



FERMISCAN HOLDINGS LIMITED

ACN 000 689 725

**ANNUAL REPORT
31 DECEMBER 2010**

Chairman's Report

Dear Shareholders

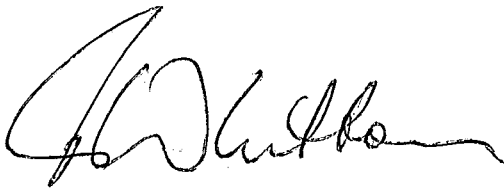
As shareholders would be aware the company has in the past year been returned from the control of a Deed Administrator and as a result has caught up on its statutory requirements. One such requirement was the holding of its outstanding 2009 AGM which as you may recall was held on 1 December 2010 as a result much of what occurred in the 2010 year has been reported previously in either the notice for such meeting or in the subsequent prospectus.

In summary however 2010 was a year when the Board worked diligently to put in place strategies which would enable the re quoting of the company's shares on the ASX, which event subsequently occurred on 23 March 2011.

The company's placement raising \$1M was fully subscribed and \$288,693 was raised by the rights issue and shortfall facility and the \$300,000 convertible notes have also converted to ordinary shares.

The directors are currently examining the strategies and opportunities available to them to take the company forward.

I would like to thank shareholders for their patience and as well directors for their assistance.

A handwritten signature in black ink, appearing to read 'R Whitton', with a stylized, flowing script.

Robert Whitton
Chairman

Fermiscan Holdings Limited and Controlled Entities Directors' report

The directors present their report together with the financial report of the consolidated entity consisting of Fermiscan Holdings Limited (Fermiscan) and the entities it controlled, for the financial year ended 31 December 2010 and auditor's report thereon. This financial report has been prepared in accordance with Australian Accounting Standards.

Principal activities

As shareholders would be aware a Voluntary Administrator was appointed to Fermiscan and a number of its controlled entities on 18 November 2009.

During the period since the end of the financial year ended 31 December 2009 the company remained under the control of the Voluntary Administrator until effectuation of the Deed of Company Arrangement ("DOCA") on 11 June 2010 since that time the Board has put in place strategies to enable the company to be relisted on the Australian Stock Exchange ("ASX").

Results

The consolidated loss after income tax attributable to the members of Fermiscan Holdings Limited was \$76,982 (2009: loss \$14.108 million).

Review of operations

Since the return of the company from the DOCA the company has not traded. Its directors have put in place the requisite strategies to have the company requoted on the ASX.

The company has attended to the lodgement of all outstanding ASX filings, finalised the 2009 Annual Report and lodged the 30 June 2010 half year report. It held its outstanding Annual General Meeting. Additionally, it has undertaken capital raising activities to enable the company to be relisted on the ASX.

The company has also confirmed relationships and strategies to enable it to move forward with trials in Italy and France of the Technology formerly owned by the Group.

Cash position

The overall net cash position in the year decreased from \$865,000 at 31 December 2009 to \$60,269 at 31 December 2010.

Significant changes in the state of affairs

Apart from the matters noted in the "Review of operations", "After balance date events" and in the financial statements and accompanying notes attached, there were no other significant changes in the state of affairs.

After balance date events

10 February 2011- prospectus lodged to issue to shareholders a Non renounceable entitlement issue of 1 New Share for every 2 shares held at \$0.01 each with a shortfall facility.

1 March 2011- the company placed 100,000,000 ordinary shares at 1 cent each to raise \$1,000,000 and issued 150,000,000 ordinary shares at 0.1 cent each to Autus Capital Pty Limited for services as lead manager totalling \$150,000.

3 March 2011- the rights issued closed and the company received applications for 7,542,989 ordinary shares to raise \$75,429.89. Under the shortfall facility the company received applications for 18,126,335 ordinary shares and received \$181,263.35.

14 March 2011- the \$300,000 convertible notes converted to 150,000,000 ordinary shares.

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

Likely developments

Quotation of the company's shares to the Australian Securities Exchange.

Environmental regulation

The consolidated entity's operations are not subject to any significant Commonwealth or State environmental regulations or laws.

Dividend paid, recommended and declared

No dividends were paid, declared or recommended since the start of the financial year.

Share options

There were no options issues, repurchases and repayments of debt securities or equity securities in the year. Fermiscan has a "Dealing in Securities Policy" and an overview of the policy is available on the company website 11,600,000 options that were on issue as at 31 December 2009 lapsed during the year.

Shares issued on exercise of options

No ordinary shares were issued during or since the end of the financial year as a result of the exercise of an option.

Indemnification and insurance of Directors and Officers

For the year ended 31 December 2010 the Company had agreements to indemnify Directors and Officers of the Company against all liabilities to persons (other than the Company or related body corporate) which arise out of the performance of their normal duties as Directors or Executive Officers unless the liability relates to conduct involving lack of good faith.

The Company agreed to indemnify the Directors and Executive Officers against all costs and expenses incurred in defending an action that falls within the scope of the indemnity. The Directors' and Officers' liability insurance provides cover against all costs and expenses involved in defending legal actions and any resulting payments arising from a liability to persons (other than the Company) incurred in their position as a Director or Executive Officer unless the conduct involves a willful breach of duty or an improper use of inside information or position to gain advantage.

The insurance policy does not allow specific disclosure of the nature of the liabilities insured against or the premium paid under the policy.

The company has not indemnified or agreed to indemnify the auditor of the company.

Proceedings on behalf of the consolidated entity

No person has applied for leave of Court to bring proceedings on behalf of the consolidated entity.

Information on Directors and Company Secretary

The qualifications, experience and special responsibilities of each person who is a director of Fermiscan Holdings Limited during the financial year and up to the date of this report is provided below, together with details of the company secretary.

Mr. Ian Chalmers – Appointed 17 September 2009

Experience and expertise

Ian was formerly Chief Executive of Medicines Australia and previous roles included Chief Executive of Australian Local Government Association and Executive Director at both Australian Private Hospitals Association and the Australian Lifewriters Association.

Ian is an experienced chief executive, with extensive health sector exposure. He has had two decades as chief executive of a number of significant national organisations, as well as a federal ministerial adviser, a parliamentary policy and research adviser, a government relations consultant and several non executive directorships.

Ian has a Bachelor of Arts degree from the University of New South Wales and is a graduate of the Royal Military College, Duntroon.

Mr. Ben Dillon- Appointed 2 June 2010

Experience and expertise

In life sciences Ben is currently advising to healthcare service providers including Macquarie Health Corporation and Independent Private Hospitals of Australia. Ben has previously served as a Managing Director and CEO of Polartech Limited, an ASX listed medical devices company that specialised in cervical cancer and melanoma screening systems.

Before the above role in life sciences, Ben had an extensive and broad range of commercial experience including roles as a partner in KPMG Sydney specialising in corporate advisory services, senior management roles in hospitality management, property investment banking with Macquarie Bank Limited and institutional property banking with Westpac Bank Limited.

Ben has Bachelors of Economics and Law from Sydney University and Masters of Management (Marketing) from Macquarie Graduate School of Management. Ben is currently an Associate of the Institute of Chartered Accountants in Australia, a Fellow of the Financial Services Institute of Australasia and a Member of the Royal Institution of Chartered Surveyors.

Directorships in listed companies in the last three years

Polartech Limited

Mr. Robert Whitton- Appointed 20 August 2010

Experience and expertise

Robert Whitton is a Director at William Buck, Chartered Accountants & Advisors where he is head of their Business Recovery team. He has in excess of 25 years insolvency, reconstruction and business advisory experience gained across a range of accounting firms. He is a Fellow of the Institute of Chartered Accountants, an Official Liquidator, Trustee in Bankruptcy and a Certified Fraud Examiner.

Robert is currently the Chairman of The Australian Wine Consumers Co-operative Society Ltd ("The Wine Society") where he has been a Director for 8 years. The Wine Society is Australia's oldest not for profit wine club having been established in 1946 with around 50,000 members nationally.

Directorships in listed companies in the last three years

Nexbis Ltd

Mr. Peter Dykes- Appointed 17 March 2011

Experience and expertise

Peter has over 15 years of experience in the technology industry, advising some of Australia's largest corporate clients, including BHP Billiton, Boral and Telstra and also small start up companies in respect of their research and development and commercialisation efforts.

Peter is a Fellow of the Tax Institute of Australia and has an accounting/commerce degree. He spent a number of years with KPMG and was a founding member of KPMG's technology advisory practice in Melbourne and Sydney.

Directorships in listed companies in the last three years

Nexbis Limited

Dr. Ronald Shnier MBBS, FRACR – Resigned 8 July 2010**Experience and expertise**

Dr Shnier became a director of Fermiscan Holdings Limited on 9 November 2006 and the Chief Medical Officer in October 2008.

He is a practising Radiologist and Director of ST George MRI as well as the President of the Australian Diagnostic Imaging Association. In the past he has been Director of Symbion Imaging Clinical Research Imaging Centre and National Director of Research and Professional Development at Symbion Imaging; divisions of Symbion Health Care Limited, General Manger Diagnostic Imaging for Symbionhealth. Prior to this Dr Shnier was Director MRI Services Sydney Imaging Group and Chairman Sydney Imaging Group and has held a number of prominent medical roles at leading hospitals.

Directorships in listed companies in the last three years

None

Mr. Mark Fordree- Appointed 17 September 2009, resigned 2 June 2010**Experience and expertise**

Mark is a financial markets professional with over 30 years experience in funds management, stockbroking and corporate advisory.

Directorships in listed companies in the last three years

None

Mr John Rainbow - Company Secretary- Appointed 28 October 2010**Experience and Expertise**

John has been a practicing lawyer since 1978. He is a Consulting Lawyer at Sydney based law firm Watson Mangioni.

He has experience in the services and goods sectors as well as in global industry and as a commercial lawyer in private practice.

His corporate experience includes directorships general counsel and company secretary of public and privately held companies. Recent roles include acting as Senior Corporate Counsel for ResMed (ASX:RMD) and as a founding shareholder, promoter and General Counsel of unlisted public company Unistraw International Ltd and was integral in the development of its patented and trademark branded food and beverage product, Sipahh. As a result he brings a wealth of highly relevant expertise to the company.

Directorships in listed companies in the last three years

None

Directors' Meetings

The number of meetings of the board of directors and of each board committee held during the financial year and the numbers of meetings attended by each director were:

	Board of Directors		Audit & Risk Committee		Remuneration & Nomination Committee		Governance Committee	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Dr Ronald Shnier(1)	1	1	-	-	-	-	-	-
Mark Fordree (2)	-	-	-	-	-	-	-	-
Ian Chalmers	6	6	-	-	-	-	-	-
Robert Whitton (3)	4	4	-	-	-	-	-	-
Ben Dillion (4)	6	6	-	-	-	-	-	-

(1) Resigned 8 July 2010

(2) Appointed on 17 September 2009 and removed 2 June 2010

(3) Appointed on 20 August 2010

(4) Appointed on 2 June 2010

Directors' interests in shares or options over shares

Directors' relevant interests in shares of Fermiscan Holdings Limited or options over shares in the company as at 31 December 2010 are detailed below.

Directors' relevant interests in:	Ordinary Shares of Fermiscan Holdings Limited	Options over shares in Fermiscan Holdings Limited
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Ian Chalmers	400,000	-
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Directors' Interests in Contracts

Information regarding individual directors and executives compensation is provided in the Remuneration Report section of the Directors Report.

No director has entered into a material contract with the company or consolidated entity (other than an employment contract) since the end of the previous year and, there were no material contracts involving directors' at 31 December 2010.

Auditor's Independence Declaration

A copy of the auditor's independence declaration in relation to the audit for the financial year is provided with this report.

Non-Audit Services

Non-audit services are approved by audit committee and approval is provided in writing to the board of directors. Non-audit services provided by the auditors of the consolidated entity during the year, Pitcher Partners, are detailed below. The directors are satisfied that the provision of the non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

Amounts paid or payable to an auditor for non-audit services provided during the year by the auditor to any entity that is part of the consolidated entity for:	2010	2009
	\$	\$
Taxation services, due diligence and corporate secretarial services	15,000	161,000

REMUNERATION REPORT

Remuneration policies

The board policy for determining the nature and amount of remuneration of directors and executives is agreed by the board of directors as a whole, in consultation with the board Remuneration & Nomination Committee. The board obtains professional advice where necessary to ensure that the company attracts and retains talented and motivated directors and employees who can enhance company performance through their contributions and leadership.

For directors and specified executives, the company provides a remuneration package that incorporates both cash-based remuneration and share-based remuneration. The contracts for service between the company and specified directors and executives are on a continuing basis the terms of which are not expected to change in the immediate future aside from normal negotiations on contracts as they approach their conclusion and the normal annual review processes expected in July each year. Due to the development nature of the business the remuneration policy is not directly related to company performance. The board considers a remuneration policy based on short-term returns and incentives alone would not be beneficial to the long-term creation of wealth by the company for shareholders.

Non-executive directors receive fees and share-based remuneration.

The company determines the maximum amount for remuneration, including thresholds for share-based remuneration, for directors by resolution. Directors' share-based remuneration was voted on by members at general meetings.

DIRECTORS' AND EXECUTIVES' COMPENSATION

(a) Details of Directors and Key Management Personnel

The directors and key management personnel during the year ended 31 December 2010 were: -

(i) Directors and executives

Ian Chalmers
Robert Whitton
Ben Dillon
Dr Ronald Shnier
Mark Fordree

There have been no changes to executive or director compensation arrangements after reporting date and the date the financial report was authorised for issue.

The names and positions of each person who held the position of director at any time during the financial year is provided above. The five named executives in the consolidated group who received the highest remuneration for the financial year are named above.

