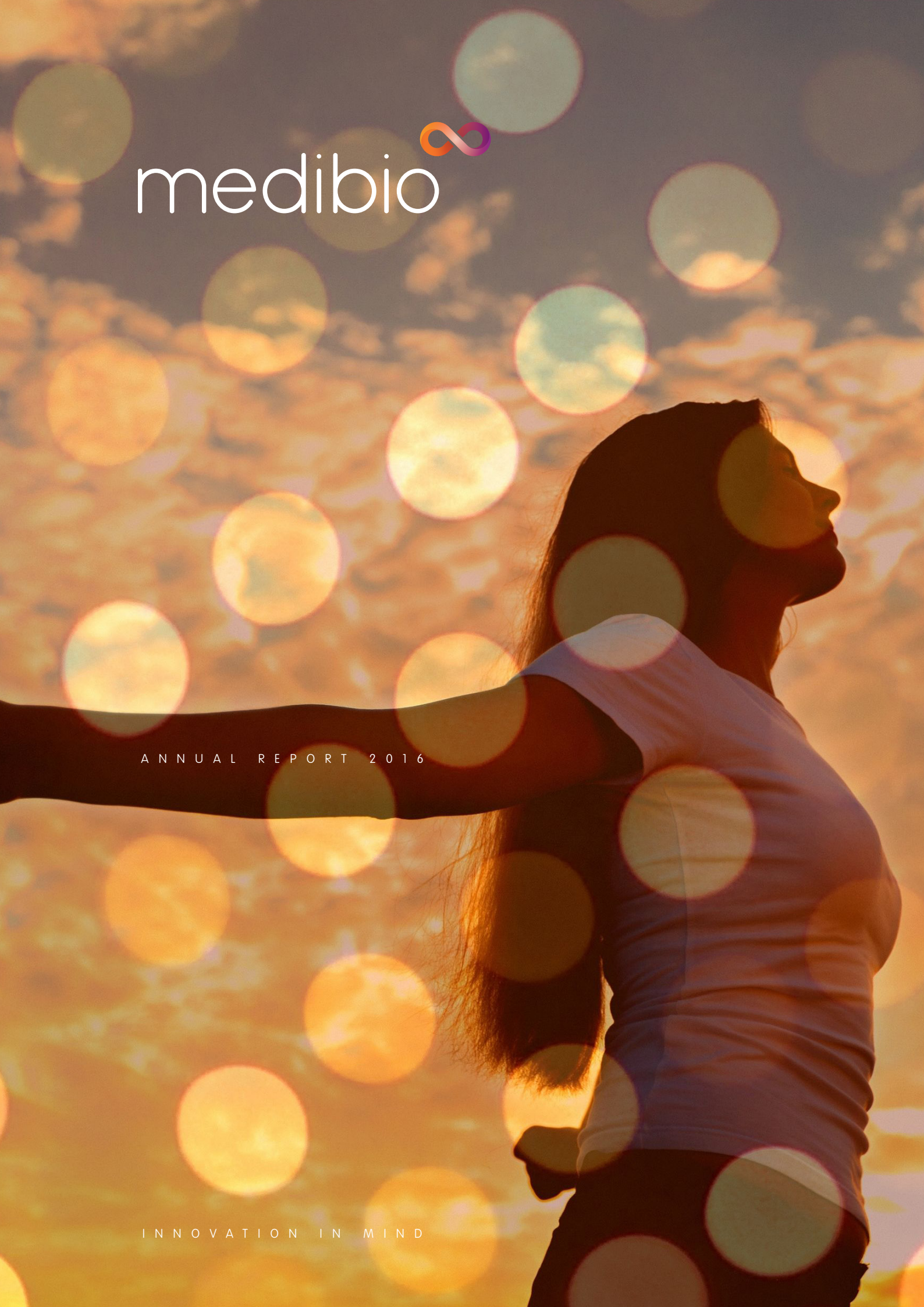
medibio
ANNUAL REPORT 2016
INNOVATION IN MIND

Corporate Directory

ABN 58 008 130 336

This annual report covers Medibio Limited as a group comprising Medibio Limited and its subsidiaries. The Group's functional and presentation currency is AUD ($).

Directors

C Indermaur	Chairman
K Knauer	Executive Director
J Campbell	Non-executive Director
Dr. F Prendergast	Non-executive Director

Company Secretary
R Lees

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Chairman's Review

Dear fellow shareholder,

I am pleased to present you with Medibio Limited's Annual Report for the financial year ended 30 June, 2016.

The landscape of mental health is evolving and we are excited to be bringing to market what we hope will be a new gold standard in mental health diagnosis – the first FDA-approved, quantitative method for diagnosing depression and other mental health disorders.

Psychiatric assessment of mental health states, through interview and observing patient behaviour (the 'DSM5 protocol'), has long been the clinical standard for diagnosing and monitoring mental illness. For too long, we have been relying on a diagnostic process limited by human bias and error and associated with high rates of over-diagnosis, under-diagnosis and misdiagnosis. It is our hope, that in the not too distant future, Medibio will be able remove the subjectivity from diagnosis through the analysis of circadian heart rate (CHR) patterns to differentiate psychological states.

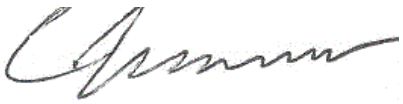
We are extremely pleased with our Company's progress in this area over the past 12 months. In August, we completed a study retrospectively analyzing 326 patients from The University of Ottawa which achieved accuracy of 83% in distinguishing individuals with Major Depressive Disorder (MDD) from non-depressed individuals. This result was significant for Medibio as it exceeded the current clinical standard of 33-50% accuracy at the primary care level and 70% concordance in diagnosis achieved by experienced psychiatrists.

We also completed the first commercial pilot study of our Workplace Stress Test with corporate wellness partner Vital Conversations, on behalf of an organisation with more than 200,000 employees worldwide. The pilot successfully demonstrated one of the core competencies of Medibio's objective Workplace Stress Test – the ability to identify employees at risk of high levels of stress, where traditional subjective measures often fail due to inaccurate self-reports.

During the second half of CY2016, we expect to receive feedback on the clinical trial conducted by Johns Hopkins University School of Medicine. This study will support our application for FDA approval to market Medibio's Clinical Test in the United States. It will also further validate the ability of Medibio's technology to differentiate between depressed and non-depressed individuals.

On behalf of the board and senior management team, I would like to take this opportunity to thank our shareholders for their ongoing support.

Regards



Chris Indermaur
Chairman


medibio
We believe individuals, families and carers affected by mental health can live full, happy and healthy lives.

CEO Report - The Year in Review

The misdiagnosis of depression and other mental illnesses continues to place a significant cost burden on our healthcare system, sufferers and their families. We believe the time is right for an objective clinical diagnostic for depression and other mental illnesses.

In fact, the market research we commissioned in the US indicated not only the need but a strong desire at the primary care level (Australian GP equivalent) for an objective tool to aid in diagnosis of mental health conditions.

Like Australian GPs, primary care physicians are doing the bulk of the heavy lifting in the diagnosis of mental health conditions in the US. They are being asked to do this not only without the specialist training of a clinician but in a 15-minute consult compares to the average hour allowed for an initial psychiatric consult.

In our pursuit to provide better tools to diagnose, monitor and help treat mental health conditions, FY16 proved a pivotal year with key milestones posted including:

- A study with The University of Ottawa which achieved classification accuracy of 83% in distinguishing individuals with Major Depressive Disorder (MDD) from non-depressed individuals,
- The University of Sydney's Brain and Mind Centre commenced the Corporate Workplace Stress assessment,
- Medibio developed a new sleep staging algorithm using ECG data, able to distinguish sleep stages with accuracies of 86-95%,
- First commercial pilot study successfully completed as part of our Corporate Wellness Program,
- Key patents acquired for the use of 24-hour heart rate data and circadian heart rate technology for diagnosing psychiatric conditions,
- Leading US institutions provided Medibio more than 10,000 new physiological data sets, more than trebling the size of our database, and
- Trial success with Apple Watch® and Fitbit® for Medibio's Workplace Stress app.

Underpinning our progress, Medibio also significantly built its intangible asset and intellectual property base over the last 12 months. We now have the world's largest database of overnight ECG data with corresponding mental health assessments which will continue to drive new insights and clinical indications. More importantly, this database is expanding as more research partners approach us to collaborate, adding to this valuable resource.

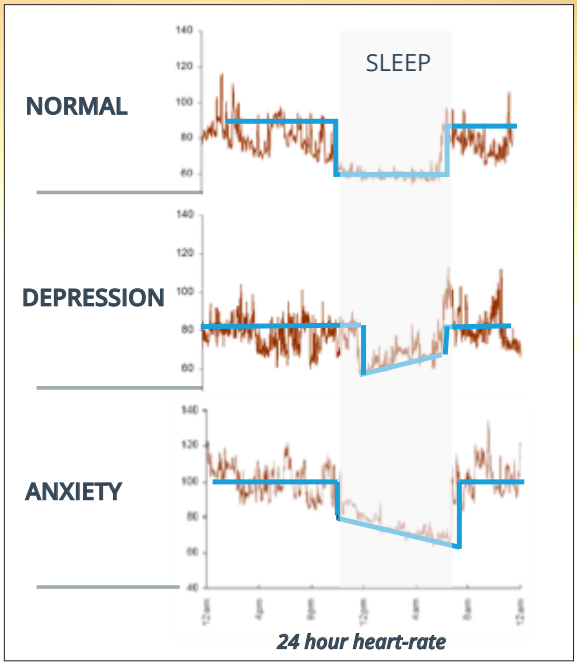
The coming 12 months promises to be just as exciting as last with a number of key milestones to be met.

I look forward to keeping shareholders informed of our progress.

Yours faithfully,

Kris Knauer
Chief Executive Officer (CEO)

Redefining mental health by making the intangible, tangible.



CEO Report - The Year in Review

Commercialisation – what our potential customers have told us

As a listed company our reason for being is to make profits and return dividends to our shareholders. To do this we need to commercialise our technology.

What are the keys to commercialise our technology? To define this better, we commissioned a Voice of Customer survey in the US. The results are summarised below.

Use of our device as a diagnostic tool:

1. The majority (91%) surveyed are likely to consider using the device as a supportive diagnostic tool.
2. Primary care physicians and psychiatrists were seen as likely first users as they are more likely to see patients first before referring them to therapists.
3. Primary care physicians are also seen as more likely to be largest users for this device as a diagnostic tool followed by psychiatrists.
4. The majority (82%) of clinicians would use the device to monitor effectiveness of therapy.

Factors influencing decision to use device:

1. Insurance coverage (reimbursement) was the most significant factor influencing the decision to use the device.
2. Ease of use, price and clinical evidence were the next most important factors.
3. Diagnostic accuracy, reliability and validity of the device also ranked high in the clinical use decision.

Factors highlighted as being important in driving broad adoption of this device in the US:

1. Sufficient clinical data to demonstrate good reliability and validity for the device.
2. Education of providers, payers and patients.
3. Coverage by Medicare, Medicaid and insurance companies.

Distilling this, there are two keys to commercialisation:

- **Sufficient clinical data (demonstrating good reliability, validity) and education. This relies primarily on *quality research* done by leading universities and Key Opinion Leaders.**
- **Insurance coverage or reimbursement after the requisite *FDA approval*.**

Quality Research

As we started to commercialise this new and revolutionary technology we took the view the only way to achieve our goals was to undertake quality research with the world's foremost institutions and universities.

We are proud of the quality of our research and data partners and the work we are conducting with them. With the help of its partners, Medibio has developed a unique and valuable asset. The world's largest database of overnight ECG data with corresponding mental health assessments which will continue to drive new insights and clinical indications. This database is growing and the next 12 months should see your company consummate collaborations with a number of new research partners and data providers.

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Clinical Work Flow

Clinician orders test

Wearable device (holter) collects CHR data from patient

Medibio App connects with device & data transmitted to HIPAA compliant Cloud

Data processed by machine learning algorithms in the Cloud

Clinician has secure access to results – anywhere / anytime

CEO Report - The Year in Review

Medibio continues building its broad base of collaborators to increase its data assets. Combined with its advanced machine learning analytics cloud solution, this will allow the Company to extract new insights regarding the link between mental health and circadian heart-rate architecture.

Our collaborative research and development effort

Medibio announced its collaborative research and development effort with leading international universities in March this year. Under this collaboration, Medibio has secured in excess of 120,000 hours of overnight physiological (ECG, EEG and other biometrics) data files. All physiological data files have either corresponding clinical psychiatric diagnoses undertaken by the partner universities or self-report data covering mental health and/or mental wellbeing.

