No. of Shares
Investment Holdings Pty Ltd	48,000,000
Total No. of shares held by Substantial Shareholders	48,000,000

SHAREHOLDER ENQUIRIES

Shareholders with enquiries about their shareholdings should contact the Share Register:

Security Transfer Registrars Pty Ltd
770 Canning Highway
Applecross, Western Australia, 6153

Telephone: +61 (0)8 9315 2333
Facsimilie: +61 (0)8 9315 2233
Email: registrar@securitytransfer.com.au

CHANGE OF ADDRESS, CHANGE OF NAME, CONSOLIDATION OF SHAREHOLDINGS

Shareholders should contact the Share Registry to obtain details of the procedure required for any of these changes.

REMOVAL FROM THE ANNUAL REPORT MAILING LIST

Shareholders who wish to receive the Annual Report should advise the Share Registry in writing. These shareholders will continue to receive all other shareholder information.

TAX FILE NUMBERS

It is important that Australian resident shareholders, including children, have their tax file number or exemption details noted by the Share Registry.

CHESS (Clearing House Electronic Subregister System)

Shareholders wishing to move to uncertified holdings under the Australian Stock Exchange (CHESS) system should contact their stockbroker.

UNCERTIFIED SHARE REGISTER

Shareholding statements are issued at the end of each month in which there is a transaction that alters the balance of your holding.

Corporate Directory

AUSTRALIAN COMPANY NUMBER (ACN)

009 234 173

iSonea Limited is a Public Company Limited by shares and is domiciled in Australia.

DIRECTORS

Mr Leon L'Huillier
Mr John Ribot-de-Bresac
Dr Timothy Oldham
Mr David Ashmore
Mr Ross Blair-Holt

Executive Chairman
Non-Executive Director
Non-Executive Director
Non-Executive Director
Non-Executive Director

COMPANY SECRETARIES

Mr Phillip Hains
Mr Peter Vaughan

PRINCIPAL PLACE OF BUSINESS

The Rialto, Level 29,
525 Collins Street
Melbourne, Victoria
AUSTRALIA 3000
Telephone: + 61 (0)3 9824 5254
Fax: + 61 (0)3 9822 7735

REGISTERED OFFICE

The Rialto, Level 29,
525 Collins Street
Melbourne, Victoria
AUSTRALIA 3000
Telephone: + 61 (0)3 9824 5254
Fax: + 61 (0)3 9822 7735

SHARE REGISTRY

Security Transfer Registrars Pty Ltd
770 Canning Highway
Applecross, Western Australia, 6153
Australia
Telephone: +61 (0)8 9315 2333

SOLICITORS

Francis Abourizk Lightowlers
Level 14, 14 Williams Street
Melbourne, Victoria, 3000
Australia

AUDITORS

BDO East Coast Partnership
Level 14, 140 William Street
Melbourne, Victoria, 3000
Australia

BANKERS

National Australia Bank (NAB)
330 Collins Street,
Melbourne, Victoria, 3000
Australia

WEBSITE

www.isonea.com
www.airsona.com.au

SECURITIES QUOTED

Australian Securities Exchange
- Ordinary Fully Paid Shares (Code: ISN)



Registered Office
The Rialto, Level 29
525 Collins St, Melbourne
Victoria, Australia, 3000

Phone: +61 3 9824 5254
Fax: +61 3 9822 7735
isonesa.com

ACN 009 234 173
ABN 98 009 234 173