(ii) Directors' compensation

	Short-Term				Post employment		Long-term	Share-based payments	TOTAL	TOTAL PERFORMANCE RELATED
	Salary fees	Cash Bonus	Non-monetary	Other	Super	Retirement benefits	Incentive plans	Number of Options granted		
2010	\$	\$	\$	\$	\$	\$	\$	\$	\$	%
Robert Whitton	30,202	-	-	-	-	-	-	-	30,202	Not applicable
Ben Dillon	21,527	-	-	-	-	-	-	-	21,527	Not applicable
Ian Chalmers	21,527	-	-	-	-	-	-	-	21,527	Not applicable
Dr Ronald Shnier	-	-	-	-	-	-	-	-	-	Not applicable
Mark Fordree	-	-	-	-	-	-	-	-	-	Not applicable
	73,256	-	-	-	-	-	-	-	73,256	
2009	\$	\$	\$	\$	\$	\$	\$	\$	\$	%
Gary Garton ⁽⁴⁾	55,000	nil	nil	nil	-	nil	-	-	55,000	not applicable
David Young ⁽¹⁾	369,887	nil	nil	34,106	11,693	nil	-	-	415,686	not applicable
Dr Ronald Shnier	146,666	nil	nil	nil	-	nil	-	-	146,666	not applicable
Leon Carr ⁽³⁾	#	#	#	#	#	#	#	#	#	not applicable
Mark Fordree ⁽²⁾	58,208	nil	nil	nil	1,205	nil	-	-	59,413	not applicable
Ian Chalmers ⁽²⁾	5,833	nil	nil	nil	525	nil	-	-	6,358	not applicable
	635,594	nil	nil	34,106	13,423	nil	-	-	683,123	

⁽¹⁾ Employment terminated on 16 October 2009 and resigned as a director

⁽²⁾ Appointed on 17 September 2009

⁽³⁾ Appointed 17 July 2009 resigned 25 September 2009

⁽⁴⁾ Resigned 22 September 2009

Remuneration included in executive remuneration disclosures

(iii) Executives' Remuneration

	Short-Term				Post employment		Long-term	Share-based payments	TOTAL	Total performance related
	Salary fees	Cash Bonus	Non-monetary	Other	Super	Retirement benefits	Incentive plans	Number of Options granted		
2010	\$	\$	\$	\$	\$	\$	\$	\$	\$	%
Dr Ronald Shnier	-	-	-	-	-	-	-	-	-	Not applicable
	-	-	-	-	-	-	-	-	-	
2009	\$	\$	\$	\$	\$	\$	\$	\$	\$	%
Leon P Carr ⁽¹⁾⁽³⁾	191,047	nil	nil	nil	10,636	-	-	-	201,683	Not applicable
Gary Corino ⁽¹⁾	195,063	nil	nil	nil	12,899	-	-	-	207,962	Not applicable
Dr Peter French ⁽¹⁾	137,226	nil	nil	58,073	10,449	-	-	-	205,748	Not applicable
Richard M Toltz ⁽¹⁾⁽⁴⁾	441,978	nil	nil	3,787	10,858	-	-	-	456,623	Not applicable
Greg West ⁽²⁾⁽⁵⁾	239,289	nil	nil	nil	15,695	-	-	-	254,984	Not applicable
	1,204,603	nil	nil	61,860	60,537	-	-	-	1,327,000	

⁽¹⁾ Executive service agreement commenced in April 2006

⁽²⁾ Executive service agreement commenced in May 2006

⁽³⁾ Resigned 3 October 2009

⁽⁴⁾ Resigned 3 October 2009

⁽⁵⁾ Resigned on 31 August 2009

(iv) Compensation by category for Directors and nominated executives

	Consolidated Entity	
	2010	2009
	\$	\$
Short-term employment benefits	73,256	1,936,163
Post employment benefits	-	73,960
Other long-term benefits	-	nil
Termination benefits	-	nil
	<u>73,256</u>	<u>2,010,123</u>

Share-based payments

*Performance incentives were provided
by the granting of options by the parent
company*

* The \$73,255 has not been paid to directors at balance date and is shown in accruals in note 10.

DIRECTORS' AND EXECUTIVES' EQUITY HOLDINGS

(a) Compensation Options: Granted and vested during the year to 31 December 2010 (consolidated)

Vested Number	Granted Number	Grant Date	Value per option at grant date	Terms and conditions for each grant			
				Exercise Price	Expiry Date	First Exercise Date	Last Exercise Date
N/A							

DIRECTORS' AND EXECUTIVES' EQUITY HOLDINGS

(b) Compensation Options: Granted, vested and exercised (consolidated)

	Number of Options held at 1 January 2010	Options issued during the year	Options expired during the year	Number of Options held at 31 December 2010	Grant Date	Value per option at grant date	Terms and conditions for each grant				Vested Number as at 31 December 2010
							Exercise Price \$	Expiry Date	First Exercise Date	Last Exercise Date	
Directors											
Gary Garton	3,300,000	-	3,300,000	-	9-Oct-06	6.8 cents	30 cents	9-Oct-11	25-Oct-08	9-Oct-11	-
Dr Ronald Shnier	3,300,000	-	3,300,000	-	9-Nov-06	6.8 cents	30 cents	9-Nov-11	12-Jan-07	9-Nov-11	-
Dr Ronald Shnier	5,000,000	-	5,000,000	-	10-Dec-08	30 cents	32 cents	10-Dec-13	10-Dec-08	10-Dec-13	-
Total	11,600,000	-	11,600,000	-							-

(c) Details concerning share-based compensation of directors and executives

The value of each person's remuneration that consists of options is shown in the preceding tables. Options granted as remuneration are valued at grant date in accordance with AASB 2 Share-based Payments. No options previously granted as remuneration have lapsed during the year.

The basis for share-based compensation of directors and executives is disclosed the remuneration policy described above.

(d) Shares issued on exercise of compensation options (consolidated)

There were no shares issued on exercise of compensation options during the year.

(e) The number of options held by directors and key management personnel (consolidated)

Are as described in the preceding table.

(f) Number of shares held by directors and key management personnel

Relevant interest in ordinary shares held in Fermiscan Holdings Limited by directors as at 31 December 2010 *

	Opening balance 1 January 2010	Acquired	Disposed or retired as a director	Closing Balance 31 December 2010
Directors				
Dr Ronald Shnier	-	-	-	-
Mark Fordree	400,000	-	(400,000)	*-
Ian Chalmers	400,000	-	-	400,000
Executives				
Total	800,000	-	(400,000)	400,000

*REMOVED AS A DIRECTOR DURING THE YEAR

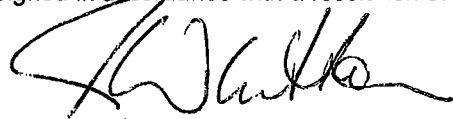
SERVICE AGREEMENTS

The company currently does not have service agreements with its directors. It does however intend in the short term to put in place agreements detailing the formal terms and conditions of the appointment, expected time commitment, procedure regarding conflicts of interest, performance appraisal, remuneration, superannuation and insurance arrangements. The Fermiscan Constitution governs the election and appointment of directors, rotation of elected directors, casual vacancies and eligibility for election. The terms and entitlements of non-executive directors are governed by normal employment law.

The following summarises the key provisions of service agreements with executives:

Currently there are no executives of the company.

Signed in accordance with a resolution of the directors.



Director

Sydney

Date

23. March 2011



PITCHER PARTNERS
ACCOUNTANTS AUDITORS & ADVISORS

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AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of Fermiscan Holdings Limited

In relation to the independent audit for the year ended 31 December 2010, as lead audit partner, to the best of my knowledge and belief there have been:

- (i) no contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) no contraventions of any applicable code of professional conduct.

MARK GODLEWSKI

Partner

PITCHER PARTNERS
Sydney
23 March 2011

Corporate Governance Statement

The comments below apply for the period commencing 11 June 2010 being the date the company was returned to the control of its Directors. It is noted that on 14 January 2010 the Board issued a completely revised and updated Corporate Governance.

1. Approach to Governance

Fermiscan Holdings Limited is committed to high standards of corporate governance and this is reflected in its culture, policies and business practices. The Fermiscan board has in place governance structures for the formation of strategic direction and policy including an overall framework of internal control, risk management and ethical standards.

This document outlines Fermiscan's corporate governance policies which conform to the Corporate Governance Principles and Recommendations released by the Australian Stock Exchange Corporate Governance Council in 2007 with the 2010 Amendments. The Board continues to review the framework and practices to ensure they meet the interests of shareholders.

2. Board Charter

2.1 Introduction

This Board Charter sets out the role, composition and responsibilities of the Board of Directors ("the Board") of Fermiscan Holdings Limited ("The Company").

The conduct of the Board is also governed by the Constitution of Fermiscan Holdings Limited and a number of operational matters relating to the Board such as number of meetings per year, notification of interests, and election of directors are governed by the Constitution and are not reproduced here.

2.2 Roles and Responsibilities

The Board is responsible for the corporate governance of the Fermiscan Holdings Group of Companies (Group). The Board undertakes its role with the objective of ensuring the long-term health and prosperity of the Group for the benefit of shareholders, customers and employees.

The functions of the Board are to:

Provide effective leadership and collaborate with the Executive management team to:

- Articulate The Company's values, vision, mission and strategies
- Provide input to the development of strategic (direction) plans. Review approve and prioritise the strategic objectives and plans
- Review and agree the business (action) plans and annual budget proposed by the Executive management team and then subsequently monitor the outcomes
- Maintain open lines of communication with stakeholders
- Develop and maintain an appropriate organisational structure, internal control and accountability systems and processes for the business
- Establish, review (proactively), ratify appropriate risk management and internal control monitoring systems and procedures to ensure that significant business risks are adequately considered and managed
- Establish such committees, policies and procedures as will facilitate the effective discharge of the Board's roles and responsibilities as the Board sees fit. Ensure, as appropriate that The Company discharges its compliance obligations and functions effectively
- Ratify the appointment and removal of senior executives (including the CEO or equivalent)
- Ensure that organisation has appropriate corporate governance structures in place including standards of ethical behaviour and promoting a culture of corporate and social responsibility

- Approve, monitor and manage major capital expenditure, acquisitions and divestures and
- Review and approve financial and other regulatory and/or compliance reporting.

A CEO if appointed will have delegated by the Board authority for the operations and administration of the organisation.

2.3 Membership and Term

The Constitution provides for the number of directors to be determined in a general meeting but with a minimum of 3 directors (so that a quorum can be formed to transact business at meetings).

Directors are free from any interest and any business or other relationship which could, or could reasonably be perceived to materially interfere with the director's ability to act in the best interests of The Company.

Membership of the Board shall be disclosed in the annual report including whether a director is independent or not independent.

At each AGM two directors retire and can re-nominate for their positions.

The Board has not adopted a tenure policy, but according to the Constitution, each director must be re-elected by the membership after 3 years on the Board.

2.4 CEO

The roles of the Chair and CEO are strictly separated. The CEO is responsible for:

- policy direction of the operations of The Company
- the efficient and effective operation of The Company and
- bringing material, issues and other relevant matters to the attention of the Board in an accurate and timely manner.

2.5 Chair

The Directors will appoint the Chair of the Board. The Chair will not be a current or former CEO of The Company. Where the Chair is absent from a Board meeting, a Chair for the meeting will be appointed by the present members of the Board.

The Chair will serve as the primary link between the Board and management.

The Chair is responsible for:

- providing leadership to the Board
- ensuring that the Board works effectively and discharges its responsibilities
- working with the CEO and Company Secretary to set the agenda for each Board meeting and
- ensuring that all Directors are adequately briefed in relation to issues addressed at Board meetings.

2.6 Company Secretary

The appointment and, where appropriate, removal of The Company Secretary is a matter for the full Board.

All Directors will have direct access to The Company Secretary.

The Company Secretary is responsible to the Board for:

- ensuring that the principles and procedures of the Board are followed and
- monitoring and enhancing corporate governance processes.

2.7 Independent Directors

The Board considers independent decision-making as critical to effective corporate governance. Independent directors are considered to be those who have the ability to exercise their duties and are not influenced or restricted by any business or other relationship. The independence of non-executive directors is assessed by the Board against the definition outlined in the Board Charter.

2.7.1 Materiality Thresholds

Without board approval to the contrary a non-executive director must meet the following thresholds:

- Less than 10% of The Company shares are held by the Director and any entity or individual directly or indirectly associated with the Director
- No sales are made to or purchases made from any entity or individual directly or indirectly associated with the Director and
- None of the Director's income or the income of an individual or entity directly or indirectly associated with the Director is derived from a contract with any member of the economic entity other than income derived as a Director of the entity.

2.7.2 Right to Seek Professional Advice

Independent Directors have the right to seek independent professional advice at The Company's expense in the furtherance of their duties as Directors. Written approval must be obtained from the Chair prior to incurring any expenses on behalf of The Company.

2.8 Meeting and Reporting

The Board will meet in accordance with the Constitution of The Company.

Directors will use all reasonable efforts to attend each meeting of the Board and Committees of which they are members. Meetings may be held via teleconference as needed.

Board and Committee papers will be circulated to Directors prior to each Board and Committee meeting. Directors are expected to undertake adequate preparation to permit their effective contribution at each meeting.

At each Board meeting, Non-Executive Directors will be given the opportunity to meet without management present.

Proceedings of all meetings are minuted, circulated to all members of the Board, amended as required and, when signed by the chairman of the meeting is the definitive record of the proceedings of meetings held.

Directors may pass a resolution without a Director's meeting being held.

Minutes of all Board meetings are circulated to directors and approved by the Board at the subsequent meeting.

2.9 Publication of the Board Charter

Key features of the Charter are outlined in the Annual Report.