The Universities which supplied the bulk of the new data are Johns Hopkins School of Medicine, Emory University, Washington University and The Royal's Institute of Mental Health Research which is affiliated with the University of Ottawa. The list of collaboration and research data partners is growing with a recent agreement with Monash University and discussions underway with other prominent institutions.

This data set allows Medibio and its research partners to generate proxy-clinical trial outcomes and meta-data analyses from more than 15,000 patients retrospectively. The significant increase in the volume of available data allowing us to apply more advanced machine learning techniques to accelerate the optimisation of our suite of algorithms. The ability to utilise independently acquired data and corresponding clinical psychiatric diagnoses adds significantly more weight to the Company's research findings and technology within the medical community.

Johns Hopkins School of Medicine

The Johns Hopkins University School of Medicine, headquartered in Baltimore, Maryland, is a $7 billion integrated global health enterprise and one of the leading health care institutions in the United States. The Johns Hopkins Hospital, opened in 1889, has been ranked number one in the nation by US. News & World Report for 22 years of the survey's 26-year history.

The aim of our study with Johns Hopkins University is twofold:

1. validate our technology to differentiate between individuals with clinical depression and individuals without clinical depression, and
2. collect the data to support FDA certification of our technology for use as an objective method to assist clinicians in the diagnosis of depression

The study is split into three phases.

1. A pilot phase involving 20 participants designed to test the study workflows and protocol.
2. An exploratory phase (involving 60 participants, 30 depressed and 30 normal controls) designed to validate our technology. It's anticipated to be underway around the time you receive this annual report.
3. This will then roll into a clinical performance phase to collect the data required to support FDA certification.

The study is simple and quick. It involves patient assessment by two independent clinicians from Johns Hopkins University in order to overcome the limitation of subjective diagnoses. Research has shown only 70% concordance between psychiatrists[1]. So only those individuals where both clinicians' assessment agree are included in the study. Johns Hopkins University collect overnight ECG data which is sent to Medibio on a blinded basis. Medibio will generate a diagnosis of depressed or non-depressed based on CHR data which Johns Hopkins University compares with its clinical psychiatric diagnosis.

The co-principal investigators are Dr Naresh Punjabi and Dr Francis M Mondimore. Dr Mondimore is Associate Professor in the Department of Psychiatry and Behavioural Sciences and Director of the Mood Disorders Clinic. He leads a clinical team specializing in the care of persons with mood disorders. Dr Punjabi is Professor of Medicine and Epidemiology in the Division of Pulmonary and Critical Care Medicine Associate Director of Graduate Training Program in Clinical Investigation at Johns Hopkins University. Dr Punjabi was instrumental in the early studies undertaken by ResMed in the US that led to their regulatory approvals.

Under the supervision of Dr Punjabi, Diablo Research will provide the second and third US centres required by the FDA for regulatory approval. Diablo Research is a San Francisco based clinical research organisation our US team has worked with previously. Diablo has an extensive network of feeder hospitals and has indicated it can recruit approximately 5 depressed and 5 non-depressed participants per week. This will facilitate us keeping to our previously announced timelines.

[1] Psychiatry (Edgmont). 2006 Jan; Vol 3(1): 41–50

CEO Report - The Year in Review

"Excellent first results with a classification accuracy of 83% for distinguishing individuals with Major Depressive Disorder from non-depressed"

Ottawa University and The Royal's Institute of Mental Health Research

Our study with Ottawa University is part of a larger program investigating sleep biomarkers of mental health disorders across multiple age groups. While initially focusing on depression, the study will be Medibio's first to expand beyond depression, evaluating subjects with anxiety, bipolar and psychotic disorders.

The Royal Institute of Mental Health Research (IMHR) is one of Canada's foremost mental health care and academic health science centers. It strives continuously to improve mental health and well-being through leadership, collaborative discoveries and innovation in research, patient care and education. The IMHR is affiliated with the University of Ottawa. The University of Ottawa Department of Psychiatry comprises 231 faculty members and has continually shown its commitment to the development of improved mental health care and mental health research on a national and international scale.

This study contains two stages of investigation. In the first stage, Medibio was required to demonstrate the performance of its technology on a smaller subset of data, prior to the full study involving assessment of all the IMHR's available depressed and non-depressed data. The results of which will be published in peer-reviewed papers.

We reported a classification accuracy of 83% for distinguishing individuals with Major Depressive Disorder (MDD) from non-depressed individuals on the smaller subset of data. This study included 326 patients from The University of Ottawa database with the second stage to include a much larger sample.

The results compare favourably with the "clinical gold standard" diagnostic accuracy of 33-50% at the primary care level [2] and only 70% concordance among experienced psychiatrists. This provided the first validation of Medibio's proposition that psychiatric conditions differentially affect the autonomic system resulting in condition specific heart rate morphology and sleep patterns using independent clinical data.

Table of Results

	Sensitivity	Specificity	Accuracy
Blind assessment	83%	82%	83%

In light of these remarkable results, The University of Ottawa has provided data for approximately 1300 patients for further study. This is extremely useful as Medibio's technology exploits advanced machine learning techniques, enhancing detection of mental health disorders with additional data.

Following this Medibio will expand and validate its diagnostic algorithm for depression to identify the different grades of depression, increasing the clinical utility of its offering. The University of Ottawa will provide additional patient data files including anxiety disorders and psychosis, allowing the study to be expanded to cover other common mental health disorders.

[2] Depression in Primary Care Vol 1: US Department of Health

University of Sydney

Our partnership with The University of Sydney Brain and Mind Centre (BMC) involves using one of Medibio's existing commercial trials to undertake a 'Workplace Stress Assessment' clinical research study.

The BMC is a part of The University of Sydney with more than 500 academic, clinical and professional staff and students. Its mission is to find solutions leading to generational change and not only improve the lives of people with brain and mind disorders but the whole of society through collaborative and interdisciplinary enquiry, the sharing of knowledge and focused implementation.

This study provides the opportunity to fast track independent validation of Medibio's objective Mental Wellness solution. We are experiencing considerable success in the workplace wellness market. However, results showing successful stress detection in an externally run clinical trial will allow us to confidently target markets such as the public service, health insurance providers, the military, aviation and the public health system. We believe independent validation is a prerequisite for widespread take-up.

The two phases of this clinical study will both incorporate our stress assessment algorithm which will categorises 150 employees in a range of stress spanning from 'normal' to 'severely stressed'. Participant's mood will be assessed through self-report, trained clinician interview and through Medibio's CHR pattern analyses. Data will be compared cross-sectionally, and longitudinally, as there will be two assessment points providing researchers with additional reliability measures. Phase 2 involves the same mood assessments before and after the employee's use of Medibio's online stress-reduction training programme "Unwind".

The Principal Researcher for the study is Professor Nick Glozier, Professor of Psychological Medicine and Psychiatry, Central Clinical School and Brain & Mind Centre at the University of Sydney. Professor Glozier's research focuses upon common mental disorders and multimorbidity, psychosocial and work related disability research, stress, stigma and discrimination. Professor Glozier currently heads the largest workplace stress study ever conducted in Australia funded by Beyond Blue.

In a recent paper, titled "*Work and Psychiatric Disorder – an evidence based approach"*, Professor Glozier concluded: ***"Whilst the use of pen and paper / technology based questionnaires is commonplace to screen for stress there are concerns over their false positive rate and predictive ability***"[1].

[1] Psychiatry (Edgmont). 2006 Jan; Vol 3(1): 41–50

CEO Report - The Year in Review

Emory University

Emory University, located in Atlanta, USA, is internationally renowned for its focus on medical research and teaching, supporting the Southeast's leading health care systems and serving over a million people. With more than $572 million in research funding in the last fiscal year, Emory University is 19th among universities in the world by endowment and 21st in US News & World Report's 2016 National Universities Rankings.

Medibio has undertaken preparatory work with a view to participating in a study to differentiate between individuals with and without post-traumatic stress disorder (PTSD). Initial work focussed on the CHR assessment of a subset of retrospective data from a US Department of Veterans Affairs sponsored study of 562 twins, one twin with PTSD and the other without. The proposed study would be an adjunct to an existing Emory University study awaiting final approval.

Sleep Staging Algorithm

The sleep staging results were generated and validated using data supplied by the US National Institutes of Health (NIH) sponsored Sleep Heart Health Study. Using ECG data only, Medibio distinguished sleep stages with accuracies of 86-95%. The best published historical results have been in the range of 70% for all stages of sleep.

Under the project Medibio used advanced machine learning techniques on 55,000 hours of overnight ECG files (with corresponding sleep staging information from The Sleep Heart Health Study) to develop an algorithm using ECG data only to place the individual into one of the sleep stages. This algorithm was validated using an additional 13,000 hours of randomly selected files.

The prospect of automatic sleep stage classification using ECG data has attracted increasing attention in medical research with numerous attempts being made to find an accurate method to sleep-score using ECG data. In contrast to the traditional manual scoring based on polysomnography, ECG data can be measured using unobtrusive techniques, promising the application for personal and continuous home sleep monitoring.

While not a core focus for Medibio, it opens a potential stand-alone commercial opportunity in the area of home sleep monitoring. More importantly to Medibio, its existing algorithms for mental health will be improved by allowing investigation of new analytical metrics specific to sleep stages. The study also provides a demonstration of the power of our advanced machine learning solution when combined with our large proprietary database of physiologic data. The study will allow us to incorporate more detailed analysis of sleep into our corporate stress product.

5 min interval sleep stage classification

Sleep Stage	Training sample size	Test sample size	Test Accuracy	Test F1-score
0	331,108	141,904	0.86	0.86
1	17,675	7,575	0.95	0.95
2	214,292	91,840	0.90	0.89
3	15,775	6,761	0.95	0.95
4	534	230	0.99	0.99
5	82,831	35,499	0.93	0.93

University of New South Wales

The study with UNSW was aimed at identifying a CHR biomarker to distinguish between melancholic and non-melancholic depression. As melancholic depression is not recognised in the DSM (Diagnostic and Statistical Manual of Mental Disorders) the study has minimal commercial value. As less than 25% of the planned number of participants have completed the study and the commercial upside is limited, Medibio does not intend to extend the study agreement which expires in October 2016. UNSW and Medibio are in the process of finalising an arrangement that will see Medibio refunded $60,000 of unexpended study funds.

Internal Stress Study

In June this year Medibio received Human Research Ethics Committees (HREC) approval for its internal stress study. The study aims to collect a sufficiently large set of overnight heart rate data and corresponding traditional stress assessments to allowing Medibio to calibrate and validate its stress algorithm.

The approval was for the collection of overnight heart rate data, clinician administered mental health assessments and various self-reports from 300 participants twice over a 3-week period. The mental health and general health assessments are designed to evaluate the participant's current physical and emotional state and measure crucial factors such as emotional resilience, physical activity and sleeping patterns. All of which are known to be related to an individual's coping and perception of stress in their lives.

Measures collected include:

- Stress, Anxiety and Depression - DASS-21
- Stress – Perceived Stress Scale
- Sleep – Sleep measure (Bergen Insomnia Scale)
- Resilience – Brief Resilience Scale
- Wellbeing - Warwick-Edinburgh Mental Well-being Scale
- General demographic questions,
- Physical activity - Brief Physical activity assessment scale (Marshall et al., 2005)

Medibio commenced processing participants in early July and data collation is approximately 50% complete. Interpretation of this available data indicates results consistent with the first stress pilot where there was good agreement between CHR and traditional stress measures at the lower risk end of the spectrum, comprises the majority of the population.

The study data also highlights the inherent problem with the traditional self-report methods of stress assessment - the lack of a consistent gold standard. The two most widely accepted stress self-report measures (the DASS and Perceived Stress Scale) showed only a 55% concordance and a Kappa of 0.26. The concordance of these self-reports with the clinical interview is also in the 50-70% range.

Given the concordance amongst these traditional self-report measures and clinical interviews to achieve our aim of using the data to calibrate a statistically defensible six category stress algorithm, a larger data set will be required. Medibio has received approval to double the size of the study to 600 participants.

CEO Report - The Year in Review

The FDA Process for a medical device

In order to market our depression test to the medical market in the US we need to gain approval from the United States Food and Drug Administration or FDA. We are consistently questioned by shareholders along the lines of:

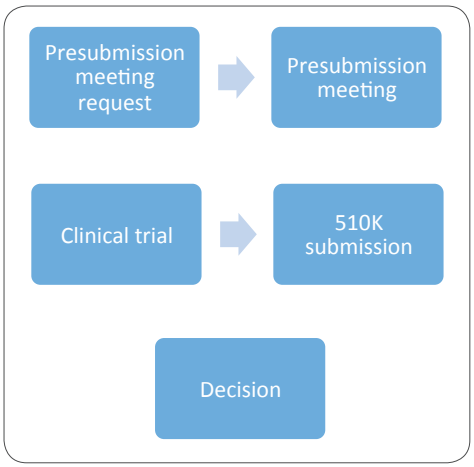
"Where we are with trials? Are we at Phase 1, or hopefully Phase 3? How much longer will the process take given we have seen other drugs take 5 years or longer?"

The short answer is that Phase 1, 2, and 3 relate to drugs and our technology is classified as a device rather than a drug. As a device there is a clearly defined and far quicker route to FDA approval.

At the moment the average timeframe for the approval of a 510(k) submission is approximately 110 days.

Regulatory Strategy Overview

The regulatory strategy for MediBio is to obtain market clearance by submitting a 510(k) Premarket Notification Application (PMA) to the FDA for our Depression Diagnosis algorithm. For a novel product such as this, the FDA requires a clinical study to support market clearance. An overview of this process for a diagnostic algorithm such as Medibio's is outlined below.



Pre—submission Requirements; Purpose

Prior to the pre-submission meeting, a packet of materials needs to be assembled, typically including:

a. Background and design history,

b. Indications for use,

c. Target population,

d. A summary of the work completed to date to establish the "proof of concept" that the algorithm performs as intended and therefore constitutes a viable product to bring to market, and

e. Testing & Validation Strategy
   i. Internal validations,
   ii. External validations,
   iii. Clinical Trial proposed.

At a pre-submission meeting, it is not essential all of the above are completed and in their final form (unlike the actual submission). Although the more robust and finalized the materials are, the more value will be derived from the FDA meeting and feedback. Certain elements, such as the type of algorithm and its performance in development to date, clinical background of how and why it was developed, internal/external validations should be as robust as possible; whereas the target population, proposed indication, clinical evaluations can be less so and, indeed, may change after FDA feedback.

The overarching purpose of the meeting is to get the FDA's feedback on recommended changes to support the Company's 510(k) submission for the algorithm, obviously increasing the probability of gaining market clearance. The feedback will be subsequently adopted into the final design of the algorithm and the clinical trial.

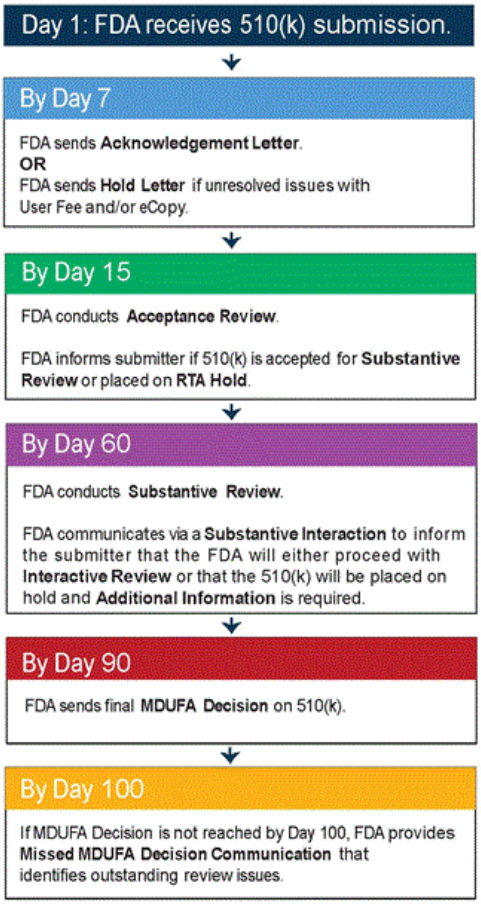
The pre-submission meeting is the only avenue to solicit FDA feedback for this purpose.

Medibio had a positive Pre-Submission meeting with the United States Food and Drug Administration on its proposed diagnostic for depression and confirmed the proposed regulatory pathway of the Company's depression test with the FDA.

510K Submission

Following completion of any data gathering and reporting requirements associated with the clinical study (in Medibio's case the Johns Hopkins Study), the full 510K submission is made. At this point all design history, background, quality system, instructions for use and other documentation must be in its final form. The FDA has a statutory requirement to respond to the device manufacturer within 90 days of submission.

These processes can be depicted in overview form thus –



Source: FDA Website
MDUFA means Medical Device User Fee Amendments

Review of Operations

Operating Results for the Year

Key highlights include:

- First validation of Medibio's depression classification algorithm using independent clinical data achieved an accuracy of 83% for distinguishing individuals with Major depressive disorder (MDD) from non-depressed individuals subsequent to year end
- Successful pre-submission meeting with the US United States Food and Drug Administration (FDA) for Medibio's depression classification algorithm
- First commercial agreements executed and first revenue achieved from Medibio's Corporate Stress Product
- First validation of the Corporate Stress Product, achieving 86% agreement with psychological measures and successful identification of "at-risk" cases not picked up by conventional psychological screening
- Entered into an MOU with Medtronic - a subsidiary of Medtronic plc. (NYSE: MDT) to explore business opportunities and synergies across both companies
- Acquired key patents covering the use of 24-hour heart rate data and circadian heart rate (CHR) technology for the diagnosis of psychiatric conditions
- Lodged PCT applications over two provisional patents which, if granted, will provide an additional 20 years of exclusivity for the diagnosis of mental health disorders and stress using CHR

Medibio Limited ("Medibio", "MEB" or "the Company") and its controlled entities ("the group") generated a loss after tax of $5,824,371 (2015: loss of $7,921,702).

The Company raised $3.1M in September 2015 enabling acceleration of a number of studies and initiatives including: PSTD, Anxiety Disorder and commercialisation of the Corporate Stress Product.

The company received $1,738,631 from the Australian Taxation Office under the Research and Development Tax Incentive Program over the year. The cash refund is related to expenditure on eligible Australian R&D activities conducted during the 2014/15 financial year.

The highly distinguished US medical expert and Eli Lilly Director Franklyn Prendergast (M.D., PhD) joined the Medibio Board in January 2016

Review of Operations

The year was a watershed for the company. It started with the development of our Corporate Stress Product and was followed with the execution of first commercial agreements and the receipt of revenue from this product. The year culminated with the first validation of Medibio's proposition that psychiatric conditions differentially affect the autonomic system resulting in condition specific heart rate morphology and sleep patterns using independent clinical data.

Key operational milestones achieved over the past 12 months include:

- Completed the development and testing of its Corporate Stress Product - a world first, cloud-based scalable product including real-time ECG Data Streaming and Algorithm Processing with results back to the Medibio App in real time
- First agreement for this Corporate Stress Product executed with an Australian foundation customer (10,000+ employees– with potential to roll out across entire workforce) and first revenue achieved.
- Launched Corporate Wellness Partner Program with agreements signed with two partners, Vital Conversations and WellNovation, and discussions progressing well with a number of other potential partners.
- Successful completion of commercial pilot with Vital Conversations and internal Pilot with a second large Australian Corporate Wellness provider
- Successful integration of the Apple Watch® and FITBIT® into Medibio's Corporate Stress Product in partnership with Swinburne Software Innovation Lab
- Four leading US universities provided 10,000 physiological data files to Medibio to undertake joint research and development into various mental health conditions which has allowed Medibio to rapidly advance its technology
- Development of a new sleep staging algorithm which, using ECG data only, can distinguish between the stages of sleep with diagnostic accuracies of 86-95% compared to current algorithms which perform with diagnostic accuracies of 71-79%. This opens the US$4B sleep testing market as a second stand-alone opportunity for Medibio
- Consolidation of a world class team with the appointment of a COO, Head of US/ Algorithm development, Clinical/Regulator Director, and Head of wellness sales.

Review of Operations

1. MEDICAL DIAGNSOTICS

Successful pre-submission meeting with the US FDA

The Company had a positive pre-submission meeting on its proposed diagnostic for depression in March this year. It confirmed the proposed regulatory pathway of Medibio's depression test. Additionally, the FDA confirmed the Company's proposed indications for use, clinical study protocols and data requirements.

At the meeting, the FDA confirmed (based on the information provided in Medibio's pre-submission dossier):

- The Medibio Depression Algorithm is eligible for the de novo (1) regulatory pathway
- The FDA expressed no significant concerns with the proposed indications for use
- Medibio's proposed Level of Concern (2) for its Depression Algorithm is acceptable to the FDA.

Medibio was pleased with the high level of engagement from the FDA and the collaborative nature of the meeting. The confirmation of the regulatory pathway is an important milestone for the Company.

(1) de novo Pathway - The de novo pathway was designed for innovative medical devices (ie, those without predicate devices) where controls provide a reasonable assurance of safety and effectiveness. The de novo process leads to a Class I, or in Medibio's case, a Class II classification. It has a 120-day review cycle compared with a 90-day review period for a 510(k).

(2) Level of Concern - the FDA guidelines recommend submissions state the Level of Concern determined for a Software Device. The Level of Concern is based on how the operation of the software associated with device function affects the patient or operator. The extent of the documentation required in an FDA pre-market submission depends on the device's Level of Concern.

2. CORPORATE STRESS

During the year the Company completed the development and testing of its world first, cloud-based scalable Digital Mental Health Platform. The platform includes real-time ECG Data Streaming, Algorithm Processing and Data Analytics. The Company successfully tested end-to-end automation including streaming of live data from a range of ECG monitors via the front end App on a range of smart phones, to its cloud-based proprietary Algorithms and Data Analytics solution and near real-time results back to the front-end App.

Medibio's corporate stress product is the first objective test to measure the level of stress and its impact on health and wellbeing. During the year Medibio expanded the original 3 stress category rating system to 6 categories. The expansion to 6 categories was done in conjunction with Medibio's wellness channel partners as it allows them to better target interventions and provides a finer grained tool to objectively measure change in stress over time.

Normal	–	No indication of stress
Slight	–	Minor markers of stress, ongoing monitoring
Mild	–	Specific indications, action to prevent escalation
Moderate	–	Multiple signs of stress, action recommended
Severe	–	Signs of significant stress, action required
Very Severe	–	Signs of extreme stress, immediate action required

First Commercial Agreement Signed with major Australian Corporation

Following completion of development of its corporate stress evaluation product, the Company signed its first commercial service agreement with a major Australian corporation with in excess of 10,000 employees. The service agreement covers the application of two Phases within the overall stress evaluation and intervention program and will initially be conducted on a pilot population of employees. Phase 1 will involve an objective measurement of employee stress symptoms through the use of Medibio's Circadian Heart Rate (CHR) patented technology.

Phase 2 will involve the development of an online mental health training program/app. This intervention will be specifically designed for the corporation's workforce, and aimed to reduce stress and improve coping skills based upon workplace data and information provided by employees. Stress levels will be assessed twice in Phase 2, at baseline and following the completion of the intervention. Phase 2 will thus provide an objective assessment of changes to stress levels following this purpose-built intervention.

Medibio will generate revenue of $100 per participant from each Phase of the program. Following completion of Phase 2 of the Commercial Pilot, contingent on Pilot results, it is anticipated that Medibio's Corporate Stress product will be rolled out across the organisation's entire staff base.

Launch of Corporate Wellness Partner Program

The Company launched its Corporate Wellness Partner Program with the execution of a Commercial Service Agreement to provide its Corporate Stress Product to mental wellness provider Vital Conversations. As part of this Corporate Wellness Partner program the company also entered into an agreement with WellNovation Ltd.

Vital Conversations provides proactive psychological health services to some of the largest corporates in Western Australia as well as the public and not for profit sectors. It will offer Medibio's Corporate Stress product to its existing executive and private customers and will also seek to roll out the Company's Corporate Stress product to Corporate and Public sector clients on a pilot basis.

Under the service agreement, Vital Conversations will be responsible for the acquisition of the ECG monitors, any other hardware and the implementation of the test to its client base, while Medibio will provide data analytics and reporting and will be paid on a per-test basis.

WellNovation is a healthcare development company focused on bringing innovative healthcare technologies to Saudi Arabia and the Gulf Cooperation Council (GCC). Under the MOU, Medibio and WellNovation will collaborate to introduce Medibio's innovative mental health diagnostics to WellNovation's existing network in Saudi Arabia and the Gulf region. The initial focus will be on the introduction of Medibio's Corporate Stress product to the state-owned enterprise and military clients of WellNovation.

1 Nervous System
2 Musculoskeletal System
3 Respiratory System
4 Cardiovascular System
5 Endocrine System
6 Gastrointestinal System
7 Reproductive System

Review of Operations

Successful commercial pilot studies

Medibio's first commercial pilot study commenced with corporate wellness partner, Vital Conversations. During the quarter, 66 employees of one of Vital Conversations clients have undertaken a stress assessment with Medibio's Corporate Stress Product. Vitals' client for the commercial pilot is a leading international professional services company with more than 5,000 employees in Australia. As well as objectively measuring the impact of stress on the participants, the pilot study aimed to measure: usability; employee acceptance and satisfaction; the delivery of Medibio's corporate stress product in a workplace setting; and ability to scale. The study allowed the product to be fine-tuned for commercial launch.