A copy of the charter is available on request and in any event will be made available on The Company website.

2.10 Review of the Board Charter

The Board will review this Charter annually to ensure it remains consistent with the Board's objectives and responsibilities and approve amendments as it considers appropriate.

3. Audit and Compliance Committee Charter

3.1 Introduction

The Board has established an Audit and Compliance Committee ("ACC") which operates under a Charter approved by the Board.

It is the Board's responsibility to ensure that an effective internal control framework exists within The Company to deal with the effectiveness and efficiency of business processes, the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information.

This charter sets out the responsibilities delegated by the Board to the Audit and Compliance Committee and the Committee's objectives, authority, composition and operation.

3.2 Audit and Compliance Committee ("ACC") Role and Responsibilities

The principal purpose of the Audit and Compliance Committee is to assist The Company Board in fulfilling its corporate governance and oversight responsibilities in relation to the risk management and internal control systems, accounting policies and practices, internal and external audit functions and financial reporting of The Company.

The Board has delegated the responsibility for the establishment and maintenance of the internal control framework and ethical standards to the Audit and Compliance Committee and The Board is responsible for overall oversight of risk management of The Company and reviews the risk register half yearly, or as required on escalation of high priority risks.

3.2.1 Composition

- All members of the ACC shall be Non-Executive Directors who possess the requisite qualifications and financial literacy
- The Chief Executive Officer, Chief Financial Officer, Company Secretary and other Executives shall be invited to attend meetings at the ACC's discretion; and
- The external auditors and other external experts shall be invited to attend meetings at the ACC's discretion.

Additionally, the ACC may invite relevant business specialists to attend meetings.

3.2.2 Audit Responsibilities

- Make recommendations to The Company Board as to the selection, appointment, re-appointment or replacement of the external auditor and rotation of the engagement partner
- Review with the external auditor the scope and terms of the audit and audit fee in accordance with The Company Board's policy on the provision of audit and other services by the external auditor, and make recommendations to The Company Board in respect of the audit fee
- Review and approve the scope and terms of the internal audit and, where appropriate, the audit fee
- Monitor the co-ordination between the external audit and internal audit programmes
- Oversee and appraise the quality and effectiveness of the audits conducted by the auditors
- Discuss and resolve any issues arising from audit reports, including any matters the auditors may wish to discuss in the absence of management
- Discuss with the external auditor any relationship that may impact on its objectivity or independence, and recommend to The Company Board any appropriate action to satisfy itself of the auditor's independence
- Require the external auditor to provide a formal written statement annually confirming its independence
- Obtain confirmation that the external auditor is aware of its responsibilities to The Company Board as the representative of shareholders

- Approve non-audit assignments that will be undertaken by the external auditor in accordance with The Company Board's policy on the provision of audit and other services by the external auditor, and monitor compliance with the policy; and
- Review the performance the internal audit function as appropriate.

3.2.3 Risk Management Responsibilities

- Monitor the process of identification, analysis, prioritisation, evaluation, remediation management of business risks as appropriate
- Review the business contingency planning process within The Company and be assured that material risks are identified and appropriate contingency plans are in place
- Ensure sufficient resources are allocated to managing risk within each business unit
- Implement and ensure the efficient and effective operation of the risk management policy, system and database across The Company business
- Escalation and reporting of key risks to The Company Board
- Oversight of individual The Company business units' specific responsibilities, in regards to risk management, which include the following:
 - educating employees and contractors at all levels of the business on the importance of risk management and assisting them with identifying such risks
 - bringing the risks to the attention of management as soon as possible
 - documenting risks including causes, analysis and evaluation of such risks
 - recommending and implementing actions for the treatment of risks
 - implementation of the risk management database and processes, including training of required participants; and
 - report risks to the ACC, including immediate escalation of significant risks.

3.2.4 Financial Reporting Responsibilities

- Review the half year and annual financial statements presented by management, together with reports and opinions from external auditors
- Review significant financial reporting issues and assess the appropriateness of accounting policies and methods chosen by management, particularly those relating to significant estimates and judgments
- Consider and make appropriate recommendations to The Company Board regarding major changes to accounting policies and procedures
- Review the reliability and appropriateness of disclosure in the financial statements and financial reporting to stakeholders, particularly with regard to estimates and judgments; and
- Make appropriate recommendations to The Company Board as to whether financial statements should be approved.

3.2.5 Compliance Responsibilities

- Monitor the effectiveness of The Company policies and practices that relate to compliance with laws, regulations and accounting standards
- Consider the impact of changes in accounting standards, listing rules and the Corporations Act; and
- Review and monitor related party transactions.

3.3 Authority

The ACC:

- is authorised to investigate any matter within the scope of its responsibilities and make appropriate recommendations to The Company Board
- will have unrestricted access to senior management of The Company and company records as required
- is authorised to meet with the external or internal auditors, without any other member of management being present, as the ACC deems appropriate; and
- is authorised to obtain any independent legal or other professional advice that it considers necessary to execute its functions.

3.4 Meetings of the Audit and Compliance Committee

The ACC will meet on a quarterly basis quarterly, and as required, to address escalated risks from the business units.

Any ACC member may convene a meeting of the ACC or request the Secretary of the ACC to do so.

A quorum for an ACC meeting will be a majority of Committee members.

To the extent not inconsistent with this Charter, meetings of the ACC will be conducted in accordance with those provisions of The Company Board's Constitution which relate to the proceedings of meetings.

Non-Executive Directors who are not members of the ACC, the CEO, CFO will have a standing invitation to attend each ACC meeting, subject to exclusion as deemed appropriate by the ACC Chair from time to time. Other executives, the external auditor and external specialists may be invited by the ACC Chair of the Committee to attend part or all of any meeting. The ACC may ask management to present at ACC meetings on issues relevant to the ACC's duties and responsibilities.

Copies of Committee papers and reports, together with minutes of each Committee meeting, will be circulated to all Board members.

3.5 Authority to Seek Additional Information

The ACC shall have the authority to seek any information it requires from any officer or employee of The Company or its controlled entities and such officers or employees shall be instructed by The Company to respond to such enquiries.

To the extent the ACC deems necessary, the ACC may retain independent legal, accounting or other advisors.

3.6 Limitation of the Role of the Committee

Other than in relation to the work of the external auditor, the function of the ACC is oversight.

It is recognised that members of the ACC may not be full time employees of The Company and generally do not represent them to be experts in the fields of accounting or auditing, except in relation to the "financial expert" as required and described. As such, it is not the responsibility of the ACC personally to conduct accounting or auditing reviews or procedures. The eligibility criteria and required financial skills of ACC members are set out.

The Company Board may rely upon information provided by the ACC and its members, in relation to matters within the ACC's responsibility under the terms of this charter, provided that it has evaluated the information and is not aware of any reasonable basis upon which to question its accuracy.

Management of The Company is responsible for the preparation, presentation and integrity of the financial statements of The Company.

Management is responsible for implementing and maintaining appropriate accounting and financial reporting principles and policies and internal controls and procedures designed to ensure compliance with accounting standards and applicable laws and regulations.

Internal audit are responsible for conducting independent reviews of the internal controls of The Company, having regard to the assessed risk profile of The Company.

The external auditors are responsible for planning and carrying out each audit and review, in accordance with applicable auditing standards. The external auditor is accountable to shareholders through the ACC.

3.7 Review of the Audit and Compliance Committee Charter

The ACC will, at least once in each year review the Charter and activities of the ACC, to meet the evolving needs of The Company and changes in the corporate governance environment.

The ACC will recommend to The Company Board the formal adoption of the revised charter for future operations of the ACC.

4. Risk Management Policy

4.1 Introduction

The Company is committed to effectively managing operational, financial and other risk in the context of the business strategies of The Company and with a view to achieving a balance between acceptable levels of risk and reward.

The Board of The Company recognises that risk management is of concern to all levels of the business and requires a risk management policy and process involving all personnel, with reporting structures to The Company Board.

The types of risk which may be faced by the company include:

Strategic Risk	The risks surrounding key assumptions about the: <ul style="list-style-type: none">▪ External environment▪ Particular market concentration of resources in or dependence on a narrow range of products, markets, customers or suppliers
Operational Risk	The risk associated with losses resulting from inadequate or failed processes, people and systems or from external events that may consequence The Company
Market Risk	The risk associated with The Company operating in its core business markets
Financial Risk	The risk of potential financial loss where a customer or other party fails to meet their financial obligations to The Company or The Company is unable to source sufficient capital at an acceptable price
Reporting Risk	The risk and losses associated with inadequate or inaccurate financial, operational and regulatory reporting

This policy describes the risk management methodology, structure and system employed across The Company.

The policy was developed with reference to the ASX Corporate Governance Principles and the Risk Management standard produced by Standards Australia (AS/NZS 4360).

4.2 Risk Management System Overview

The Company risk management system ("the Policy") focuses on identifying analysing, evaluating and managing risk.

The risks are documented and recorded in a risk management database that reports to all participants and stakeholders of the process.

4.2.1 Risk Management System

Risk management is a fundamental corporate governance matter and is identified as a specific function and activity within the ASX Corporate Governance guidelines.

4.2.2 Risk

The chance of something happening that will have a consequence upon objectives. It is measured in terms of consequences and likelihood.

4.2.3 Risk Management System

The culture, processes and structures that are directed towards the effective management of risks.

4.2.4 Risk Management Process

The systematic application of management policies, procedures and practices to the tasks of identifying, analysing, assessing, treating and monitoring risk.

4.3 Identifying, Analysing and Evaluating the Risk

Each business unit is responsible for identifying and documenting the risks to that business unit. Thus the risks to The Company as a whole, including its causes, are identified and documented.

Each risk is then analysed in terms of likelihood and consequence and the adequacy of existing controls. These criteria are used to determine the level of risk, ranging from 'low' to 'extreme', and to aid in identifying the order of priority in which risks and their associated mitigating actions should be addressed by the businesses.

4.4 Managing the Risk

The Board oversees reviews and monitors the risk register half yearly, or in the case of escalated and high priority risks, quarterly.

The Board receives reports and escalations from the Audit and Compliance Committee ("ACC"). The ACC comprises The Company Chairman and the Chair of the ACC. It is charged with overseeing the management of all business risks across The Company with a particular view to ensuring that mitigating actions are being performed and overall risks are minimised.

In order to perform this task, the ACC may require input from various work teams or specialists within each business.

5. Shareholder Communication Policy

5.1 Introduction

Fermiscan Holdings Limited ("The Company") is committed to dealing fairly, transparently and openly with both current and prospective shareholders.

In order to achieve the above, The Company seeks to:

- inform investors of the means by which they can obtain information about and communicate with The Company
- communicate effectively with The Company's shareholders; and
- provide all investors with equal and timely access to information about The Company.

The Company is committed to having an active Investor Relations capability in the form of a dedicated person responsible to communicate with the shareholders.

5.2 Approval

The Company Board will approve all shareholder communications unless this is impracticable to do so. Communications are to be approved by the CEO or Chair.

5.3 Communication Channels

The following methods of communication will be available to shareholders:

- Fermiscan Holdings website
- email
- telephone
- facsimile and
- mail.

5.3.1 Websites

The Company maintains a comprehensive and up to date website (www.Fermiscanltd.com.au) which includes a section dedicated to corporate governance policies and company charters.

The Company website is structured as the key day to day information resource for shareholders, potential investors and other stakeholders and hence will be regularly updated to ensure that the information remains current.

All announcements and filings lodged with the ASX and/or ASIC will be lodged on The Company's website on a timely basis under the NEWS section of the website.

The Company may also make available additional information to shareholders via the website such as presentations to industry conferences or broker presentations and analyst or media briefings.

The company will keep and include on its website a summary of topics discussed, group briefings with investors and analysts, including details of attendees and the time and place of such briefing.

In order to manage the cost of maintaining and hosting the website, all material, other than The Company's corporate governance policies and processes and the Annual report, may be removed 6 months after they have been posted.

5.3.2 Annual Reports and Notices of Meetings

All shareholders will receive Notices of Shareholder meetings in the agreed format and as per relevant legislation.

The Annual Report contains key financial, operating and corporate information about The Company.

A copy of the Annual report will be available on The Company's website and The Company ensures that their Annual reports are sent to all shareholders who have requested them.

5.4 Contacting The Company

Although The Company is committed to providing sufficient information to investors, it appreciates that they may have specific questions, require additional information or need to change their shareholder details. In order to address situations such as this, Directors have made themselves available for contact by a variety of means, being via letter, phone, fax and email.

The Company's contact details are available on their website (www.fermiscanltd.com.au).

5.5 Annual General Meeting

The Annual General Meeting is one of the primary means of The Company communicating with its shareholders.

Shareholders will be notified of any scheduled meeting dates as described above in paragraph 4.3.

The Company encourages full participation of shareholders at the Annual General Meeting. As such, the Chair will provide reasonable time to answer any shareholder queries at the Annual General Meeting and answer frequently asked questions received by The Company from shareholders who were unable to attend the Annual General Meeting.

The Company's external auditors are invited to attend the Annual General Meeting in order to answer any shareholder queries concerning the conduct of the audit and the preparation of the auditor's report.

At the conclusion of the Annual General Meetings, all results will be announced to the ASX in accordance with the Listing Rules. As above, they will be made available to all investors in the same manner as other ASX announcements.

There may be matters to be voted on by the shareholders at the Annual General Meeting. If so, The Company will provide all relevant explanatory information and present it as clearly and unambiguously as possible in order to enable shareholders to make an informed decision.

5.5.1 Proxies

If shareholders are unable to attend the Annual General Meeting, a proxy, allowing shareholders to appoint a proxy, will accompany the Notice of Meeting.

5.6 Review of the Shareholder Communication Policy

This policy is subject to annual review and approved by the Board of The Company as required.