The results were extremely encouraging, validating Medibio's Corporate Stress product. The 'normal' to 'mild' scan results comprised approximately 63% of the pilot population. These results demonstrated an 86% agreement with traditional self-report stress measures at this low risk end of the wellness continuum, where self-report bias is not generally an issue. At the high-risk end, this pilot successfully demonstrated one of the core competencies of Medibio's objective Workplace Stress Test. That is, the ability to identify "at-risk" employees where the traditional subjective measures often fail due to misleading self-reports. Feedback from the participants in the pilot study and Vital Conversations was positive. Vital Conversations reported that, 2 participants who returned 'severe' stress results regarded their participation in the pilot as "life changing" and "a wake-up call".

The company has also undertaken a successful internal pilot with a second potential wellness partner. This potential partner has in excess of 15,000 staff in Australia and is one of the leading Corporate Wellness providers in Australia. The pilot involved 30 key staff from the potential partner and was conducted over a period of 3 weeks with one scan undertaken weekly. The aim of the trial was to provide feedback on any changes recommended prior to a commercial rollout of the product. These recommendations are currently being incorporated with the next steps a commercial pilot involving one of this potential partner's external clients prior to a decision on a larger scale rollout.

Medibio is in active dialogue with a number of potential wellness partners and customers both in Australia and internationally.

Swinburne Software Labs partnership - trial success with Apple Watch® and FITBIT® for Medibio's Stress app

Medibio partnered with Swinburne Software Innovation Lab (SSIL) to evaluate the market-leading wrist-based wearable devices as an alternative to ECG monitors in Medibio's Corporate Stress Product. SSIL confirmed the *Apple Watch* and *Fitbit Surge* met all performance requirements, with both devices' heart rate data providing a high level of accuracy for Medibio's stress diagnostics and analytics.

In addition to validating the quality of data generated by the *Apple Watch* and *Fitbit Surge*, SSIL successfully:

- Completed the work required to collect the data seamlessly from the *Apple Watch* and *Fitbit Surge* in Medibio's cloud-based Digital Mental Health Platform (DMHP);
- Assisted in the calibration of Medibio's stress algorithm to utilise optical pulse rate data, from wearables in addition to ECG data, for stress analysis; and
- Benchmarked the heart-rate data quality of the *Apple Watch* and *Fitbit Surge* against a leading medical-grade ECG monitor.

The trial's success with SSIL paves the way for Medibio to integrate these wearables into its Corporate Stress offering and significantly expands the market opportunity for Medibio's stress analytics in the corporate and consumer space. This will capitalize on the growing trend of wearables being offered to employees as part of the Corporate Wellness package. It also opens the way for the release of a Consumer Stress App.

3. INTELLECTUAL PROPERTY

During the year Medibio acquired (from Heartlink Limited) the Australian, New Zealand and Israeli patents it held under exclusive license on the 'method for diagnosing psychiatric disorders'. The method covers the use of 24-hour heart rate data and circadian heart rate (CHR) technology for the diagnosis of psychiatric conditions and the determination of the effectiveness of treatment.

The acquisition is in line with Medibio's intellectual property (IP) strategy of creating and protecting a dominant, defensible position in the use of CHR technology in the areas of stress and mental health.

The table below summarises Medibio's current patent coverage.

Country	Patent #	Status	Title
Australia	720226	Granted	Method for diagnosing psychiatric disorders
Israel	132186	Granted	Method for diagnosing psychiatric disorders
New Zealand	337833	Granted	Method for diagnosing psychiatric disorders by analysis of heart rate patterns
USA	6245021	Granted	Method for diagnosing psychiatric disorders
Canada	228553	Granted	Method for diagnosing psychiatric disorders
USA	pending	Application	Method and System for Monitoring Stress Conditions
USA	pending	Application	Method and System for assessing Mental State

The company also lodged PCT applications for it provisional patents during the year. These provisional patents include:

- The provisional application titled "Method and System for assessing Mental State", was filed in the US under provisional application serial no. 62/175,796. This patent covers discoveries made over the past 18 months and will, if granted, complement and extend the existing patent suite covering mental health diagnosis held by Medibio; and
- The provisional application titled "Method and System for Monitoring Stress Conditions", has been filed in the US under provisional application serial no. 62/175,826. This patent covers Medibio's objective test to measure the level of stress and its impact on health and wellbeing.

The applications, once granted, will provide 20 years of exclusivity for the diagnosis of mental health disorders using CHR technology and assure the company's monopoly rights in the US.

Directors' Report

Your directors present the Annual Report on the consolidated entity, being Medibio Limited and its controlled entities ("**Group**") for the financial year ended 30 June 2016.

DIRECTORS

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

Names, qualifications, experience and special responsibilities

Current Directors

Chris Indermaur — ***Chairman***

Qualifications: B. Eng. (Mech.), Grad Dip Eng. (Chem.), LLB, LLM, Grad Dip LP

Experience: Mr Indermaur was appointed to the Medibio Board on 7 April 2015.

Mr Indermaur has over 30 years of experience in large Australian companies in Engineering or Commercial roles. Amongst these roles he was the engineering and Contracts Manager for the QNI Nickel Refinery at Yabulu, Company Secretary for QAL and General Manager for Strategy and Development at Alinta Ltd.

Mr Indermaur is currently Chairman of Poseidon Nickel Limited (ASX: POS) (director from 2009) and Austin Engineering Ltd (ASX: AHG) from 8 July 2016.

Kris Knauer — ***Executive Director***

Qualifications: B. Sc. (Hons) in Geology

Experience: Mr Knauer was appointed to the Board on 1 July 2014 and he took on the role of CEO in September 2014.

Kris has 20 years' experience in Finance and Corporate Advisory and he is an experienced CEO of ASX-listed companies. He has had a previous role as CEO in a group owning GP Centres and Radiology practices. He also founded and grew an ASX-listed company from sub $3 million valuation to $300 million valuation prior to a $1bn takeover.

Mr Knauer was formerly a director of Astro Resources NL (ASX ARO) from 2013 to August 2015, Esperance Minerals Limited (ASX: ESM) from 2009 to August 2015 and of Greenvale Energy NL from 2014 to May 2015.

James Campbell — ***Non-executive Director***

Qualifications: PhD MBA

Experience: Dr Campbell was appointed to the Board on 8 September 2014. He is a senior biotechnology executive with more than 20 years international experience in scientific research, management consulting and venture capital. Dr Campbell has held research positions at the CNRS and the CSIRO. Dr Campbell was a founding executive at ChemGenex Pharmaceuticals where for over 9 years he assisted the growth of the company's market capitalization from $10 million to the final $230 million divestment in 2011.

Dr Campbell is Managing Director of Patrys Limited (ASX: PAB) (from November 2014) and Non-executive director of the ASX-listed biotechnology companies Invion Limited (ASX: IVX) from 2012, and Prescient Therapeutics Limited (ASX: PTX) from 2014.

Frank G. Prendergast — ***Non-executive Director***

Qualifications: PhD MD

Experience:

Dr Prendergast was appointed to the Board on 27 January 2016. He is the former Chair of the Department of Biochemistry and Molecular Biology and the former director for research at Mayo Clinic from 1989-1992. From 1989-1996, he was a member of the Board of Governors for Mayo Clinic, Rochester. From 1999-2007 inclusive, he was member of Mayo Clinic's Executive Committee, the senior most internal governance committee for the entire Mayo system. He served on Mayo Clinic's Board of Trustees continuously between1992-2009. He was recognized as a Mayo Distinguished Investigator in 1988 and is the director emeritus, Mayo Clinic Cancer Center (1995-2006) and director emeritus for the Mayo Clinic Center for Individualized Medicine (2008-2012). Dr Prendergast retired from Mayo Clinic in December of 2014.

Dr Prendergast has been a member of the Eli Lilly Company Board of Directors since 1995. He served extensively for the National Institutes of Health (NIH) on numerous study section review groups; as a charter member of the Board of Advisors for the Division of Research Grants, now the Center for Scientific Review; the National Advisory General Medical Sciences Council; the Board of Scientific Advisors of the National Cancer Institute. He held a Presidential Commission for service on the National Cancer Advisory Board. Dr Prendergast also has served in numerous other advisory roles for the NIH. He was a member of the board of directors of the Translational Genomics Research Institute and the Infectious Disease Research Institute (IDRI).

Executive Management

Sean Mathieson — ***Chief Operating Officer***

Qualifications: B. Science (Monash University)

Experience: Over 25 years' experience in the business technology domain involving strategy, sale and service in Australia, New Zealand, Asia and Europe.

Robert Lees — ***Company Secretary***

Qualifications: B. Bus. (UTS), Grad. Dip. DP (UTS), CA, AGIA

Experience: Mr Lees was appointed Company Secretary and Chief Financial Officer on 30 September 2012. Mr Lees is responsible for complying with all the governance requirements of a listed company and preparation of all financial and management reports for the Medibio group of companies.

In the last 14 years' he has provided Company Secretarial services to several small ASX listed companies. This has included involvement in 10 IPO's and back door listings. He is currently Company Secretary of four other listed public companies.

Directors' Report

INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY AND RELATED BODIES CORPORATE

As at the date of this report, the interests of the directors in the shares and options of Medibio Limited were:

	Ordinary Shares	Options over Ordinary Shares
C. Indermaur	150,000	Nil
K. Knauer	6,440,541	3,000,000
J. Campbell	Nil	250,000

DIVIDENDS

No dividends have been paid or provided during the year ended 30 June 2016 (2015: nil).

PRINCIPAL ACTIVITIES

The principal activity of the Group is conducting research and development and early stage commercialisation of a diagnostic technology for mental health, which is based on circadian heart rate (CHR) data.

BUSINESS REVIEW

Operating Results

The consolidated loss of the Group was $5,824,371 (2015: loss of $7,921,702).

Significant Changes in the State of Affairs

There are no other matters that are likely to affect the state of affairs or financial position of the Group.

Future Developments

Likely developments in the operations of the Group in future financial years, are referred to in the Review of Operations.

Events Subsequent to Balance Date

There are no matters or circumstances that have arisen since the end of the financial year that have significantly affected either:

- the Group's operations in financial year 2016; or
- future prospects.

OTHER INFORMATION

Options

On 28 January 2016 a total of 6,000,000 options were issued with an expiry date of 29 January 2019. 3,000,000 with an exercise price of 40 cents, 1,500,000 with an exercise price of 60 cents and 1,500,000 with an exercise price of 80 cents. On 1 April 2015 a total of 21,666,667 options were issued, 6,666,667 with an exercise price of 30 cents expiring 1 April 2017, 15,000,000 with an exercise price of 10 cents expiring 1 April 2018. On 22 June 2016, the group issued 500,000 shares on the exercise of 500,000 10 cent options. On 5 September 2016, the group issued 863,342 shares on the exercise of 863,342 10 cent options.

At the date of this report there were 27,030,009 unissued ordinary shares under option.

Environmental issues

The Group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

Indemnifying officers or auditors

Insurance of officers

During the financial year, Medibio Limited paid a premium to insure the directors and secretaries of the Group and its Australian entities.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Group. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

The Group has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Group or of any related body corporate against a liability incurred as such an officer or auditor.

Details of the premium paid in respect of insurance policies are not disclosed as such disclosure is prohibited under terms of the contract.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Group, or to intervene in any proceedings to which the Group is a party, for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings.

Directors' Report

REMUNERATION REPORT (AUDITED)

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

For the purposes of this report, the term 'executive' encompasses the Chief Operating Officer, Chief Financial Officer/ Company Secretary and the Marketing Manager.

Details of key management personnel

i. Directors

C. Indermaur	Chairman (non-executive) – appointed 7 April 2015
J. Campbell	Director (non-executive) – appointed 8 September 2014
K. Knauer	Director (executive) – appointed 1 July 2014
F Prendergast	Director (non-executive) – appointed 27 January 2016

ii. Executives

S. Mathieson	Chief Operating Officer – appointed 7 July 2015.
S. Stapelberg	Marketing – appointed 1 May 2014 and resigned 8 September 2015.
R. Lees	Chief Financial Officer/Company Secretary – appointed 30 September 2012

Remuneration Philosophy

The performance of the Group depends upon the quality of its directors and executives. To perform to satisfactory levels, the Company must attract, motivate and retain highly skilled directors and executives.

The Board of Directors is responsible for determining and reviewing compensation arrangements for the directors, and the executive team. The Board assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

To assist in achieving the objectives, the Board considers the nature and amount of executive directors' and officers' emoluments in the context of the Group's financial and operational performance.

Remuneration structure

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

Non-executive director remuneration

Objective

The Board seeks to set remuneration at a level which provides the Company with the ability to attract and retain directors of the appropriate calibre, whilst incurring a cost which is acceptable to shareholders given the size and financial standing of the Company.

REMUNERATION REPORT (AUDITED) (continued)

Structure

The constitution of the Company specifies that non-executive directors are entitled to be paid, out of the funds of the Company, an amount of remuneration which:

a. does not:
    i. in any year exceed in aggregate the amount last fixed by ordinary resolution; or
    ii. consist of a commission on or percentage of profits or operating revenue; and
b. is allocated among them:
    i. on an equal basis having regard to the proportion of the relevant year for which each director held office; or
    ii. as otherwise decided by the Board.

Each director receives a fee for being a director of the Company. According to the constitution of the Company, if a director, at the request of the Board performs extra services or makes special exertions (including going or living away from the director's usual residential address), the Company may pay that director a fixed sum set by the Board for doing so. Remuneration under this rule may be either in addition to or in substitution for any remuneration to which that director is entitled.

The remuneration of non-executive directors for the period ended 30 June 2016 are detailed in Table 1 on page 28 of this report.

Senior manager and executive director remuneration (executives)

Objective

The Company aims to reward executives with a level of remuneration commensurate with their position and responsibilities within the Company and taking into account the size and financial standing of the Company and so as to ensure total remuneration is competitive by market standards.

Structure

In determining the level and make–up of executive remuneration, the Board considers market levels of remuneration for comparable executive's roles for similar sized organisations, and preferably within the biotech industry.

Remuneration consists of fixed remuneration for all executives with a variable element for the achievement of both short term and long term objectives.

Fixed and Variable Remuneration

Objective

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

Fixed remuneration is reviewed annually by the Board and the process consists of a review of companywide performance and individual performance, relevant comparative remuneration in the market and, where appropriate, external advice on policies and practices.

Structure

Executives are paid a fixed cash component consisting of an annual salary plus the statutory superannuation and annual leave and long service leave obligations.

The fixed remuneration component of senior management in the Group is detailed in Table 1 below. No variable remuneration is currently payable to Directors or management.

Directors' Report

REMUNERATION REPORT (AUDITED) (continued)

Consequence of company's performance on shareholders' wealth

The Company is committed to maximising the value of its biotech and other assets through a portfolio of investments and projects. This currently comprises of:

- a diagnostic technology for mental health which is based on circadian heart rate data generally known as heart rate monitor Heart Rate Variability technology; and
- products associated with animal health, skincare and agriculture – AGRIPRO®, REGEN®, QCIDE® and TERMILONE®. The IP is being maintained while we look for purchasers.

As critical stages of projects and investments are reached and produce positive results, significant value should be generated to shareholders through an increase in the share price. As the Company is at least several years away from generating taxable profits, growth of shareholder wealth will not come through the payment of dividends but by an expected increase in the average share price. Accordingly the relationship between remuneration policy and company performance has not yet been established.

Shareholder returns

	30 June 2016	30 June 2015	30 June 2014	30 June 2013	30 June 2012
Share price - cents	32.5	40.0	0.4	0.1	0.2
Shares on issue	105,446,807	89,802,932	3,173,189,372	2,873,174,372	1,612,170,347
Capitalisation	$34.3m	$35.9m	$12.6m	$2.9m	$3.2m
Loss per share - cents	(5.916)	(16.995)	(0.0015)	(0.05)	(0.2)

Remuneration of key management personnel

Table 1: Remuneration for the year ended 30 June 2016

		Short Term Salary & Fees	Non-Monetary Benefits	Post-Employment Super	Share Based Payments #	Termination Payment	Total
		$	$	$	$	$	$
Executive director							
K Knauer		340,000	-	-	-	-	340,000
Non-executive directors							
C Indermaur - Chairman		45,833	-	-	4,167	-	50,000
J Campbell		36,000	-	3,420	-	-	39,420
F Prendergast	a	69,133	-	-	50,000	-	119,133
Sub-total directors		**490,966**	**-**	**3,420**	**54,167**	**-**	**548,553**
Other key management personnel (KMP)							
S Mathieson	b	392,020	-	-	50,000	-	422,020
S Stapelberg	c	65,000	-	-	115,000	-	180,000
R E Lees		125,873	-	-	-	-	125,873
Sub-total executive KMP		**582,893**	**-**	**-**	**165,000**	**-**	**747,893**
Totals		**1,073,859**	**-**	**3,420**	**219,167**	**-**	**1,296,446**

REMUNERATION REPORT (AUDITED) (continued)

a. Appointed 27 January 2016;

b. Appointed 7 July 2015;

c. Resigned 8 September 2015; .

Represents payment of directors fees by issue of ordinary shares.

S Mathieson has a 12 month contract commencing 1 October 2015. It is to operate on a project basis and can be terminated with 3 months written notice from either party.

Table 2: Remuneration for the year ended 30 June 2015

		Short Term Salary & Fees	Non-Monetary Benefits	Post-Employment Super	Share Based Payments #	Termination Payment	Total
		$	$	$	$	$	$
Executive director							
K Knauer	a	192,000	-	-	-	-	192,000
Non-executive directors							
V Fayad – Chairman	b	51,167	-	-	-	-	51,167
C Indermaur - Chairman	c	5,694	-	-	45,000	-	50,694
J Campbell	d	29,200	-	2,774	43,600	-	75,574
P May	e	-	-	-	-	-	-
C Solitario	f	-	-	-	-	-	-
S Elkhouri	g	33,000	-	-	-	-	33,000
Sub-total directors		**311,061**	**-**	**2,774**	**88,600**	**-**	**402,435**
Other key management personnel (KMP)							
S Stapelberg		97,192	-	7,808	-	-	105,000
R E Lees		134,606	-	-	-	-	134,606
Sub-total executive KMP		**231,798**	**-**	**7,808**	**-**	**-**	**239,606**
Totals		**542,859**	**-**	**10,582**	**88,600**	**-**	**642,041**

a. Appointed 1 July 2014 (Short-term fee accrued);

b. Resigned 7 April 2015;

c. Appointed 7 April 2015;

d. Appointed 8 September 2014;

e. Resigned 1 July 2014;

f. Resigned 8 September 2014;

g. Resigned 8 September 2014.

Directors' Report

REMUNERATION REPORT (AUDITED) (continued)

Table 3: Option holdings of key management personnel (consolidated)

Options held in Medibio Limited (number)

30 June 2016		Balance at 1 July 2015	Granted as remuneration	Options forfeited	Net change other	Balance at 30 June 2016	Vested and exercisable at 30 June 2016 Total
Directors							
C Indermaur		-	-	-	-	-	-
J Campbell		250,000	-	-	-	250,000	250,000
K Knauer		3,000,000	-	-	-	3,000,000	3,000,000
F Prendergast	a	-	-	-	-	-	
Executives							
S Mathieson	b	-	-	-	-	-	-
S Stapelberg	c	-	-	-	-	-	-
R Lees		-	-	-	-	-	-
Total		**3,250,000**	**-**	**-**	**-**	**3,250,000**	**3,250,000**

a. Appointed 27 January 2016;
b. Appointed 7 July 2015
c. Resigned 8 September 2015

Options held in Medibio Limited (number)

30 June 2015		Balance at 1 July 2014	Granted as remuneration	Options forfeited	Net change other	Balance at 30 June 2015	Vested and exercisable at 30 June 2015 Total
Directors							
V Fayad	a	-	-	-	-	-	-
C Indermaur	b	-	-	-	-	-	-
J Campbell	c	-	250,000	-	-	-	250,000
K Knauer	d	-	-	-	3,000,000	3,000,000	3,000,000
P May	e	-	-	-	-	-	-
C Solitario	f	-	-	-	-	-	-
S Elkhouri	g	-	-	-	-	-	-
Executives							
S Stapelberg		-	-	-	-	-	-
R Lees		-	-	-	-	-	-
Total		**-**	**250,000**	**-**	**3,000,000**	**3,000,000**	**3,250,000**

a. Resigned 7 April 2015;
b. Appointed 7 April 2015;
c. Appointed 8 September 2014;
d. Appointed 1 July 2014;
e. Resigned 1 July 2014;
f. Resigned 8 September 2014;
g. Resigned 8 September 2014.

REMUNERATION REPORT (AUDITED) (continued)

Table 4: Shareholdings of key management personnel (consolidated)

Shares held in Medibio Limited (number)

30 June 2016		Balance at 1 July 2015	Granted as remuneration	On exercise of options	Net change other	Balance at 30 June 2016
Directors						
C Indermaur		150,000	10,417	-	-	160,417
J Campbell		-	-	-	-	-
K Knauer		6,440,541	-	-	-	6,440,541
F Prendergast	a	-	166,667	-	-	166,667
Executives						
S Mathieson	b	-	150,000	-	-	150,000
S Stapelberg	c	-	350,000	-	(350,000)	-
R Lees		-	-	-	-	-
Total		**6,590,541**	**677,084**	**-**	**(350,000)**	**6,917,625**

a. Appointed 27 January 2016
b. Appointed 7 July 2015
c. Resigned 8 September 2015

Shares held in Medibio Limited (number)

30 June 2015		Balance at 1 July 2014	Granted as remuneration	On exercise of options	Net change other	Balance at 30 June 2015
Directors						
V Fayad	a	-	-	-	-	-
C Indermaur	b	-	150,000	-	-	150,000
J Campbell	c	-	-	-	-	-
K Knauer	d	-	-	-	6,440,541	6,440,541
P May	g	26,522	-	-	(26,522)	-
C Solitario	f	693,424	-	-	(693,424)	-
S Elkhouri	e	-	-	-	-	-
Executives						
S Stapelberg		-	-	-	-	-
R Lees		-	-	-	-	-
Total		**719,946**	**150,000**	**-**	**5,720,595**	**6,590,541**

a. Resigned 7 April 2015;
b. Appointed 7 April 2015;
c. Appointed 8 September 2014
d. Appointed 1 July 2014;
e. Resigned 1 July 2014;
f. Resigned 7 September 2014;
g. Resigned 7 September 2014.

END OF AUDITED REMUNERATION REPORT

Directors' Report

DIRECTORS' MEETINGS

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director was as follows:

			Audit committee	
	Eligible to attend	Number attended	Eligible to attend	Number attended
Chris Indermaur	7	7	2	2
Kris Knauer	7	7	-	-
James Campbell	7	7	2	2
F Prendergast	3	2	-	-

Committee membership

As at the date of this report, the Company had no separate committees, other than the audit committee.

Auditor Non-Audit Services

The following non-audit services were provided by the entity's auditor, William Buck (Qld). The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001 and APES 110 Code of Ethics for Professional Accountants. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

William Buck received the following amounts for the provision of non-audit services:

	2016	2015
Tax compliance	15,400	12,575
Accounting advice	5,000	-
Other	650	690

Auditor Independence

The auditor's independence declaration has been received and can be found on page 33.

Signed in accordance with a resolution of the directors

Chris Indermaur

Chairman

30 September 2016
Sydney, NSW

Auditor's Independence Declaration

William Buck

Auditor's Independence Declaration under Section 307C of the *Corporations Act 2001* to the Directors of Medibio Limited

I declare that, to the best of my knowledge and belief during the year ended 30 June 2016 there have been:

- no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

William Buck

William Buck (Qld)
ABN: 11 603 627 400

Junaide Latif
A Member of the Firm

Dated this 30th day of September, 2016
Brisbane

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Corporate Governance

Medibio Limited ('**Medibio**') through its Board of Directors ('**Board**') is responsible for the overall corporate governance of Medibio and has adopted as a guiding principle that it acts honestly, conscientiously and fairly in accordance with the law and in the interests of the shareholders with a view to building sustainable value for them, the Company's employees and other stakeholders in the Company.

The Board has adopted a suite of governance materials, which are available in the Corporate Governance section of the Company's website. The governance materials have been prepared and adopted on the basis that corporate governance procedures can add to the performance of the Company and the creation of shareholder value, and help to engender the confidence of the investment market.