6. Continuous Disclosure Policy

6.1 Introduction

Fermiscan Holdings Limited ("The Company") seeks to:

- provide equal access to information for all investors
- avoid the disclosure of price sensitive information to any person on a selective basis and
- promote investor confidence in the integrity of The Company and its securities.

In order to achieve this, The Company is committed to complying with the continuous disclosure requirements contained in the ASX Listing Rules and the relevant sections of the Corporations Act.

6.2 Policy

6.2.1 Guiding Principle

Except for certain confidential information that no reasonable person would expect to be disclosed, once The Company becomes aware of any information concerning it that a reasonable person would expect to have a material effect on the price or value of the securities of The Company it will immediately tell ASX that information.

Following receipt of confirmation that ASX has released information, lodged by The Company to the market, that information will be available on or through The Company's website.

6.2.2 Company Website

The website will be reviewed continuously to ensure that it is up to date, complete and accurate.

6.2.3 Responsibility for Disclosure

Directors, executive officers and employees are responsible for communicating to The Company material, price sensitive information of which they become aware including:

- a general description of the matter
- details of the parties involved
- the date of the event or transaction
- the estimated value for the transaction
- the effect on finances and operations of The Company and
- the names of any persons advising The Company in the matter.

Continuous disclosure is a standing item on the agenda for each regular meeting of the Board and all Directors are required to confirm details of any matter within their knowledge that might require disclosure to the market.

Managers are responsible for ensuring that their teams are aware of the continuous disclosure obligations of The Company and report material information on a continuous basis.

6.3 Reporting and disclosure

6.3.1 General Briefings

The Company interacts regularly with the market in a variety of ways including briefings, market announcements, regular updates on industry issues, one-on-one briefings, meetings and educational sessions.

6.3.2 Public Announcements - authorised spokespersons and releases

Staff will not comment to external parties on rumours, market speculation or discuss announcements released to the ASX.

Only staff or Board members authorised by the Board are permitted to make any public statement and/or speak to shareholders, investors, stockbrokers' analysts or the media on behalf of The Company.

All ASX and media releases are to be approved by the Board except for:

- urgent releases which must be approved by the Chair and advised to all Directors prior to release; and
- administrative releases such as disclosure of Directors' interests and substantial holder notices.

6.3.3 Market Speculation and Rumours

The stance of The Company regarding market speculation and rumours, consistent with the above, is a no comment policy.

If market speculation and rumours, whether substantiated or not, result in the ASX formally requesting disclosure by The Company on the matter, The Company will duly respond.

To ensure a consistent response to such occurrences, all instances of rumours should be reported to The Company Secretary as soon as they become known.

6.3.4 Briefings to Institutional Investors and Analysts

The Company will not communicate any price sensitive information to institutional investors, analysts or any other third party unless that information has first been disclosed to ASX.

The Company may hold general or one-on-one briefings with institutional investors or analysts. At such briefings, The Company will not disclose price sensitive information but may give background and other information to assist institutional investors and analysts to understand its strategy, financial performance and outlook and business operations.

One-on-one briefings include any communication between The Company and the investor or analyst including phone calls or e-mails.

If there is any inadvertent disclosure of price sensitive information during any briefing, it will be released to ASX as soon as practicable.

6.3.5 Answering Questions

Any staff member who receives a request for comment from an external third party is to refer the enquiry to the Board.

No price sensitive information that has not been disclosed to ASX will be provided at general, institutional investor or analyst briefings. Questions at briefings that deal with such price sensitive information will either:

- not be answered; or
- taken on notice and not answered until the information is released to ASX and
- receipt of confirmation that ASX has released that information to the market.

6.3.6 Joint Announcements

In situations where The Company needs to issue a joint announcement, The Company will seek to give the partner the opportunity to review the announcement prior to its release, provided that it does not compromise the ability of The Company to comply with its disclosure obligation(s).

6.3.7 Analyst Reports

The Company is not responsible for and does not endorse analyst reports that contain commentary on The Company.

The Company will not include any analyst report in its own corporate information, or post any analyst reports on its website.

The Company may review analysts' research reports but will limit its comments to factual matters and information previously disclosed.

If The Company is required to correct any factual inaccuracies contained in such reports, the correction made by The Company does not imply endorsement of the content of these reports.

6.3.8 Trading Halts

The Company may request a trading halt, when so, it must be approved by the Board unless it is urgent in which case it must be approved by the Chair (or a person authorised by the Chair) and advised to all directors prior to release.

During trading halts, The Company does not hold meetings or briefings with individual investors, institutional investors, analysts or media representatives unless such meetings or briefings are the subject of a specific announcement to the market via the ASX.

6.4 Other Matters

6.4.1 ASX Communications Officer

The Chair, the CEO and Company Secretary have been made responsible for all communications with the ASX.

All ASX announcements are sent by the Chair, the CEO or The Company Secretary with direction from the Board, using the electronic platform(s) of the ASX.

6.4.2 Role of The Company Secretary

The Company Secretary is responsible for the compliance of this Policy and in particular:

- review proposed external announcements and consulting with appropriate members of the Board and or external advisers as necessary
- report on continuous disclosure issues regularly to the Board
- monitor the effectiveness of this Policy
- establish a vetting process to ensure that the announcements are factual and do not omit any material information; and
- ensure that the announcements are expressed in a clear and objective manner that allows investors to assess the impact of the information when making investment decisions.

6.4.3 Role of the Chair

The Chair is responsible for overseeing The Company Secretary enact its functions regarding this policy and is authorised to speak on behalf of The Company in particular on:

- annual and half yearly results
- resolutions to be put to General meetings of The Company
- changes in directors
- any speculation concerning Board meetings and
- matters specifically related to shareholders.

6.4.4 Announcement Release Process

As soon as any employee, including Directors, becomes aware of material price sensitive information which has not been previously released by The Company, the appropriate persons of authority should be notified immediately.

The Company Secretary will review the information and consultation with, if deemed necessary, the Board and or external advisers, to determine whether the information requires to be disclosed.

If the information is of a nature that is required to be disclosed, The Company Secretary will prepare a draft announcement.

The Board or Chair will approve the draft announcement.

The announcement is lodged by either the Chair or The Company Secretary.

After receipt of ASX's acknowledgement that the announcement has been released to the market, the announcement will be placed onto the website.

6.5 Review of the Continuous Disclosure Policy

This policy will be reviewed annually by the Board of The Company and will be revised, when necessary, in order to keep abreast of best practice and ensure compliance with their legal obligations.

The Company maintains records of those matters considered for disclosure and will develop policies that promote a consistent approach to disclosure.

7. Share Trading Policy

7.1 Introduction

7.1.1 This policy imposes constraints on directors, employees and consultants dealing in securities of the Company. It also imposes disclosure requirements on directors.

7.1.2 This policy has been adopted by the Board of the Company.

7.2 Objectives

7.2.1 The objectives of this policy are to:

- minimise the risk of directors, employees and consultants of the Company contravening the laws against insider trading;
- assist the Company in meeting its reporting obligations under the ASX Listing Rules; and
- increase transparency with respect to dealing in securities of the Company by Key Management Personnel.

7.2.2 To achieve these objectives, directors, employees and consultants should treat this policy as binding on them in the absence of any specific exemption by the Board.

7.3 What is insider trading?

7.3.1 The Corporations Act 2001 (Cth) (Corporations Act) prohibits persons who are in possession of information that is not generally available to the public and which a reasonable person would expect to have a material effect on the price of securities in the Company (price sensitive information) from:

- dealing in the securities; or
- communicating the price sensitive information to others who might deal in the securities.

7.3.2 Information is 'generally available' if, amongst other things, it consists of readily observable matters or it has been brought to the attention of investors by an ASX announcement and a reasonable period for its dissemination has elapsed since the announcement.

7.3.3 Directors, employees and consultants of the Company will from time to time be in a situation where they are in possession of price sensitive information. Examples are the period prior to release of annual or half-yearly results to the Australian Securities Exchange (ASX) and the period and the period during which a major transaction is being negotiated.

7.4 No dealing in securities of the Company when in possession of Price Sensitive Information

7.4.1 Directors, employees and consultants in possession of price sensitive information must not at any time:

- deal in securities of the Company;
- advise, procure, encourage or suggest another person deal in securities of the Company; or

- communicate the price sensitive information, or cause the price sensitive information to be communicated, to a person who may deal in securities of the Company or may procure another person to deal in securities of the Company.
- 7.4.2 A contravention of the insider trading prohibitions is an offence and exposes a person to criminal and civil liability, including liability under civil damages actions and compensation orders. The penalty for a breach of the insider trading prohibition is a fine up to \$220,000 for a natural person (and up to five times the maximum for a body corporate) or 5 years imprisonment, or both.
- 7.4.3 Key Management Personnel must ensure that external advisers who may receive price sensitive information are bound by confidentiality agreements or other enforceable confidentiality obligations.
- 7.4.4 The Company may also publish from time to time a list of securities in other companies which directors, employees and consultants are prohibited from dealing in due to the Company being in possession of price sensitive information in respect of those companies (Restricted Securities List). Directors, employees and consultants must not at any time deal in securities on the Restricted Securities List.
- 7.5 Key management personnel not to deal in securities of the Company during Restricted Periods**
- 7.5.1 In addition to the restrictions in clauses 7.7.4, 7.7.7 and 7.8 but subject to paragraph 7.7.9, Key Management Personnel must not deal in securities of the Company during the following periods:
- from the balance date until the second trading day after the Company's annual or half-yearly results have been released to ASX; and
 - any other period designated by the Board.
- (Restricted Periods).
- 7.6 Key Management Personnel Securities Trading Policy**
- 7.6.1 At all other times outside the Restricted Periods, Key Management Personnel should not deal in securities of the Company unless:
- they have satisfied themselves that they are not in possession of any inside information that is not generally available to the public;
 - they have contacted the Chairman or Company Secretary, and notified them of their intention to do so; and
 - where the Chairman wishes to deal in securities, he or she has contacted the Company Secretary or, in his absence, a Non-Executive Director, and notified them of his or her intention to do so.
- 7.6.2 Notification to the Chairman or Company Secretary is intended as a compliance monitoring function only and is not an endorsement of the proposed dealing.
- 7.6.3 Key Management Personnel remain responsible for their own investment decisions and compliance with the law.
- 7.6.4 Key Management Personnel should wait a full trading day after disclosure of inside information by the Company before dealing in securities so that the market has had time to absorb the information.

7.7 No short-term dealing in securities of the Company

- 7.7.1 Key Management Personnel must not at any time engage in short term dealing in securities of the Company.
- 7.7.2 Short-term dealing is considered to be dealing where the acquisition and disposal of securities occurs within 6 months of each other.
- 7.7.3 The Chairman may, at their discretion, permit Key Management Personnel to trade in securities in circumstances that would contravene this paragraph if that Key Management Personnel establishes hardship and that they do not have inside information.

7.8 No hedging

- 7.8.1 Despite any other part of this policy, Key Management Personnel must not at any time enter into transactions in associated products which operate to limit the economic risk of security holdings in the Company.

7.9 Trading in exceptional circumstances during Restricted Periods

- 7.9.1 Key Management Personnel may be granted prior written clearance by the Chairman or Company Secretary to deal in securities of the Company during the Restricted Periods if there are exceptional circumstances (provided that he or she is not in possession of unpublished, price sensitive information (see paragraph 7.7.4)).
- 7.9.2 Exceptional circumstances are:
- financial hardship whereby the relevant Key Management Personnel has a pressing financial commitment that cannot be satisfied other than by dealing in securities of the Company; or
 - a court order or court enforceable undertakings directing the dealing in securities of the Company.
- 7.9.3 Key Management Personnel wishing to deal in securities of the Company during a Restricted Period based on exceptional circumstances must apply in writing (email is acceptable) to the Chairman or Company Secretary for prior written clearance to deal in those securities. The application must include the following information:
- details of the exceptional circumstances;
 - the number of securities of the Company that he or she wishes to deal in;
 - the way in which he or she wishes to deal in those securities;
 - a request for clearance to deal in those securities; and
 - confirmation that he or she is not in possession of any price sensitive information.
- 7.9.4 The Chairman or Company Secretary must consider the objectives of this policy and the purpose of the ASX Listing Rules in making a determination as to whether to provide consent to deal in securities of the Company during a Restricted Period.
- 7.9.5 Any consent provided by the Chairman or Company Secretary under this policy must:
- be in writing (email is acceptable); and
 - outline the duration of the clearance (no more than 5 trading days).

- 7.9.6 Clearance by the Chairman or Company Secretary is intended as a compliance monitoring function only and is not an endorsement of the proposed dealing. Key Management Personnel remain responsible for their own investment decisions and compliance with the law.

7.10 Notification of dealing in securities

- 7.10.1 Key Management Personnel must notify the Company Secretary immediately after acquiring or disposing of a relevant interest in any securities of the Company.
- 7.10.2 Directors have entered into an agreement with the Company under which they are obliged to notify changes in interests in shares and other relevant matters in sufficient detail to allow the Company to comply with the ASX Listing Rules.

7.11 Margin Lending

- 7.11.1 ASX, in its Companies Update of 29 February 2008, has also highlighted that in certain circumstances, the Company may be required to disclose details of the margin lending arrangements of Key Management Personnel in respect of their securities of the Company (if any) if that information would be price sensitive under ASX Listing Rule 3.1.
- 7.11.2 To enable the Company to comply with ASX Listing Rule 3.1, any Key Management Personnel who enter into margin lending arrangement or otherwise encumber their securities of the Company (Security Arrangements) is required to provide details of those Security Arrangements to the Chairman (who will notify the Company Secretary) upon entering into, and on any change occurring to, the Security Arrangements. Security Arrangements may be subject to prohibitions on dealing in securities in the Company contained in this policy.
- 7.11.3 The details of the Security Arrangements that must be provided pursuant to paragraph 7.7.11.1 must include the number of securities of the Company involved, any trigger points, the right of the lender or security holder to sell the securities unilaterally and any other material details.

7.12 Directors Notification of dealings in Securities

- 7.12.1 ASX Listing Rules 3.19A and 3.19B require the Company to notify dealing in securities by Directors within 5 business days.
- 7.12.2 Section 205G of the Corporations Act 2001 requires a Director of a listed company to notify ASX within 14 days of acquiring or disposing of a relevant interest in any Securities of the Company. This is an obligation of the Director, not the Company. There is no prescribed form for such notifications.
- 7.12.3 ASIC has granted class order relief from the requirements of section 205G where notifications are made by the Company under Listing Rules 3.19A and 3.19B.

7.13 Penalties

- 7.13.1 Strict compliance with this policy is a condition of employment.
- 7.13.2 A contravention of this policy by any Key Management Personnel may result in the summary dismissal of that person.

7.14 Application

- 7.14.1 This policy applies to all directors, employees and consultants and its subsidiaries.
- 7.14.2 For the purposes of this policy, directors, employees and consultants "dealing" in securities of the Company includes associates of directors, employees and consultants dealing in securities of the Company. It is incumbent on each director and employee to take all reasonable steps to ensure that an associate does not deal in circumstances where the dealing could be attributed to the

director or employee concerned and would involve a contravention of this policy if the dealing had been undertaken by the director or employee concerned. Associates include your relatives, entities which you control and entities you are acting in concert with.

7.14.3 Despite anything in this policy, the following types of dealing are excluded from the operation of this trading policy:

- transfers of securities of the Company already held in a superannuation fund or other saving scheme in which the restricted person is a beneficiary and where the investments are made at the discretion of a third party;
- an investment in, or dealing in units of, a fund or other scheme (other than a scheme only investing in securities of the Company) where the assets of the fund or other scheme are invested at the discretion of a third party;
- where a restricted person is a trustee, trading in securities of the Company by that trust provided the restricted person is not a beneficiary of the trust and any decision to trade during a prohibited period is taken by the other trustees or by the investment managers independently of the restricted person;
- undertakings to accept, or the acceptance of, a takeover offer;
- dealing under an offer or invitation made to all or most of the security holders, such as, a rights issue, a security purchase plan, a dividend or distribution reinvestment plan and an equal access buy-back, where the plan that determines the timing and structure of the offer has been approved by the Board of the Company. This includes decisions relating to whether or not to take up the entitlements and the sale of entitlements required to provide for the take up of the balance of entitlements under a renounceable pro rata issue;
- a disposal of securities of the Company that is the result of a secured lender exercising their rights, for example, under a margin lending arrangement; and
- the exercise (but not the sale of securities of the Company following exercise) of an option or a right under an employee incentive scheme, or the conversion of a convertible security.

7.14.4 The Board of the Company has absolute discretion to prohibit directors, employees and consultants from dealing in securities of the Company at any time.

7.15 Definitions

For the purposes of this policy:

— **dealing in securities** includes:

- applying for, acquiring or disposing of, securities;
- entering into an agreement to apply for, acquire or dispose of, securities;
- granting, accepting, exercising or discharging an option or other right or obligation to acquire or dispose of securities;
- trading in financial products issued or created over securities; and
- entering into transactions in financial products which operate to limit the economic risk of security holdings;

— **Key Management Personnel** has the meaning given to it in the ASX Listing Rules and includes the people listed below;

- Each Director of the Company
- All members of the board of subsidiaries of the Company
- The Chief Executive Officer, and any Chief Operating Officer or General Manager of any division of the Company or a subsidiary of the company
- Any other Director appointed to the board of the Company or a board of a subsidiary of the Company

- The General Manager of any division of the Company or a subsidiary of the Company
- The Chief Financial Officer of the Company
- The Company Secretary of the Company
- All other executives who directly report to the Chief Executive Officer or Chief Operating Officer
- Other executives as determined by the board from time to time
- Other than any of the persons listed above, an Officer of the Company as defined by section 9 of the Corporations Act
- Other than any of the persons listed above, an employee having authority and responsibility for planning, directing and controlling the activities of the Company or any subsidiary of the Company
- **price sensitive information** has the meaning given in clause 7.7.3.1;
- **securities** includes shares, options over those shares and any other financial products of the Company traded on ASX

8. Diversity Policy

8.1 General Purpose and Principle

- (a) The Group respects and values the competitive advantage of "diversity", and the benefit of its integration throughout the Group, in order to enrich the Group's perspective, improve corporate performance, increase shareholder value, and enhance the probability of achievement of the Group's objectives ("principle")
- (b) This Principle will manifest itself in the following areas:
 - i. Strategic and operational:
 - A. being attuned to diverse strategies to deliver the Group's objectives,
 - B. being attuned to diverse corporate, business and market opportunities; and
 - C. being attuned to diverse tactics and means to achieve those strategies in (A) and to take advantage of those opportunities in (B).
 - ii. management:
 - A. adding to, nurturing and developing the collective relevant skills, and diverse experience and attributes of personnel within the Group;
 - B. ensuring the Group's culture and management systems are aligned with and promote the attainment of the Principle.
- (c) The Group will develop strategies, initiatives and programs to promote the Principle, including the achievement of gender diversity with respect to the matters referred to in paragraph 8.1(b)(ii).
- (d) In particular, the Group will set measurable objectives, and targets or key performance indicators (KPIs), for the strategies, initiatives and programs to achieve gender diversity with respect to the matters referred to in paragraph 8.1(b)(ii).
- (e) The Group will implement the strategies, initiatives, programs and measurable objectives referred to in (c) and (d).
- (f) Management will monitor, review and report to the Board (including via the Nomination and Remuneration Committee on the achievement of gender diversity with respect to the matters referred to in paragraph 8.1(b)(ii)), the Group's progress under this Policy.

8.2 Responsibility for Policy

- (a) Although the Board retains ultimate accountability for this Policy, the Board has delegated responsibility for Policy implementation to the CEO.
- (b) In turn the CEO has delegated to the Company Secretary responsibility for the administration of this Policy (including its reporting to the Board, or its relevant sub-committee as appropriate).

8.3 Measurable Objectives, Targets and Key Performance Indicators (KPIs) - Gender Diversity

With respect to gender diversity, management will:

- (a) develop, for approval by, the Board or its relevant sub committee, as appropriate:
 - i. measurable objectives concerning the strategies, initiatives and programs referred to in paragraph 8.1(c);
 - ii. targets or key performance indicators (KPIs) to verify progress towards attainment of those measurable objectives.
- (b) measure performance against those targets and KPIs,
- (c) report from time to time on the progress of the matters referred to in (a) and (b)

8.4 Compliance Requirements

- (a) The Company will meet its obligations with respect to the issue of "Diversity", as may be required under the ASX Corporate Governance Principles and Recommendations (2nd Edition) ("ASX Principles") and other regulatory requirements (if any), including by:
 - i. establishing this Policy as a compliant policy under ASX Guideline 3.2(a) by:
 - A. establishing measurable objectives for achieving gender diversity;
 - B. the Board assessing annually the measurable objectives for achieving gender diversity and the progress in achieving them.
 - ii. disclosing this Policy or a summary of it under ASX Guideline 3.2(b);
 - iii. in its annual report, and in the terms of ASX Guideline 2.4, disclosing the processes the Board adopts and the criteria the Board takes into consideration in its selection of prospective new Board members;
 - iv. in, its annual report, and in the terms of ASX Principles 3.3 and 3.4, disclosing:
 - A. the measurable objectives for achieving gender diversity set by the Board in the terms of this Policy;
 - B. the progress from time to time towards achieving them;
 - C. the proportions in the Group (relative to their male counterparts) of:
 - female employees;
 - females in senior executive positions;
 - females on the Board.
 - v. incorporating in the corporate governance statement in the Company's annual report a statement as to the mix of skills and diversity that the Board is looking to achieve in membership of the Board, in the terms of ASX Guideline 2.6.

- (b) The Company Secretary will assume line responsibility to assure that the Company meets its compliance and reporting obligations referred to in (a); including by collecting and collating all relevant data and ensuring that management processes and systems are adequate and effective for such reporting obligations to be met.

8.5 Communication

The Company commits to the communication of this Policy within the Group and to its shareholders and the market, including via its website:

- i. by way of transparency and accountability; and
- ii. to better promote the prospects of attainment of the Principle.

8.6 Accountability

- (a) Reporting and accountability in the terms of this Policy will be a periodic item on the Board Agenda.
- (b) At least annually the Nomination and Remuneration Committee will report to the Board on progress towards attainment of the Principle with respect to the matters referred to in paragraph 1(b)(ii), and otherwise to facilitate the Board in meeting its Compliance Requirements, under paragraph 8.4.

8.7 Addenda to this Policy

The following shall constitute addenda to this Policy as if set out in this Policy:

- (a) approved strategies, initiatives and programs and measurable objectives referred to in paragraph 8.1(c); and
 - (b) approved measurable objectives, targets and KPIs referred to in paragraph 8.1(d);
- as may apply from time to time.

8.8 Overriding Caveat

Nothing in this Policy shall be taken, interpreted or construed so as to endorse:

- (a) the principal criteria for selection and promotion of people to work within the Group being other than their overall relative prospect of adding value to the Group and enhancing the probability of achievement of the Group's objectives;
- (b) any discriminatory behaviour by or within the Group contrary to the law, of any applicable codes of conduct or behaviour for the Group and its personnel;
- (c) any existing person within the Group in any way feeling threatened or prejudiced by this Policy in their career development or otherwise, merely because their Diversity attributes at any time may be more, rather than less, common with others.

9. Remuneration Committee

The Directors have decided not to appoint a Remuneration Committee due to the scale and nature of The Company's activities. However, the Board actively researches appropriate remuneration for senior employees in particular and significant decisions are generally made by all Board members at a Directors' meeting. It is The Company's objective to provide maximum stakeholder benefit from the retention of a high quality board by remunerating Directors fairly and appropriately with reference to relevant market conditions. To assist in achieving this objective, the Board attempts to link the nature and amount of Directors' emoluments to The Company's performance.

The objective of the remuneration approach is:

- the retention and motivation of key executives;

- attraction of quality personnel with appropriate expertise; and
- performance incentives that allow executives to share the rewards of the success of The Company.

For details of the amount of remuneration and all monetary and non-monetary components for each of the Directors during the financial year, refer to the Directors' Report. There is no scheme to provide retirement benefits, other than statutory superannuation for Directors who are paid a salary. Non Executive Directors are remunerated by way of fees and are not entitled to receive options, bonus payments or participate in schemes available to the executives of the company other than as approved by shareholders.

10 Board & Director Evaluation

Fermiscan Holdings Limited ("the Company") full Board is responsible for conducting each year an evaluation of the Board's performance, including the performance and contribution of the Board as a whole and the Board members individually.

10.1 Board Evaluation Process

Annually the Corporate Governance Committee will prepare a questionnaire to be completed by each director to evaluate the performance of the Board.

The object of the questionnaire is to assist the Chairman of the Board to:

- a) assess the overall performance of the Board and measure the contributions made by the directors, both collectively and individually;
- b) evaluate the processes in place for the Board to operate effectively and make decisions in the best interests of the Company;
- c) enhance and maintain best corporate governance practices; and
- d) meet regulatory requirements regarding corporate governance.

10.2 Director Evaluation Process

Individual directors

Annually the Corporate Governance Committee will prepare a questionnaire to be completed by each director to evaluate the performance of individual directors. The questionnaire will ask directors, other than those who are due to retire, to evaluate both themselves and their colleagues as directors. It will also ask directors to evaluate the Chairman, the Chief Executive Officer and directors serving as the chairman or as the chairman of any committee established by the Board in their roles as chairs.

- a) The object of the questionnaire is to improve the overall performance of the Board by assessing each director's contribution and effectiveness in enhancing and maintaining best corporate governance practices;
- b) strategic thinking and decision making;
- c) contribution to resolution of divergent views;
- d) proactive participation;
- e) leadership through vision and values;
- f) Commercial and business acumen.

The questionnaire will also assist individual directors to build on their strengths and assess their need for continuing education.

10.3 Renominating directors

The Corporate Governance Committee will also prepare section in the questionnaire to evaluate the effectiveness of renominating directors.

10.4 The Evaluation Process

The following process is to be adopted:

- a) In July of each year, each Director will receive customised Board and Director evaluation forms to be completed by the end of August.
- b) The evaluation forms, consisting of three parts, are attached.

1. Part I is an evaluation of the effectiveness of the Board as a whole and consists of a series of questions regarding Board responsibilities, how well the Board has conducted itself at meetings and the Board's relationship with the Chief Executive Officer.
 2. Part II is an evaluation of the effectiveness of Board committees.
 3. Part III is an evaluation of the performance of individual Board members including an evaluation for renominating directors.
- c) An additional section Part IV is a separate self evaluation required to be completed by the renominating Directors
 - d) The completed questionnaire is to be returned to the Chairman.
 - e) The Chairman will conduct separate interviews with each director to discuss the results of the Board, committees' and directors' evaluations.
 - f) The Chairman will report to the Board on the results of the questionnaires following the completion of the interviews.

11. Nomination Committee

The Directors have decided not to appoint a Nomination Committee due to the scale and nature of The Company's activities.

Subject to the provision of The Company's Constitution, the issues of board composition including diversity and selection criteria for Directors are dealt with by the full board. The board continues to have the mix of skills and experience necessary for the conduct of The Company's activities.