ASX Corporate Governance Principles and Recommendations

This statement sets out the material governance principles and processes adopted by the Board. The Board supports the Corporate Governance Principles and Recommendations, 3rd edition as released by the ASX Corporate Governance Council ("**ASX Principles**" or "**ASXCGC**"). The Board considers and applies these recommendations to the extent there is a sound reason to do so given the circumstances of the Company. The Corporate Governance Statements were reviewed and approved by the Board on 19 June 2015 and are available on the Company's website: http://www.medibio.com.au/index.php/about/corporate-governance

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2016

	Notes	Consolidated 2016 $	Consolidated 2015 $
Sales		18,500	-
Other income		1,786,532	261,933
Revenue	5	**1,805,032**	**261,933**
Amortisation	11	(1,261,825)	(516,461)
Employee costs	5	(810,532)	(492,435)
Finance costs	5	(313,455)	(160,622)
Impairment of investments	5	-	(4,306,033)
Research and development expenses		(1,853,268)	(210,664)
Other expenses	5	(3,390,324)	(2,497,420)
Loss before income tax		**(5,824,371)**	**(7,921,702)**
Income tax benefit	6	-	-
Loss attributable to members of Medibio Limited		**(5,824,371)**	**(7,921,702)**
Other comprehensive income - items that may be reclassified to profit or loss		-	-
Total other comprehensive income for the period net of tax		**-**	**-**
Total comprehensive income attributable to members of Medibio		**(5,824,371)**	**(7,921,702)**
Basic earnings per share (cents per share)	7	(5.916)	(16.995)
Diluted earnings per share (cents per share)	7	(5.916)	(16.995)

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

Consolidated Statement of Financial Position

As at 30 June 2016

	Notes	Consolidated 2016 $	Consolidated 2015 $
ASSETS			
Current Assets			
Cash and cash equivalents	8	1,039,944	944,301
Trade and other receivables	9	263,181	232,985
Other current assets	14	2,620,256	9,091
Total Current Assets		**3,923,381**	**1,186,377**
Non-current Assets			
Intangibles assets	11	13,997,693	13,998,137
Total Non-current Assets		**13,997,693**	**13,998,137**
TOTAL ASSETS		**17,921,074**	**15,184,514**
LIABILITIES			
Current Liabilities			
Trade and other payables	12	5,668,770	2,380,280
Borrowings	13	395,000	197,500
Employee liabilities		64,843	-
Total Current Liabilities		**6,128,613**	**2,577,780**
Non-current Liabilities			
Borrowings	13	3,298,153	3,495,653
Total Non-current Liabilities		**3,298,153**	**3,495,653**
TOTAL LIABILITIES		**9,426,766**	**6,073,433**
NET ASSETS		**8,494,308**	**9,111,081**
EQUITY			
Issued capital	15 (a)	55,756,237	51,093,889
Reserves	21	1,024,850	479,600
Accumulated losses		(48,286,779)	(42,462,408)
TOTAL EQUITY		**8,494,308**	**9,111,081**

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

Consolidated Statement of Changes in Equity

For the year ended 30 June 2016

	Issued Capital $	Accumulated Losses $	Share Based Payments Reserve $	Total Equity $
At 1 July 2014	**37,250,977**	**(34,540,706)**	**-**	**2,710,271**
Comprehensive income				
Loss for the period	-	(7,921,702)	-	(7,921,702)
Other comprehensive income	-	-	-	-
Total comprehensive income	**-**	**(7,921,702)**	**-**	**(7,921,702)**
Transactions with owners				
Shares issued	14,393,862	-	-	14,393,862
Share options issued	-	-	479,600	479,600
Share issue costs	(550,950)	-	-	(550,950)
Total transactions with owners	**13,842,912**	**-**	**479,600**	**14,322,512**
At 30 June 2015	**51,093,889**	**(42,462,408)**	**479,600**	**9,111,081**
At 1 July 2015	**51,093,889**	**(42,462,408)**	**479,600**	**9,111,081**
Comprehensive income				
Loss for the period	-	(5,824,371)	-	(5,824,371)
Other comprehensive income	-	-	-	-
Total comprehensive income	**-**	**(5,824,371)**	**-**	**(5,824,371)**
Transactions with owners				
Shares issued	5,411,672	-	-	5,411,672
Share options issued	-	-	545,250	545,250
Share issue costs	(749,324)	-	-	(749,324)
Total transactions with owners	**4,662,348**	**-**	**545,250**	**5,207,598**
At 30 June 2016	**55,756,237**	**(48,286,779)**	**1,024,850**	**8,494,308**

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

Consolidated Statement of Cash Flows

For the year ended 30 June 2016

	Notes	Consolidated 2016 $	Consolidated 2015 $
Cash flows from operating activities			
Receipts from customers		18,500	-
R&D grant received		1,738,631	255,120
Payments to suppliers and employees		(4,458,093)	(1,770,203)
Net cash flows used in operating activities	8 (a)	**(2,700,962)**	**(1,515,083)**
Cash flows from investing activities			
Interest received		25,306	6,813
Payments for intangible assets		(61,381)	(1,087,181)
Payments for acquisitions		-	(10,000)
Net cash flows (used in) provided by investing activities		**(36,075)**	**(1,090,368)**
Cash flows from financing activities			
Proceeds from issues of shares and options		3,416,769	3,432,000
Transaction costs of issue of shares		(204,074)	(550,950)
Proceeds from issue of convertible notes		-	685,000
Interest paid		(380,015)	(112,940)
Net cash flows from (used in) financing activities		**2,832,680**	**3,453,110**
Net (decrease) / increase in cash and cash equivalents		95,643	847,659
Net cash acquired in business combinations		-	393
Cash and cash equivalents at beginning of the year		944,301	96,249
Cash and cash equivalents at end of the year	8	**1,039,944**	**944,301**

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

Contents to Notes to the Financial Statements

Notes to the Financial Statements

For the year ended 30 June 2016

1. CORPORATE INFORMATION

Medibio Limited (the parent) ('Medibio') is a for profit company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. The nature of the operations and principal activities of the Group are described in the Directors' Report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of preparation

These financial statements are general-purpose financial statements which have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial statements have also been prepared on a historical cost basis, except for available-for-sale investments, which have been measured at fair value.

The financial statements have been prepared on a going concern basis, as set out in note 15(c). Medibio and the Group's ability to continue as a going concern is dependent upon its ability to generate sufficient cash from future operations and to raise additional capital.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. The following is a summary of the material accounting policies adopted by the Group in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

The financial statements are presented in Australian dollars and all values are rounded to the nearest dollar unless otherwise stated.

b. New and revised accounting standards for Application in Future Periods

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods and which the Group has decided not to early adopt. A discussion of those future requirements and their impact on the Group is as follows:

- ***AASB 9 Financial Instruments (December 2014) and AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) (applicable for annual reporting periods commencing on or after 1 January 2018)***

  AASB 9 includes requirements for the classification and measurement of financial assets, the accounting requirements for financial liabilities, impairment testing requirements and hedge accounting requirements.

  The changes made to accounting requirements by these standards include:

  - simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value and an allowance for debt instruments to be carried at fair value through other comprehensive income in certain circumstances
  - simplifying the requirements for embedded derivatives
  - allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument
  - financial assets will need to be reclassified where there is a change in an entity's business model as they are initially classified based on (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows

- amending the rules for financial liabilities that the entity elects to measure at fair value, requiring changes in fair value attributed to the entity's own credit risk to be presented in other comprehensive income
- introducing new general hedge accounting requirements intended to more closely align hedge accounting with risk management activities as well as the addition of new disclosure requirements
- requirements for impairment of financial assets

This standard is not expected to impact the group.

- ***AASB 15 Revenue from Contracts with Customers and AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15 (applicable for annual reporting periods commencing on or after 1 January 2018)***

  AASB 15 establishes a single, comprehensive framework for revenue recognition, and replaces the previous revenue Standards AASB 118 Revenue and AASB 111 Construction Contracts, and the related Interpretations on revenue recognition Interpretation 13 Customer Loyalty Programmes, Interpretation 15 Agreements for the Construction of Real Estate, Interpretation 18 Transfers of Assets from Customers and Interpretation 131 Revenue—Barter Transactions Involving Advertising Services.

  AASB 15 introduces a five step process for revenue recognition with the core principle of the new Standard being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

  AASB 15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.

  Given that the Group is not yet earning revenue from operating activities the Group has not yet assessed the impact of this standard.

- ***AASB 1056 Superannuation Entities (applicable for annual reporting periods commencing on or after 1 July 2016)***

  AASB 1056 is applicable for superannuation entities which are regulated by APRA and increase the level of integration between AASB 1056 and other AASB standards. Some of the changes in AASB 1056 include:

  - A revised definition of a superannuation entity
  - Revised and consistent content for the financial statements
  - Use of fair value rather than net market value for measuring assets and liabilities
  - Revised member liability recognition and measurement requirements
  - Revised disclosure principles

  This standard is not expected to impact the Group.

  The Group does not anticipate early adoption of any of the above Australian Accounting Standards or Interpretations.

  The Group has adopted all of the new revised or amending accounting standards and interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period. The adoption of these accounting standards and interpretations did not have any significant impact on the financial performance or position of the Group.

Notes to the Financial Statements

c. Basis of consolidation

The consolidated financial statements comprise the financial statements of Medibio Limited and its controlled entities as at 30 June 2016 (the "Group").

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when it is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through the power to direct the activities of the entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all inter-company balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

d. Foreign currency translation

i. Functional and presentation currency

Both the functional and presentation currency of Medibio Limited and its subsidiaries is Australian dollars (A$). Each entity in the Group determines its own functional currency using the currency of the primary economic environment in which the entity operates and items included in the financial statements of each entity are measured using that functional currency.

ii. Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the end of the reporting period. All exchange differences are taken to profit and loss when incurred.

e. Segment reporting

Operating segments are identified and segment information is disclosed on the basis of internal reports that are regularly provided to, or reviewed by, the Group's chief operating decision maker which, for the Group, is the board of directors. In this regard, such information is provided using different measures to those used in preparing the Statement of Profit or Loss and Other Comprehensive Income, and Statement of Financial Position. Reconciliations of such management information to the statutory information contained in the annual financial statements have been included in these financial statements.

f. Revenue recognition

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

i. Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

ii. Interest income

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

All revenue is stated net of the amount of GST.

g. Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

When the grant relates to an asset, the fair value is credited to a deferred income account and is released to the Statement of Profit or Loss and Other Comprehensive Income over the expected useful life of the relevant asset by equal annual instalments.

h. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction and production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the Statement of Profit or Loss and Other Comprehensive Income in the period in which they are incurred.

i. Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

j. Trade and other receivables

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

Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts.

k. Investments and other financial assets

Recognition and De-recognition

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

i. Loans and receivables

Loans and receivables including loan notes and loans to KMP are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income when the loans and receivables are derecognised or impaired. These are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period, which are classified as non-current.

Notes to the Financial Statements

ii. Available-for-sale securities

Available-for-sale investments are those non-derivative financial assets, principally equity securities that are designated as available-for-sale or are not suitable to be classified as any of the other preceding categories. After initial recognition available-for-sale securities are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in the Statement of Profit or Loss and Other Comprehensive Income.

The fair value of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business at the end of the reporting period. For investments with no active market, fair values are determined using valuation techniques. Such techniques include: using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible and keeping judgemental inputs to a minimum.

iii. Impairment

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

l. Income tax

The income tax expense (benefit) for the year comprises current income tax expense and deferred tax expense (benefit).

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period.

Deferred income tax is provided on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognised for all taxable temporary differences except:

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

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

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period. Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss. Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Research and development tax offset claims are recognised as a tax benefit when it is probable that the economic benefits will flow into the entity and the amount can be reliably measured.

Medibio Limited and the controlled entities in the tax consolidated Group continue to account for their own current and deferred tax amounts. The Group has applied the Group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated Group.

m. Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable. Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

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

n. Intangible assets

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is charged to the statement of profit or loss and other comprehensive income in the year in which expenditure is incurred.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed at the end of each reporting period to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

Patents and licences are amortised over their term being 2 to 3 years.

Notes to the Financial Statements

Research and development costs

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

Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any finite life expenditure so capitalised is amortised over the period of expected benefits from the related project. The carrying value of an intangible asset arising from development expenditure is tested for impairment annually when the asset is not yet available for use, or more frequently when an indication of impairment arises during the reporting period.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit and loss when the asset is derecognised.

Impairment of non-financial assets other than goodwill

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

o. Trade and other payables

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the reporting period that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of the goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

p. Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

q. Provisions

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

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit or loss and other comprehensive income net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

r. Employee benefits

Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees services up to the reporting date and are measured at the amount expected to be paid when the liabilities are settled.

Long service leave

A liability for long service leave is recognised, and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates attaching, as at the end of the reporting period, to Corporate bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

s. Share-based payment transactions

Equity settled transactions

The Group provides benefits to its employees and directors in the form of share-based payments, whereby employees and directors render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

t. Contributed equity

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

Notes to the Financial Statements

u. Earnings per share

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

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

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

v. Business combinations

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exceptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

All transaction costs incurred in relation to the business combination are expensed to the Statement of Profit or Loss and Other Comprehensive Income.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

w. Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and assumes that the transaction will take place either in the principle market or in the absence of a principle market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, and used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In applying the Group's accounting policies management continually evaluates judgments, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group. All judgments, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgments, estimates and assumptions. Significant judgments, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

Significant accounting judgment

Impairment of assets and investments

The Group determines whether non-current assets (excluding goodwill and indefinite useful life intangible assets) should be tested for impairment based on identified impairment triggers. At the end of each reporting period management assesses the impairment triggers based on their knowledge and judgement. Where an impairment trigger is identified, an estimate of the recoverable amount is required.