The Company's Constitution provides for events whereby Directors may be removed from the board. Similarly shareholders have the ability to nominate, appoint and remove Directors. In addition, the Constitution provides for the regular rotation of Directors which ensures that Directors seek re-election by shareholders at least once every three years. Given these regulatory requirements, Directors are not appointed for a specified term and Directors' continuity of service is effectively in the hands of shareholders.

12. Code of Conduct

12.1 Introduction

As part of its commitment to recognising the legitimate interests of stakeholders, The Company has established a Code of Conduct to guide compliance with legal and other obligations to stakeholders. These stakeholders include employees, clients, customers, government authorities, creditors and the community as a whole.

The objective of this policy is to demonstrate the commitment of Fermiscan Holdings Limited ("The Company") to ethical standards and practices.

This policy known as The Company Code of Conduct ("the Code") is not intended to prescribe an exhaustive list of acceptable and non-acceptable behaviour rather it is intended to guide behaviour in order to maintain confidence in integrity of The Company.

12.2 Code Violations

Commitment to the integrity of The Company and this Code is taken seriously. Any breach to the Code constitutes misconduct and will lead to disciplinary action which may include dismissal and/or legal action.

12.3 Scope

This policy applies to all Directors, Officers, The Company Secretary and all executives of The Company.

12.4 Responsibilities

12.4.1 Directors

All Directors and all officers of The Company must, as far as possible:

- act with the utmost integrity, objectivity, ethically and responsibly
- strive at all times to enhance the reputation and performance of The Company and related entities
- act in accordance with the interests of shareholders, staff, clients and all other stakeholders in The Company
- undertake their duties with care and diligence
- ensure that any personal opinions expressed are clearly identified as their own and are not represented to be the views of The Company
- value individuals' differences and treat people with respect
- not enter into transactions or make promises on behalf of The Company that The Company does not intend to honour
- be in full compliance with the letter and spirit of the Code, and
- comply with the relevant law in all activities.

If an Officer becomes aware of unlawful or unethical behaviour, he or she will report it to the Chair. The identity of the Officer reporting the violation in good faith will remain confidential.

12.4.2 Shareholders and the Financial Community Generally

The Company complies with the spirit as well as the letter of all laws and regulations that govern shareholders' rights.

The Company has processes in place designed to ensure the truthful and factual presentation of The Company's financial position and prepares and maintains its accounts fairly and accurately in accordance with the generally accepted accounting and financial reporting standards.

12.4.3 Clients, Customers and Consumers

Each employee has an obligation to use their best efforts to deal in a fair and responsible manner with each of The Company's clients, customers and consumers. The Company for its part is committed to providing clients, customers and consumers with fair value.

12.5 Employment Practices

The Company endeavours to provide a safe workplace in which there is equal opportunity for all employees at all levels of The Company. The Company does not tolerate the offering or acceptance of bribes or the misuse of Company assets or resources.

12.6 Conflicts of Interest

A conflict of interest will occur where an individual's private or professional interests are sufficient to influence or give the appearance of influencing, the performance of his or her duties.

Private interests can be direct or indirect and refers not only to the individual but also to family members and friends.

Officers are not to give preference to personal interests or to the interests of any associate or other person, where to do so would be in conflict with the interests of The Company.

Should there be any likelihood of a conflict of interest arising, full disclosure should be made to the Chair and written approval obtained before acting.

12.7 Gifts

Common sense regarding gifts from external parties must be applied.
Gifts and personal benefits can include accommodation, goods, services and discounts on items.

Gifts or personal benefits of any value from external parties are not to be accepted if it could be perceived that this could create an obligation, affect objectivity, compromise or influence any decision made by The Company.

12.8 Contributions

Bribes, kickbacks, inducements or other illegal payments of any kind must not be made to any third party in order to receive favourable treatment for any purpose.

Officers of The Company must not seek or accept any type of compensation, fee, commission or gratuity from a third party in connection with the operations of The Company.

12.9 Corporate Opportunities

Officers must not misuse information, their position or opportunities arising as a result of their position within The Company, improperly gain advantage for themselves or for someone else or to cause detriment to or compete with The Company.

Officers must not use the name of The Company to further any personal or other business transaction for their personal benefit.

12.10 Confidentiality

Customers, suppliers and other stakeholders entrust The Company with their confidential communications and information daily.

Confidential information includes internal or propriety information related to The Company's business, technological and other knowledge, processes, computer passwords, computer software, product formulations, business strategies and plans, and information concerning the company's operations, customers, vendors, shareholders suppliers and employees.

Confidential information received by an officer of The Company in the course of his or her duties remains the property of The Company and should not be disclosed to any other person without the prior written consent of the Chair unless the disclosure is required by law or in accordance with their duties as an officer of The Company.

Officers of The Company should respect the privacy of others.

Officers of The Company must protect proprietary, commercial and other information that is confidential to The Company. These obligations continue after the Officer's engagement with The Company ends.

12.11 Protection of Assets

The assets of The Company include such items as IT and manual systems, information, intellectual property and networks of contacts, customers and suppliers.

Officers of The Company are responsible for taking all prudent steps to ensure the protection of the assets and resources of The Company from loss, damage, misuse, waste and theft.

Officers of The Company must ensure that the assets and resources of The Company are used only for lawful business purposes authorised by The Company.

12.12 Compliance With the Law

Officers of The Company should comply with the letter of the law and, where it is clear the spirit of all laws and regulations relating to their business, conduct to the best of their abilities.

Officers of The Company should abide by the laws, rules and regulations of the countries in which they are operating.

Officers of The Company should undertake training on legal obligations and policies as required.

The laws that govern the activities of The Company may be complex, but ignorance of the law does not excuse Officers of The Company from their obligations to comply.

Officers of The Company should not engage in conduct likely to have an adverse effect on the reputation of The Company.

The Company, its directors and employees will cooperate fully with any regulatory body in any properly constituted investigation.

The Company is committed to conducting its business in accordance with applicable environmental laws and regulations and encourages all employees to have regard for the environment when carrying out their jobs.

12.13 Fair Dealing

Officers must act fairly and honestly in all their dealings with and on behalf of The Company.

Officers of The Company are not to take advantage of any party dealing with The Company through illegal conduct, undue influence, concealment, manipulation, abuse of privileged or confidential information, misrepresentation of material facts or any unfair dealing practice.

Business relationships must be maintained in a way which is consistent with the principles of respect for others and fairness.

The Company aims to conduct its business fairly and to compete ethically and in accordance with relevant competition laws. The Company will only engage in fair competition.

The Company strives to deal fairly with the customers, suppliers, competitors and other employees and encourages its employees to strive to do the same.

12.14 Political Contributions and Activities

The Company maintains a position of impartiality with respect to party politics. Accordingly The Company does not contribute funds to any political party, politician, or candidate for public office.

The Company does not prohibit Officers of The Company from making personal political contributions but should not use their role with The Company for political interests at any time.

12.15 Monitoring Compliance

The Board, management and all employees of The Company are committed to implementing this code of conduct and each individual is accountable for such compliance. Disciplinary measures may be imposed for violating the code.

12.16 Review of the Code of Conduct

This code is subject to annual review by the board of the company and revised when required.

FERMISCAN HOLDINGS LIMITED AND CONTROLLED ENTITIES
STATEMENT OF COMPREHENSIVE INCOME
For the Year Ended 31 December 2010

		Consolidated	
	Notes	2010	2009
		(\$)	(\$)
Revenue from operations	3	-	3,648,000
Interest income	3	2,802	115,000
Research & development tax concession	3	-	1,006,000
Net assets and liabilities including cash transferred to administrator on liquidation of subsidiaries and execution of DOCA		329,922	-
Other income	3	-	145,000
Revenue		332,724	4,914,000
Employee and director benefits expense		87,624	5,744,000
Administration costs		89,897	218,000
Scientific & synchrotron operations		-	1,243,000
Impairment of patents and related expenses		10,439	663,000
Legal fees		67,450	1,509,000
Branding and marketing		-	175,000
Occupancy costs		17,994	595,000
Depreciation and amortisation	4	-	588,000
Due diligence		-	528,000
Consulting fees		-	589,000
Insurance		27,508	-
Loss on sale of the business of Sydney Breast Clinic		-	5,069,000
Other expenses		28,470	1,760,000
Listing and other statutory charges		17,259	-
Borrowing costs		4,100	-
Other professional expenses		58,965	-
Currency translation		-	26,000
Total expenses		409,706	18,707,000
Profit (loss) before Share based expense transactions		(76,982)	(13,793,000)
Share based expense transactions		-	315,000
Profit (loss) before income tax expense (income tax benefit)		(76,982)	(14,108,000)
Income tax expense (income tax benefit)	5	-	-
Profit (loss) attributable to the members of the parent		(76,982)	(14,108,000)
Other comprehensive income		-	-

Total comprehensive income		(76,982)	(14,108,000)
Earnings per share		2010 (\$)	2009 (\$)
	Notes		
Basic earnings (loss) – cents per share	15	(0.05)	(9.8)
Diluted earnings (loss) – cents per share	15	(0.05)	(9.8)

FERMISCAN HOLDINGS LIMITED AND CONTROLLED ENTITIES
STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

	Notes	Consolidated Entity	
		2010	2009
		(\$)	(\$)
CURRENT ASSETS			
Cash and cash equivalents		60,269	865,000
Receivables	6	21,153	664,000
Other	7	-	69,000
TOTAL CURRENT ASSETS		81,422	1,598,000
NON CURRENT ASSETS, CLASSIFIED AS HELD FOR SALE			
Property, plant and equipment	8	59,450	234,000
Intangible assets	9	-	250,000
TOTAL NON CURRENT ASSETS		59,450	484,000
TOTAL ASSETS		140,872	2,082,000
CURRENT LIABILITIES			
Payables and accruals	10	84,854	1,455,000
Borrowings	12	300,000	-
Provisions	11	-	76,000
TOTAL CURRENT LIABILITIES		384,854	1,531,000
NON-CURRENT LIABILITIES			
Payables	10	-	-
TOTAL NON-CURRENT LIABILITIES		-	-
TOTAL LIABILITIES		384,854	1,531,000
NET ASSETS (DEFICIENCY)		(243,982)	551,000
EQUITY			
Contributed equity	13	59,108,000	34,959,000
Reserves		-	1,400,000
Retained earnings (accumulated losses)		(59,351,982)	(35,808,000)
TOTAL EQUITY (DEFICIENCY)		(243,982)	551,000

FERMISCAN HOLDINGS LIMITED AND CONTROLLED ENTITIES
STATEMENT OF CHANGES IN EQUITY
For the Year Ended 31 December 2010

Notes	Consolidated Entity 2010 (\$)	2009 (\$)
Retained earnings (losses) at the beginning of the year	(59,275,000)	(24,820,000)
Net movement in share based expense reserve	-	3,120,000
Profit (loss) for the year	<u>(76,982)</u>	<u>(14,108,000)</u>
Retained earnings (losses) at the end of the year	<u>(59,351,982)</u>	<u>(35,808,000)</u>
Transactions with equity holders in their capacity as equity holders:		
Contributed equity at the beginning of the year	57,608,000	34,959,000
Issue of shares	100,000	-
Options expired	1,400,000	-
Fund raising costs	<u>-</u>	<u>-</u>
Contributed equity at the end of the year	<u>59,108,000</u>	<u>34,959,000</u>
Share based expense opening balance	1,400,000	4,205,000
Options granted during the year	-	315,000
Options exercised or expired during the year	<u>(1,400,000)</u>	<u>(3,120,000)</u>
Share based expense reserve at the end of the year	<u>-</u>	<u>1,400,000</u>
Total Equity at the end of the year attributable to members of the parent	<u>(243,982)</u>	<u>551,000</u>

FERMISCAN HOLDINGS LIMITED AND CONTROLLED ENTITIES
STATEMENT OF CASH FLOWS
For the Year Ended 31 December 2010

	Notes	Consolidated Entity 2010 (\$)	2009 (\$)
CASH FLOW FROM OPERATING ACTIVITIES			
Payments to suppliers, employees and transfers to administrator		(1,148,083)	(11,309,000)
Receipts from customers		-	3,648,000
Research & development tax concession		-	556,000
Interest received		2,802	115,000
Net cash provided by (used in) operating activities	14	<u>(1,145,281)</u>	<u>(6,990,000)</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Payments for property plant and equipment		(59,450)	(237,000)
Payments for intangible assets		-	(216,000)
Proceeds on sale of the business of Sydney Breast Clinic Pty Limited		-	730,000
b) physical non-current assets		-	75,000
Loans to other entities		-	(12,000)
Loans repaid by other entities		-	-
Net cash provided by (used in) investing activities		<u>(59,450)</u>	<u>340,000</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from share issue		100,000	-
Proceeds from borrowings		300,000	-
Net cash provided by (used in) financing activities		<u>400,000</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents		(804,731)	(6,650,000)
Cash and cash equivalents at beginning of year		865,000	7,515,000
Cash and cash equivalents at end of the year		<u><u>60,269</u></u>	<u><u>865,000</u></u>

Fermiscan Holdings Limited and Controlled Entities
Notes to the Financial Statements
For the year ended 31 December 2010

NOTE 1: BASIS OF PREPARATION

This financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

Fermiscan Holdings Limited is a company limited by shares, incorporated and domiciled in Australia.

The financial report of Fermiscan Holdings Limited and controlled entities comply with Australian Accounting Standards. The financial statements comply with International Financial Reporting Standards (IFRS).

Going Concern

The financial report for the year ended 31 December 2010 has been prepared on a going concern basis, which contemplates the consolidated entity, has the ability to pay its debts as and when they fall due.

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

Summary of the significant accounting policies:

(a) Principles of consolidation

In the consolidated financial statements up to and including 31 December 2009 when Fermiscan Holdings Limited acquired (as the legal parent) the Fermiscan Limited group of companies, the shareholders of Fermiscan Limited (the legal subsidiary) obtained 86.8% in the shares of Fermiscan Holdings Limited (at the time of re-listing on the 25th October 2006) and therefore control of the combined entity. Accordingly the transaction was accounted for as a reverse acquisition. This financial report disclosed the consolidated financial statements with the Fermiscan Holdings Limited acquisition of Fermiscan Limited accounted for as a reverse acquisition.

With Fermiscan Pty Limited being placed into liquidation, the financial statements as at 31 December 2010 have been prepared on the basis that Fermiscan Holdings Limited is the parent entity.

The consolidated financial statements are those of the consolidated entity, comprising the financial statements of the parent entity and of all entities, which Fermiscan Holdings Limited controlled from time to time during the year and at balance date. Details of the controlled entities are contained in Note 18. The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies, which may exist. All inter-company balances and transactions, including any unrealised profits or losses have been eliminated on consolidation.

(b) Revenue recognition

Government grants received that relate to specific assets or expenses are deferred and recognised as income in the same period as the asset is consumed or when the associated expenses are incurred.

Other government grants are recognised as income when received.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates and joint ventures are accounted for in accordance with the equity method.

All revenue is stated net of the amount of goods and services tax (GST).

(c) Cash and cash equivalents

Cash and cash equivalents include cash on hand and at banks, short-term deposits with an original maturity of three months or less held at call with financial institutions, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities.

(d) Property, plant and equipment

Cost and valuation

Property, plant and equipment are stated at cost less depreciation and any accumulated impairment losses.

The carrying amount of plant and equipment is reviewed for impairment annually by directors for events or changes in circumstances that indicate the carrying value may not be recoverable. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets are written down to their recoverable amount. Impairment losses are recognised in the Statement of Comprehensive Income.

Depreciation

The depreciable amounts of fixed assets are depreciated on a straight-line basis over their estimated useful lives commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The useful lives for each class of assets are:

	2010	2009
Plant and equipment:	2.5 to 5 years	2.5 to 5 years
Motor vehicles:	5 years	5 years

(e) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Finance leases

Leases of fixed assets, where substantially all of the risks and benefits incidental to ownership of the asset, but not the legal ownership, are transferred to entities within the consolidated entity are classified as finance leases. Finance leases are capitalised, recording at the inception of the lease an asset and liability equal to the present value of the minimum lease payments, and disclosed as plant and equipment under lease.

Leased assets are depreciated over the shorter of the estimated useful life of the assets and the lease term. Lease payments are allocated between interest expense and reduction of the lease liability. The interest expense is calculated using the interest rate implicit in the lease and is included in finance costs in the Statement of Comprehensive Income.

The cost of improvements to or on leasehold property is capitalised, disclosed as leasehold improvements, and amortised over the unexpired period of the lease or the estimated useful lives of the improvements, whichever is the shorter.

Operating leases

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses in the period in which they are incurred.

(f) Intangibles

Trademark and patents

Trademark and patents are recognised at cost and are amortised over their estimated useful lives, which range from 5 to 20 years, once commercial production is commenced. Trademarks and patents are carried at cost less accumulated amortisation and any impairment losses.

Research and development

Expenditure on research activities is recognised as an expense when incurred.

Expenditure on development activities is capitalised only when it is expected that future benefits will exceed the deferred costs. Capitalised development expenditure is stated at cost less accumulated amortisation. Amortisation is calculated using a straight-line method to allocate the cost over a period (not exceeding three years), during which the related benefits are expected to be realised, once commercial production is commenced. Other development expenditure is recognised as an expense when incurred.

(g) Impairment of assets

Assets subject to annual depreciation or amortisation are reviewed for impairment whenever events or circumstances arise that indicates that the carrying amount of the asset may be impaired.

An impairment loss is recognised where the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset is defined as the higher of its fair value less costs to sell and value in use.

(h) Income tax

Current income tax expense or revenue is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities.

A balance sheet approach is adopted under which deferred tax assets and liabilities are recognized for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred tax asset or liability is recognised in relation to temporary differences arising from the initial recognition of an asset or a liability if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

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

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

The parent entity and its controlled entities intend to form an income tax consolidated group under the tax consolidation legislation. The parent entity is responsible for recognising the current tax liabilities and deferred tax assets arising in respect of tax losses, for the tax consolidated group. The tax consolidated group also intends to enter into a tax funding agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

(i) Employee benefits

Liabilities arising in respect of wages and salaries, annual leave, sick leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date.

Share based expense transactions

The company operates an employee share option plan. In addition Directors and employees were granted options during the year. The amount expensed in the Statement of Comprehensive Income is determined by reference to the fair value of the options at the grant date.

Superannuation

Contributions are made by the Group to employee superannuation funds which provide accumulated benefits to employees.

(j) Financial instruments

Classification

The group classifies its financial instruments in the following categories: loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

Held-to-maturity investments

Fixed term investments intended to be held to maturity are classified as held-to-maturity investments. They are measured at amortised cost using the effective interest rate method.

Loans and receivables

Loans and receivables are measured at fair value at inception and subsequently at amortised cost using the effective interest rate method.

Financial liabilities

Financial liabilities include trade payables, other creditors and loans from third parties including inter-company balances and loans from or other amounts due to director-related entities.

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation. Investments in subsidiaries not included in the above categories are reflected at cost less impairment of value.

(k) Foreign currencies

Functional and presentation currency

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

Transactions and balances

Fermiscan Holdings Limited and its subsidiaries presently transact in foreign currencies. Transactions in foreign currencies of entities within the consolidated entity are translated into the functional currency at the rate of exchange ruling at the date of the transaction.

Foreign currency monetary items outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are translated using the spot rate at the end of the financial year. Resulting exchange differences arising on settlement or re-statement would be recognised as revenues and expenses for the financial year.

(l) Investments

Investments are initially recorded at cost, being the fair value of the consideration given and including acquisition charges associated with the investment. After initial recognition, investments, which are classified as available for sale, are measured at fair value.

(m) New Accounting standards and UIG interpretation

Certain new accounting standards and UIG interpretations have been published that are not mandatory for 31 December 2010 reporting periods. The Group's assessment of the impact of these new standards and interpretations is that there is not expected to be any material effect on the Group in future reporting periods.

(n) Going Concern

As noted in the Directors Report, the ability of the consolidated entity to continue as a going concern and to pay its debts as and when they fall due is dependent on the ability of the consolidated entity to secure additional funding through either the issue of further shares, convertible notes, debt or a combination. The group has commenced discussions with institutional and professional investors to secure additional equity funding.

NOTE 2: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are based on past performance and management's expectation for the future.

Critical accounting estimates and assumptions

The group makes certain estimates and assumptions concerning the future, which, by definition will seldom represent actual results. These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and assumptions that have had a significant risk of causing a material adjustment to the carrying value of assets and liabilities has been impacted by the adoption of the liquidation basis of accounting and the value of patents, property, plant and equipment and other financial assets and liabilities.

NOTE 3: REVENUE

	Notes	Consolidated Entity	
		2010	2009
		(\$)	(\$)
Revenues from operations		-	3,648,000
Interest Income		2,802	115,000
Research & development tax concession		-	1,006,000
Other		-	145,000
		<u>2,802</u>	<u>4,914,000</u>

NOTE 4: PROFIT (LOSS) FROM OPERATIONS

Employee benefits expense	<u>14,370</u>	<u>5,548,000</u>
Superannuation	<u>-</u>	<u>196,000</u>
Depreciation of non-current assets		
- Plant and equipment	-	574,000
- Motor vehicles	-	14,000
Loss on disposal of property plant and equipment	<u>-</u>	<u>187,000</u>

NOTE 5: INCOME TAX

Profit (loss) before income tax	<u>(76,982)</u>	<u>(14,108,000)</u>
At the statutory income tax rate of 30% (2009: 30%)	(23,095)	(4,232,000)
Tax effect of amounts which are not deductible in calculating taxable income		
Share based payments	-	95,000
Tax losses and timing differences not recognised as future tax benefits	<u>23,095</u>	<u>4,137,000</u>
Income tax expense	<u>-</u>	<u>-</u>

NOTE 6: RECEIVABLES

	Notes	Consolidated Entity	
		2010	2009
		(\$)	(\$)
CURRENT			
Trade and other receivables		21,153	664,000
Unsecured directors loan		-	107,000
Provision for impairment		-	(107,000)
		<u>21,153</u>	<u>664,000</u>

NOTE 7: OTHER CURRENT ASSETS

Prepayments	-	-
Unexpired interest charges	-	4,000
Other assets	-	65,000
	<u>-</u>	<u>69,000</u>

NOTE 8: PROPERTY, PLANT AND EQUIPMENT

Plant & equipment		
On a liquidation basis	-	234,000
At cost	59,450	-
Accumulated depreciation	-	-
	<u>59,450</u>	<u>-</u>
Total property, plant and equipment	<u>59,450</u>	<u>234,000</u>

Consolidated Entity

2010	2009
(\$)	(\$)

(b) Reconciliations

Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year.

Plant and equipment

Carrying amount at beginning of year	234,000	2,286,000
Disposals including assets sold on disposal of Sydney Breast Clinic	-	(1,567,000)
Transferred to Administrator	(234,000)	-
Additions	59,450	237,000
Depreciation expense	-	(574,000)
Impairment	-	(148,000)
Net foreign currency movements arising from foreign operation	-	-
Carrying amount at end of year	<u>59,450</u>	<u>234,000</u>

Motor vehicles

Carrying amount at beginning of year	-	254,000
Disposals	-	(240,000)
Additions	-	-
Depreciation expense	-	(14,000)
Impairment	-	-
Net foreign currency movements arising from foreign operation	-	-
Carrying amount at end of year	<u>-</u>	<u>-</u>

NOTE 9: INTANGIBLES

Trademark and patents, at liquidation value	-	250,000
Goodwill on acquisition of Sydney Breast Clinic Pty Ltd	-	-
	<u>-</u>	<u>250,000</u>

Opening net book amount	250,000	5,365,000
Additions to Trademark and patents	-	216,000
Write off of Sydney Breast Clinic goodwill on the sale of the business	-	(4,668,000)
Impairment of patents or transfer to Administrator	(250,000)	(663,000)
Closing net book amount	<u>-</u>	<u>250,000</u>

NOTE 10: PAYABLES**CURRENT****Consolidated Entity**

		2010	2009
		(\$)	(\$)
Trade payables		-	49,000
Other payables		-	1,372,000
Accruals		84,854	-
Hire purchase liabilities	19	-	34,000
		<u>84,854</u>	<u>1,455,000</u>
NON-CURRENT			
Hire purchase liabilities	19	-	-

NOTE 11: PROVISIONS**CURRENT**

Employee provisions		-	76,000
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NOTE 12: BORROWINGS**CURRENT**

Convertible notes	19	300,000	-
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Conversion to ordinary shares

(a) Upon the happening of the following events:

- (i) the Company holding the 2009 AGM by 1 December 2010 and obtaining shareholder approval for the issue of the Note to the Noteholder; and
- (ii) the issue by the Company of a Prospectus relating to the shares to be issued when the Note converts and a further issue of 100,000,000 shares at \$0.01 to raise a further \$1,000,000; and
- (iii) ASX granting approval subject only to the usual conditions for the lifting of the trading suspension on the Company's securities by the ASX.

the Company must convert the Note to Ordinary Shares at \$0.02 per ordinary share.

(b) Upon a conversion under clause 4(a) then the Company must issue to the Noteholder the number of Ordinary Shares determined in accordance with clause 4(c)

(c) The number of Ordinary Shares to be issued under clause 4(b) will be calculated by dividing the Face Value by the Issue Price.

(d) Each Ordinary Share issued upon conversion of the Note will be credited as fully paid and must rank equally with, and have all rights, benefits and obligations identical with existing Ordinary Shares.

NOTE 13: CONTRIBUTED EQUITY

	Consolidated Entity	
	2010	2009
	(\$)	(\$)
<i>(a) Issued and paid up capital</i>		
Ordinary shares fully paid	59,108,000	34,959,000

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

(b) Movements in shares on issue

	Parent Entity	
	2010	
	Number of shares	(\$)
Beginning of the financial year	143,507,000	57,608,000
Issued during the year	10,000,000	100,000
Employee share option lapsed or expired	-	1,400,000
Deduct: Share issue costs	-	-
End of the financial year	153,507,000	59,108,000

(c) Share Options

Employee share option plan

The company offered employee participation in the Employee share option plan as a long-term incentive and as part of the remuneration arrangements. The amount expensed in the Statement of comprehensive income is determined by reference to the fair value of the options at the grant date.

(d) Share Options- movements

	2010	Weighted average exercise price	2009	Weighted average exercise price
	Number	price	Number	price
Outstanding at beginning of year	22,500,000		66,992,000	
Granted during the year	-		2,900,000	31 cents
Exercised during the year	-		-	
Lapsed or expired during the year	(22,500,000)		(47,392,000)	
Outstanding at year end	-		22,500,000	

(e) Issuances, repurchases, and repayments of debt and equity securities

During the financial year, nil options (2009: 2,900,000 options) were granted.