Capitalisation of development costs

The Group capitalises development costs when it is probable that the project will be a success; the group is able to use or sell the asset; has sufficient resources; the intent to complete the development and costs can be measured reliably. This involves significant judgement.

4. SEGMENT REPORTING

Segment Information

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group is managed primarily on the basis of product category and service offerings since the diversification of the Group's operations inherently have notably different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar with respect to the following:

- the products sold and/or services provided by the segment;
- the manufacturing process;
- the type or class of customer for the products or service;
- the distribution method; and
- external regulatory requirements.

Types of products and services by segment

i. Mining and Gas Exploration

This market segment includes the income and expenditures pertaining to the investment opportunity through Frontier Oil Corporation. This asset is available for sale and fully impaired in these accounts.

ii. Human Diagnostics

This market segment includes the income and expenditures pertaining to the investment opportunity through Invatec Health Pty Ltd and Medibio's development of the Stress Algorithm.

Notes to the Financial Statements

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent with those adopted in the annual financial statements of the Group.

Inter-segment transactions

For the reporting period there have not been any inter-segment sales.

Salaries for research and development employees have been allocated to market segments on the basis of time sheets that support claims for the research and development tax offset credit. Corporate employee costs such as directors' fees, salaries and superannuation are allocated to market segments on the basis of direct expenses and research and development salaries as a percentage of total expenses for the Group.

Inter-segment loans payable and receivable are initially recognised at the consideration received net of transaction costs.

Segment assets

In the majority of instances, segment assets are clearly identifiable on the basis of their nature (i.e. prepayments, inventories, sundry debtors). Corporate fixed assets such as computer equipment and furniture and fittings have not been allocated to market segments.

Segment liabilities

Liabilities are allocated to segments where there is direct nexus between the liability incurred and the operations of the segment. Segment liabilities include trade and other payables.

Unallocated Items

The following items of revenue, expense, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Cash and term deposits;
- Interest received;
- Prepayments;
- Fixed assets;
- Borrowings; and
- Other payables.

i. Segment performance

Twelve months ended 30 June 2016	Mining and Gas $	Human Diagnostics $	Total $
Revenue			
External sales	-	18,500	18,500
R & D Grant	-	1,738,631	1,738,631
Total segment revenue	-	1,757,131	1,757,131
Inter-segment elimination	-	-	-
Unallocated revenue			47,901
Total consolidated revenue			**1,805,032**

Twelve months ended 30 June 2016	Mining and Gas $	Human Diagnostics $	Total $
Segment net profit/(loss)before tax	-	(2,732,605)	(2,732,605)
Reconciliation of segment result to Group net loss before tax			
Amounts not included in segment result but reviewed by the Board:			
• Amortisation			(1,261,825)
Unallocated items:			
• Interest received			25,306
• Other corporate costs			(1,855,247)
Net loss before tax			**(5,824,371)**

Twelve months ended 30 June 2015	Mining and Gas $	Human Diagnostics $	Total $
Revenue			
External sales	-	-	-
R & D Grant	-	255,120	255,120
Total segment revenue	-	255,120	255,120
Inter-segment elimination	-	-	-
Unallocated revenue			6,813
Total consolidated revenue			**261,933**

Twelve months ended 30 June 2015	Mining and Gas $	Human Diagnostics $	Total $
Segment net profit/(loss)before tax	(3,861,034)	(2,244,216)	(6,105,250)
Reconciliation of segment result to Group net loss before tax			
Amounts not included in segment result but reviewed by the Board:			
• Amortisation			(516,461)
Unallocated items:			
• Interest received			6,813
• Other corporate costs			(1,306,804)
Net loss before tax			**(7,921,702)**

Notes to the Financial Statements

i. Segment assets

30 June 2016	Mining and Gas $	Human Diagnostics $	Total $
Segment assets	-	16,881,130	16,881,130
Unallocated assets			
• Cash			1,039,944
• Other			-
Total assets			**17,921,074**

30 June 2015	Mining and Gas $	Human Diagnostics $	Total $
Segment assets	-	14,231,122	14,231,122
Unallocated assets			
• Cash			944,301
• Other			9,091
Total assets			**15,184,514**

ii. Segment Liabilities

30 June 2016	Mining and Gas $	Human Diagnostics $	Total $
Segment liabilities	-	9,426,766	9,426,766
Unallocated liabilities			
Total liabilities			**9,426,766**

30 June 2015	Mining and Gas $	Human Diagnostics $	Total $
Segment liabilities	-	6,073,433	6,073,433
Unallocated liabilities			
Total liabilities			**6,073,433**

iii. Revenue by geographical region

Australia

Revenue for the 2016 year included the R&D Grant rebate of $1,738,631 and bank interest of $25,306.

For the 2015 year, revenue included the R&D Grant of $255,120 and bank interest of $6,813.

iv. Assets by geographical region

All assets reside in one geographical region being Australia.

	Consolidated	
	2016 $	2015 $
5. REVENUES AND EXPENSES		
(a) Revenue		
Sales	18,500	-
Bank interest received and receivable	25,306	6,813
Currency gains	22,595	-
R&D Grant received	1,738,631	255,120
	1,805,032	**261,933**
(b) Finance costs		
Interest charges payable under convertible notes	(313,455)	(160,622)
	(313,455)	**(160,622)**
(c) Impairment		
Frontier Oil Corporation	-	(3,861,034)
Goodwill	-	(444,999)
	-	**(4,306,033)**
(d) Employee benefits expense		
Wages and salaries	(242,914)	(82,192)
Directors fees	(545,133)	(399,781)
Superannuation	(22,222)	(10,462)
	(810,532)	**(492,435)**
(e) Other expenses		
Consulting and advisory expenses	(2,037,951)	(1,288,074)
Legal fees	(42,325)	(165,541)
Listing fees	(61,907)	(63,605)
Share registry charges	(78,888)	(86,795)
Sales and marketing	(193,932)	(85,290)
Other administration expenses	(975,320)	(808,115)
	(3,390,324)	**(2,497,420)**

Notes to the Financial Statements

	Consolidated	
	2016 $	2015 $
6. INCOME TAX		
Numerical reconciliation between aggregate tax expense recognised in the statement of profit or loss and other comprehensive income and tax expense calculated per the statutory income tax rate		
A reconciliation between tax expense and the product of accounting loss before income tax multiplied by the Group's applicable income tax rate is as follows:		
Accounting loss before tax	(5,824,371)	(7,921,702)
At the statutory tax rate of 30% (2015: 30%)	(1,747,311)	(2,376,511)
Tax effect of temporary differences and current year loss not brought to account	1,747,311	2,376,511
	-	-
Deferred tax asset arising from tax losses not brought to account at the end of the reporting period as realisation is not regarded as probable	43,351	251,400

The potential deferred tax asset will only be obtained if:

i. future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;

ii. the conditions for deductibility imposed by tax legislation continue to be complied with; and

iii. no changes in tax legislation adversely affect the Group in realising the benefit.

At 30 June 2016, there is no recognised or unrecognised deferred tax liability (2015: nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries, as the Group has no liability for additional taxation should such amounts be remitted.

Tax consolidation

Effective 1 July 2003, for the purposes of income taxation, Medibio Limited and its 100% owned subsidiaries have formed a tax consolidated group. Members of the group have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly-owned subsidiaries on a pro-rata basis. In addition the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations.

Tax accounting by members of the tax consolidated group

Members of the tax consolidated Group have entered into a tax funding arrangement. The tax funding arrangement provides for the allocation of current taxes to members of the tax consolidated Group in accordance with the available fractions belonging to each subsidiary, which is directly linked to prior year losses that have been accumulated. In the event of the Company generating future taxable profits, the tax losses will be absorbed according to the available fractions within the Group.

The allocation of taxes under the tax funding agreement is recognised as an increase/decrease in the subsidiaries' intercompany accounts with the tax consolidated Group head company, Medibio Limited. The Group has applied the Group allocation approach in determining the appropriate amount of current taxes to allocate to members of the tax consolidated Group.

	Company	
	2016 $	2015 $
7. EARNINGS PER SHARE		
Net loss attributable to equity holders of the Company	(5,824,371)	(7,921,702)

	Number of Shares	**Number of Shares**
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share:	98,445,508	46,611,766

	Consolidated	
	2016 $	2015 $
8. CASH AND CASH EQUIVALENTS		
Cash at bank and in hand	78,599	210,696
Short-term deposits	961,345	733,605
	1,039,944	**944,301**

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

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

Notes to the Financial Statements

	Consolidated	
	2016 $	2015 $
(a) Reconciliation of loss after tax to net cash flows from operations:		
Net loss	**(5,824,371)**	**(7,921,702)**
Adjustments for:		
Amortisation	1,261,825	516,461
Interest received	(25,306)	(6,813)
Interest paid convertible notes	313,455	160,622
Impairment of investments	-	4,306,033
Impairment of receivables	-	100,000
Share based payments	754,904	479,600
Changes in assets and liabilities:		
(Increase)/ decrease in trade and other receivables	9,804	(336,680)
(Increase)/ decrease in other current assets	(2,544,606)	-
(Decrease) / increase in trade and other payables	3,288,490	1,142,396
(Decrease) / increase in employee entitlements	64,843	28,516
Net cash used in operating activities	**(2,700,962)**	**(1,515,083)**
(b) Non cash financing and investing activities		
25,000 shares issued to B McNaught	7,500	-
166,667 shares issued to F Prendergast	50,000	-
10,417 shares issued to C Indermaur	4,167	-
75,000 shares issued to M Player	30,000	-
150,000 shares issued to S Mathieson	50,000	-
350,000 shares issued to S Stapelberg	115,000	-
1,000,000 shares issued to Brooke Starbuck Corporate Advice	350,000	-
130,000 shares issued to Andrew Mortimer	44,000	-
203,235 shares issued to Matthew Flax	68,237	-
4,000,000 shares issued to Heartlink Limited for acquisition of Patents	1,200,000	-
75,000 shares issued to Duncan Groenewald	15,000	-
105,000 shares issued to Colorado Investments Pty Ltd	21,000	-
6,000,000 options issued to Fosters Stockbrokers	545,250	
150,000 shares issued to C Indermaur	-	45,000
493,100 shares issued to S Pearce	-	147,930
250,000 options ex at $0.30 issued to J Campbell	-	43,600
1,000,000 options ex at $0.30 issued to SEK Investments Limited	-	174,400
1,500,000 options ex at $0.30 issued to Ausepen Pty Ltd	-	261,600
	2,500,154	**672,530**

The value placed on the issue of the shares was equal to the prevailing share price of Medibio as at the date of issue.

Refer to note 15 and 21 for further detail in respect of share issues.

	Consolidated	
	2016 $	2015 $
9. TRADE AND OTHER RECEIVABLES		
Share proceeds receivable	40,000	-
Other debtors	223,181	232,985
	263,181	**232,985**

Terms and conditions

(i) Trade debtors are non-interest bearing and generally on 30 day terms. A provision for impairment is made when there is objective evidence that a trade receivable is impaired.

(ii) Other debtors are non-interest bearing and have repayment terms of 30 days. A provision for impairment is made when there is objective evidence that a debtor is impaired.

(iii) None of the trade and other receivables are contractually overdue.

Due to the short-term nature of these receivables their carrying amounts are assumed to approximate their fair value.

		Consolidated	
	Notes	**2016 $**	2015 $
10. OTHER FINANCIAL ASSET – AVAILABLE FOR SALE FINANCIAL ASSETS			
Frontier Oil Corporation – at directors valuation	(i)	3,861,034	3,861,034
Australian listed shares at fair value	(ii)	2,758	2,758
Impairment		(3,863,792)	(3,863,792)

(i) Frontier Oil Corporation

The company acquired 430,000,000 shares in Frontier Oil Corporation ('FOC') for a total investment cost of $5,188,265 during the year ended 30 June 2013. In September 2013, the Company sold 110,000,000 of its 430,000,000 shares held in FOC for net funds of $1,690,425.

The investment is carried at original cost less disposals. This is an investment in an unlisted entity and is therefore difficult to obtain fair value. The directors, have fully impaired the investment at 30 June 2015.

(ii) Listed Shares

As at 30 June 2016, Medibio holds 47,544 Solagran Limited shares. Solagran Limited was delisted from the ASX on 31 December 2015 and the investment has been fully impaired. This is the residual balance from a development agreement to commercialise CGNC terminated in 2010.