NOTE 14: CASH FLOW INFORMATION

	Consolidated Entity	
	2010	2009
	(\$)	(\$)
Reconciliation of the net profit (loss) after tax to the net cash flows from operations:		
Net profit (loss)	(76,982)	(14,108,000)
Non-cash Items		
Depreciation and amortisation	-	588,000
Share based expense transaction	-	315,000
Loss on sale of the business of Sydney Breast Clinic and impairment of loans to and investments in subsidiary companies	-	5,069,000
Impairment of patents	-	663,000
Other	-	35,000
Changes in assets and liabilities		
Transfer of assets and liabilities to Administrator	(1,132,000)	-
(Increase)/decrease in receivables	(21,153)	387,000
(Increase)/decrease in other assets	-	(149,000)
Increase/(decrease) in trade, other creditors and accruals	84,854	620,000
Increase/(decrease) in employee entitlements	-	(410,000)
Net cash flow from (used in) operating activities	<u>(1,145,281)</u>	<u>(6,990,000)</u>

NOTE 15: EARNINGS PER SHARE

	2010	2009
	Number of	Number of
	shares	shares
	(\$)	(\$)
The following reflects the income and share data used in the calculations of basic and diluted earnings per share:		
Net profit (loss)	(76,982)	(14,108,000)
Earnings used in calculating basic and diluted earnings per share	(76,982)	(14,108,000)
Weighted average number of ordinary shares used in calculating basic earnings per share	148,507,000	143,507,000
Effect of dilutive securities:		
Share options	-	-
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	148,507,000	143,507,000

NOTE 16: COMMITMENTS AND CONTINGENCIES

	Consolidated Entity	
	2010	2009
	(\$)	(\$)
Lease expenditure commitments		
Operating leases (non-cancellable):		
(a) Operating leases related to office premises with an original lease term of three years, with an option to extend for a further three years and equipment rentals for 5 years		
(b) Minimum lease payments		
– Not later than one year	-	-
– Later than one year and not later than five years	-	-
– Later than five years	-	-
– Aggregate lease expenditure contracted for at reporting date	-	-

Other Commitments

The company signed a Mandate Letter with Autus Capital Pty Limited on 1 September 2010 to project manage the fundraising for the company, identify key investors and prepare presentation for investor roadshows and provide initial and ongoing investor relations program, including introduction to professional PR consultants. The shareholders approved the issue of the maximum number of shares to be issued to Autus Capital Pty Limited of 150,000,000 at an issue price of \$0.001.

NOTE 17: AUDITOR'S REMUNERATION

	Consolidated Entity	
	2010	2009
	(\$)	(\$)
Amounts received or due and receivable for:		
An audit or review of the financial report of the entity and any other entity in the consolidated entity		
Pitcher Partners	4,213	64,000
	<u>4,213</u>	<u>64,000</u>
Other Services		
Pitcher Partners		
Tax compliance, tax consulting and earlier years tax returns	-	108,000
Investigated accountants report	15,000	-
Due Diligence	<u>-</u>	<u>53,000</u>

NOTE 18: RELATED PARTY DISCLOSURES

- (a) The consolidated financial statements include the financial statements of Fermiscan Holdings Limited and its controlled entities listed below:

	Country of Incorporation	Percentage Owned	
		2010	2009
Parent Entity:			
Fermiscan Holdings Limited	Australia		
Subsidiaries of Fermiscan Holdings Limited			
Fermiscan Pty Limited (i)	Australia	-%	100%
Fermiscan Australia Pty Ltd (i)	Australia	-%	100%
Fermiscan BCT Pty Ltd (i)	Australia	-%	100%
Fermiscan USA Inc (i)	USA	-%	100%
Fibrescan Pty Ltd (i)	Australia	-%	100%
Fermiscan Italy Pty Limited	Australia	100%	100%
Fermiscan UK Pty Limited	Australia	100%	100%
Fermiscan Japan Pty Limited	Australia	100%	-
Fermiscan Clinics Pty Limited (i)	Australia	100%	100%
Fermiscan CBS Pty Limited (formerly Sydney Breast Clinic Pty Limited)	Australia	100%	100%

- (i) In the process of liquidation at balance date

Fermiscan UK Pty Limited and Fermiscan Clinics Pty Limited were deregistered on 7 March 2011

(b) Compensation by category for Directors and nominated executives

	Consolidated Entity	
	2010	2009
	\$	\$
Short-term employment benefits	73,256	1,936,163
Post-employment benefits	-	73,960
Other long-term benefits	-	-
Termination benefits	-	-
	<u>73,256</u>	<u>2,010,123</u>

The \$73,255 has not been paid to directors at balance date and is shown in accruals in note 10.

Number of shares held by directors and key management personnel

Relevant interest in ordinary shares held in Fermiscan Holdings Limited by directors as at 31 December 2010

	Opening balance 1 January 2010	Acquired	Disposed or retired as a director	Closing Balance 31 December 2010
Directors				
Dr Ronald Shnier	-	-	-	-
Mark Fordree	400,000	-	(400,000)	-
Ian Chalmers	400,000	-	-	400,000
Executives	-	-	-	-
Total	<u>800,000</u>	<u>-</u>	<u>(400,000)</u>	<u>400,000</u>

DIRECTORS' AND EXECUTIVES' EQUITY HOLDINGS

Compensation Options: Granted, vested and exercised (consolidated)

	Number of Options held at 1 January 2010	Options issued during the year	Options expired during the year	Number of Options held at 31 December 2010
Directors				
Gary Garton	3,300,000	-	3,300,000	-
Dr Ronald Shnier	3,300,000	-	3,300,000	-
Dr Ronald Shnier	5,000,000	-	5,000,000	-
Total	<u>11,600,000</u>	<u>-</u>	<u>11,600,000</u>	<u>-</u>

The parent entities financial statements for the year ended 31 December 2010 are the same as the consolidated entities, accordingly, the have not been presented.

NOTE 19: FINANCIAL INSTRUMENTS

The group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk.

The group's overall risk management program addresses the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the group. The group has not used derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge risk exposures. The group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rates, foreign exchange and other price risks.

Risk management is carried out by the Managing Director and the Chief Financial Officer under policies approved by the Audit & Risk committee and the board. The Board provides directions for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(a) *Market risk*

Foreign exchange risk

The group operates internationally and is exposed to foreign exchange risk arising from currency exposures, primarily with respect to the US dollar.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities that are denominated in a currency that is not the entity's functional currency.

Cash flow and fair value interest rate risk

The Group's main interest rate risk arises from funds on deposit. Surplus cash has been invested in term deposits and cash management accounts.

(b) *Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash, to meet the ongoing expenditure requirements whilst the group is in start up phase. Management and the board monitor rolling forecasts of the Group's liquidity on the basis of expected cash flow.

(c) *Fair value estimation*

The fair value of financial assets and financial liabilities is estimated for recognition and measurement and for disclosure purposes. The carrying value less impairment provision of trade receivables and payables is a reasonable approximation of their fair values due to the short-term nature of trade receivables. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(d) *Credit risk exposures*

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount of those assets, net of any provisions for doubtful debts of those assets, as disclosed in the Financial Statements.

The group has no derivative financial instruments or forward exchange contracts.

The consolidated entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the consolidated entity.

(e) *Interest rate risk*

The consolidated entity's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the balance date, are as follows:

Financial Instruments			Fixed interest rate maturing in:						Non-interest bearing		Total carrying amount as per Balance Sheet		Weighted average Effective interest rate	
	Floating interest rate		1 year or less		Over 1 to 5 years		More than 5 years							
	2010 (\$)	2009 (\$)	2010 (\$)	2009 (\$)	2010 (\$)	2009 (\$)	2010 (\$)	2009 (\$)	2010 (\$)	2009 (\$)	2010 (\$)	2009 (\$)	2010 %	2009 %
(i) Financial assets														
Cash	60,269	865,000	-	-	-	-	-	-	-	-	60,269	865,000	2.0	2.0
Trade and other receivables	-	-	-	-	-	-	-	-	21,153	664,000	21,153	664,000	-	-
Unsecured loans	-	-	-	-	-	-	-	-	-	107,000	-	107,000	-	9.82
(ii) Financial liabilities														
Trade creditors	-	-	-	-	-	-	-	-	-	49,000	-	49,000	-	-
Other creditors	-	-	-	-	-	-	-	-	-	1,372,000	-	1,372,000	-	-
Convertible notes	-	-	300,000	-	-	-	-	-	-	-	300,000	-	8.0	-
Finance lease liability	-	-	-	34,000	-	-	-	-	-	-	-	34,000	-	7.80

NOTE 20: SUBSEQUENT EVENTS

10 February 2011- prospectus lodged with ASIC to issue to shareholders for a Non renounceable entitlement issue of 1 New Share for every 2 shares held at \$0.01 each with a shortfall facility.

1 March 2011- the company placed 100,000,000 ordinary shares at 1 cent to raise \$1,000,000 and issued 150,000,000 ordinary shares at 0.1 cent each to Autus Capital Pty Limited for services as lead manager totalling \$150,000.

3 March 2011- the rights issued closed and the company received applications for 7,542,989 ordinary shares to raise \$75,429.89. Under the shortfall facility the company received applications for 19,454,525 ordinary shares and received \$194,545.25.

13 March 2011- the \$300,000 convertible notes converted to 150,000,000 ordinary shares.

17 March 2011 – Appointed Peter Dykes as a Director.

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

FERMISCAN HOLDINGS LIMITED
DIRECTORS' DECLARATION
FOR THE YEAR ENDED 31 December 2010

The directors declare that the financial statements and notes are in accordance with the *Corporations Act 2001*, and:

- (a) Comply with applicable Accounting Standards as they apply on a liquidation basis, the *Corporations Regulations 2001*, and other mandatory professional reporting requirements; and
- (b) Give a true and fair view of the financial position of the consolidated entity as at 31 December 2010 and of its performance as represented by the results of their operations and its cash flows, for the year ended on that date.
- (c) The attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.
- (d) There are reasonable grounds to believe the company will be able to pay its debts as and when they become due and payable.

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



Director

Sydney
Date

23 March 2011



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ACCOUNTANTS AUDITORS & ADVISORS

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Pitcher Partners, including Johnston Rorke,
is an association of independent firms
Melbourne | Sydney | Perth | Adelaide | Brisbane

**INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF
FERMISCAN HOLDINGS LIMITED
AND CONTROLLED ENTITIES**

We have audited the accompanying financial report of Fermiscan Holdings Limited and controlled entities. The financial report comprises the Statement of Financial Position as at 31 December 2010, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the director's 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.

Director's Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies 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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and the remuneration disclosures contained in the directors' report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report and the remuneration disclosures contained in the directors' report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.

Independence

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

Auditor's Opinion

In our opinion: -

- (a) the financial report of Fermiscan Holdings 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 31 December 2010 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the consolidated 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 the directors' report for the year ended 31 December 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Fermiscan Holdings Limited and its controlled entities for the year ended 31 December 2010, complies with section 300A of the *Corporations Act 2001*.

MARK GODLEWSKI
23 March 2011

PITCHER PARTNERS
Sydney

Shareholder Information as at 22 March 2011

Corporate Ownership	Ordinary Shares
Number of ordinary shareholders	4,061 (2009:3918)
Voting Rights	On show of hands: one vote for each member On poll: one vote for each share held

Distribution of Shareholders

Category	Holders
1 – 1000	2,041
1001 – 5000	855
5001 – 10000	367
10001 – 100,000	652
100,001 and over	146
	<hr/> 4,061

Top 20 Shareholders

1	AUTUS INVESTMENTS PTY LTD	110,000,000
2	GRIFFINC PTY LTD <GRIFFINC FAMILY TRUST A/C>	57,500,000
3	LBT CORPORATION PTY LTD	42,000,000
4	MS SOPHIE LOUISE CARR	42,000,000
5	ONYX CAPITAL PTY LTD	40,000,000
6	BIGGISH HOLDINGS LIMITED	40,000,000
7	JETAN PTY LTD	37,500,000
8	GENERAL INV SERV PTY LTD <GIS SUPER FUND A/C>	30,000,000
9	LINDASH INVESTMENTS PTY LIMITED	25,113,892
10	ANDREW WHITTON <THE ANDREW WHITTON FAMIL Y TRUST A/C>	12,500,000
11	MR GOH GEOK KHIM	10,500,000
12	WILLALA PASTORAL CO PTY LIMITED	6,295,126
13	CUCHULAINN ADVISORY SERVICES PTY LTD	6,000,000
14	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	5,785,921
15	AUSTRALIAN EXECUTOR TRUSTEE LIMITED <THE CHARITABLE FOUNDATION PTY LTD A/C>	5,649,015
16	DAVID JENSEN	5,000,000
17	JAMPARI PTY LIMITED <PETER DYKES SUPER FUND A/C>	5,000,000
18	D HANNA & C HANNA	5,000,000
19	R P PROSPECTS PTY LTD <THE M AND L A/C>	3,570,000
20	TROVEX PTY LTD	3,000,000
		<hr/> 492,413,954

Substantial Shareholders

	No. of ordinary shares
Autus Investments Pty Ltd	113,150,000
Griffinc Pty Ltd	59,500,000
Sophie Louise Carr	42,049,679
Peter Dykes	75,100,000
LBT Corporation Pty Ltd	42,000,000
Jetan Pty Ltd	42,500,000

Non-marketable Parcels

Non marketable securities which are holdings of less than 50,000 ordinary shares are held by 3713 shareholders (2009:3725).

Corporate Directory

Directors	Robert Whitton Ben Dillon Ian Chalmers Peter Dykes
Company Secretary	John Rainbow
Registered Office	C/- William Buck Level 29 66 Goulburn Street Sydney NSW 2000
Share Registry	Link Market Services Level 12 680 George Street Sydney NSW 2000
Auditor	Pitcher Partners Level 22, MLC Centre 19 Martin Place Sydney NSW 2000
Solicitor	Herceg Lawyers Level 33 Australia Square 264 George Street Sydney NSW 2000
Bankers	HSBC Exchange Centre 28 Bridge Street Sydney NSW 2000
Stock Exchange Listing	The company's shares are quoted on the Australian Stock Exchange under the code FER.