Notes to the Financial Statements

	Consolidated	
	2016 $	2015 $
11. INTANGIBLES		
Licence		
Heartlink Limited		
At cost	300,000	300,000
Amortisation	(300,000)	(150,000)
Net carrying amount	**-**	**150,000**
Development Costs		
At cost	3,121,802	43,750
Additions	61,382	3,078,052
Net carrying amount	**3,183,184**	**3,121,802**
Patents		
At cost	3,298,153	-
Additions	1,200,000	3,298,153
Amortisation	(1,478,286)	(366,461)
Net carrying amount	**3,019,867**	**2,931,692**
Data files		
At cost	7,794,643	-
Additions	-	7,794,643
Net carrying amount	7,**794,643**	**7,794,643**
Goodwill		
At cost	444,999	-
Additions	-	444,999
Impairment	(444,999)	(444,999)
Net carrying amount	**-**	**-**
Reconciliation of carrying amount		
Net carrying amount at beginning of year	13,998,137	343,750
Additions	1,261,381	14,615,847
Amortisation	(1,261,825)	(516,461)
Impairment	-	(444,999)
Net carrying amount	**13,997,693**	**13,998,137**

Heartlink Licence

Heartlink Limited is an Australian public unlisted company. It is the registered holder of the Patents of an algorithm associated with the HRV technology. The Patents are held in Australia, Israel and New Zealand. These Patents are in relation to technology that provides a method for diagnosing psychiatric disorders by the analysis of heart rate patterns. This Patented Technology, is complementary to the processes being developed by Invatec. These Patents were acquired for $1,200,000 by the issue of 4 million shares to Heartlink Limited.

Development Costs

The algorithm and diagnostic system development costs incurred in the year by the development team have been capitalised.

Patents

The company announced in April 2015, the acquisition of the US and Canadian patents which complete the consolidation of granted intellectual property that the company has targeted to support Medibio's commercialisation strategy for its proprietary depression and mental health diagnostic technologies.

		Consolidated	
	Notes	2016 $	2015 $
12. TRADE AND OTHER PAYABLES – CURRENT			
Trade payables	(i)	516,757	1,541,792
Other creditors and accruals	(ii)	5,152,013	388,308
Accrued interest	(iii)	-	12,211
		5,668,770	**1,942,311**
Related party payables		-	437,969
		5,668,770	**2,380,280**

Terms and conditions relating to the above financial instruments

i. Trade creditors are non-interest bearing and normally settled on 30 day terms.

ii. Other creditors are non-interest bearing and have repayment terms between 30 and 330 days.

iii. This amount reflects interest accrual on the convertible notes that have been issued as detailed in Note 13. Interest is only payable on the date of maturity of notes.

Due to the short term nature of these payables their carrying value is assumed to approximate their fair value.

Notes to the Financial Statements

		Consolidated	
		2016 $	2015 $
13. BORROWINGS			
Borrowings – Current	Invatec Shareholders loan	395,000	197,500
		395,000	**197,500**
Borrowings – Non-Current	Promissory Note	3,298,153	3,298,153
	Invatec Shareholders loan	-	197,500
		3,298,153	**3,495,653**
	Total Borrowings	**3,693,153**	**3,693,153**

Promissory Note

On 21 April 2015 Medibio announced the acquisition of US and Canadian patents which completed the consolidation of granted intellectual property that the company had targeted to support the commercialisation strategy of Medibio's proprietary depression and mental health diagnostic technologies.

The term of the note is 3 years with 8% interest payable semi-annually. Medibio can extend the period for an additional 2 years incurring an additional 2% interest. The patent owner can elect to be paid in cash or Medibio shares at $0.31 per share.

Invatec Shareholders loan

Under the terms of the acquisition of the Invatec Health Pty Ltd ('Invatec') the outstanding shareholder loans were reduced to $395,000, with half payable 13 months after completion (due 2 May 2016) of the acquisition and the balance 26 months after completion. The carrying value is considered a reasonable approximation to the fair value of the loan. The Invatec shareholders have agreed to extend the repayment of the total $395,000 to 26 months after the completion date.

	Consolidated	
	2016 $	2015 $
14. OTHER CURRENT ASSETS		
Prepayments	77,374	9,091
Costs incurred in relation to future research and development	2,542,882	-
	2,620,256	**9,091**

15. ISSUED CAPITAL

a. Issued and paid up capital

Ordinary shares issued and fully paid	55,756,237	51,093,889

	Notes	Number of shares 2016	2015	2016 $	2015 $
15. ISSUED CAPITAL (continued)					
b. Movements in shares on issue					
Beginning of the financial year		89,802,932	3,173,189,372	51,093,889	37,250,977
Issued during the year:					
- share placement		-	333,333,333	-	1,000,000
- Convertible note – Series B		-	8,333,333	-	25,000
		-	3,514,856,036	-	-
Share Consolidation 100:1		-	(3,479,707,089)	-	-
Post-consolidation shares on issue		-	35,148,947	-	-
Issue of Shares	(i)	688,333	-	206,500	-
Issue of Shares to investors	(ii)	7,730,087	-	3,092,034	-
Issue of Shares to investors	(iii)	502,641	-	139,734	-
Contractor/consultant payments	(iv)	1,743,628	-	623,878	-
Patent acquisition	(v)	4,000,000	-	1,200,000	-
Contractor/consultant payments	(vi)	479,186		99,526	
Option exercise	(vii)	500,000	-	50,000	-
Share placement	(viii)	-	8,256,668	-	2,477,000
Share issues to acquire Invatec	(ix)	-	25,537,500	-	7,661,250
Convertible note – Series B	(x)	-	3,516,665	-	1,055,000
Convertible note – Series A	(x)	-	15,000,000	-	1,500,000
Contractor/consultant payments	(xi)	-	643,100	-	192,930
share issues to acquire company	(xii)	-	1,450,000	-	435,000
Convertible note interest	(xiii)	-	113,388	-	34,016
Option exercise	(xiv)	-	136,658	-	13,666
Less: share issue costs		-	-	(749,324)	(550,950)
End of the financial year		**105,446,807**	**89,802,932**	**55,756,237**	**51,093,889**

Notes

(i) On 10 July 2015, the Company issued 683,333 ordinary shares at an issue price of 0.30 cents per share. This issue raised $206,500 (before issue costs).

(ii) On 8 September 2015 the Company raised $3,092,035 through the issue of 7,730,087 shares

(iii) On 4 January 2016 the Company issued 502,641 shares at $0.278 to a US based investor

(iv) On 28 January 2016 the company settled $623,878 of contractor & consultancy costs through the issue of 1,743,628 shares

(v) On 19 April 2016 the Company acquired Heartlink patents for $1,200,000 settled by the issue of 4,000,000 ordinary shares.

(vi) On 19 April 2016 the Company settled $99,526 contractor & consultancy costs through the issue of 479,186 ordinary shares.

(vii) On 22 June 2016 the Company issued 500,000 shares on the exercise of 500,000 10 cent options raising $50,000

(viii) On 2 April 2015 the company raised $2,477,000 by the placement of 8,256,668 shares to sophisticated and professional investors.

(ix) Business combination – acquisition of Invatec Health Pty Ltd.

(x) Conversion of All Series A and B convertible notes as approved by shareholder at a General Meeting of 6 March 2015.

(xi) Shares issued in settlement of advisors fees.

(xii) Shares issued to acquire Annapanna Pty Ltd.

(xiii) Interest on Convertible notes paid by issue of shares at $0.30 per share.

(xiv) Option exercised on issue by application of accrued Convertible Notes interest of $13,666 due to the holder.

All shares issued above rank equally in all respects with the shares on issue at the beginning of the year.

Notes to the Financial Statements

15. ISSUED CAPITAL (continued)

c. Capital management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. The company's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets. There are no externally imposed capital requirements.

Going concern statement

As at 30 June 2016 the Group had net asset position of $8,494,308 (2015: $9,111,081). However, as at 30 June 2016, it had:

- incurred a loss for the year of $5,824,371 (2015: $7,921,702);
- cash outflow from operations of $2,700,962 (2015: $1,515,083);
- cash at bank of $1,039,944 (2015: $944,301);
- borrowings (non-current) from the acquisition of patents of $3,298,153 (2015: $3,495,653); and
- current liabilities in excess of current assets by $2,205,232 (2015: $1,391,403)

The Group's ability to continue as a going concern is dependent upon the generation of cash from operations, the sufficiency of current cash reserves to meet existing obligations, the ability to reschedule planned research and development activity, raising of further equity and receipt of research and development tax incentives.

On 8 September 2015 the Group raised $3,092,034 through the issue of 7,730,087 shares on 8 September 2015. The Directors of Medibio Limited are confident that the company is able to raise further equity from its shareholders and sophisticated and professional investors, if required.

The Directors of Medibio Limited expect to receive an R&D grant refund of $3,074,224 in the next quarter.

As part of the April 2015 capital reconstruction, Medibio issued 15,000,000 options exercisable on the payment of 10 cents on or before 1 April 2018 and 6,666,667 options exercisable on the payment of 30 cents on or before 1 April 2017. At the date of this report 1,500,000 (10% of the total) of the 1 April 2018 10 cents options have been exercised. The 6,666,667 30 cent options expire 1 April 2017 and the Directors expect they will be exercised subject to the share price remaining above 30 cents and that the 10 cent options will continue to be exercised. Based on the Company's historical ability to raise new capital and public announcements made (as disclosed in the Directors Review of Operations) the Directors believe it is reasonable to expect the share price to remain above 30 cents.

Accordingly, Directors believe the Group will be able to pay its debts as and when they fall due for a period of at least 12 months from the date of these financial statements.

	2016 Number of Options	2015 Number of Options
15. ISSUED CAPITAL (continued)		
d. Share Options		
Options over ordinary shares:		
Unlisted Options		
Exercisable on or before 1 April 2017 at 30 cents per share		
Outstanding at beginning of the year	6,666,667	-
Issued during the year	-	6,666,667
Lapsed during the year	-	-
Outstanding at end of the year	**6,666,667**	**6,666,667**
Exercisable on or before 1 April 2018 at 10 cents per share		
Outstanding at beginning of the year	14,863,342	-
Issued during the year	-	15,000,000
Exercised during the year	(500,000)	(136,658)
Lapsed during the year	-	-
Outstanding at end of the year	**14,363,342**	**14,863,342**
Exercisable on or before 29 January 2019 at 40 cents per share		
Outstanding at beginning of the year	-	-
Issued during the year	3,000,000	-
Exercised during the year	-	-
Lapsed during the year	-	-
Outstanding at end of the year	**3,000,000**	**-**
Exercisable on or before 29 January 2019 at 60 cents per share		
Outstanding at beginning of the year	-	-
Issued during the year	1,500,000	-
Exercised during the year	-	-
Lapsed during the year	-	-
Outstanding at end of the year	**1,500,000**	**-**
Exercisable on or before 29 January 2019 at 80 cents per share		
Outstanding at beginning of the year	-	-
Issued during the year	1,500,000	-
Exercised during the year	-	-
Lapsed during the year	-	-
Outstanding at end of the year	**1,500,000**	**-**
Total options over unissued ordinary shares	**27,030,009**	**21,530,009**

Movements in share options

- On 22 June 2016 a holder of 10 cent unlisted options exercised 500,000 options
- On 2 April 2015 a holder of 10 cent unlisted options exercised 136,658 options.

Notes to the Financial Statements

15. ISSUED CAPITAL (continued)

e. Terms and conditions of contributed equity

Ordinary shares have the right to receive dividends as declared and, in the event of winding up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held, after all other creditors have been paid.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

Ordinary shares have no par value.

	Consolidated	
	2016 $	2015 $
16. AUDITORS' REMUNERATION		
The auditor of Medibio Limited is William Buck (Qld)		
Amounts received or due and receivable for:		
• audit or review of the financial report of the entity and any other entity in the Group	38,150	29,161
Other services in relation to the entity and any other entity in the Group:		
• tax compliance	15,400	12,575
• accounting advice	5,000	-
• AGM attendance	650	690
	59,200	**42,426**
17. KEY MANAGEMENT PERSONNEL		
Short-term employee benefits	1,053,859	542,859
Post-employment benefits	3,420	10,582
Share-based payments	219,167	88,600
Total compensation	**1,276,446**	**642,041**

18. RELATED PARTY DISCLOSURES

The consolidated financial statements include the financial statements of Medibio Limited (the ultimate parent company) and the subsidiaries listed in the following table.

			% Equity Interest		Investment *	
Name	**Country of Incorporation**	**Class of shares**	**2016**	**2015**	**2016**	**2015**
BioProspect Australia Pty Ltd**	Australia	Ord	100	100	4,024,341	4,024,341
Australian Phytochemicals Pty Ltd**	Australia	Ord	100	100	1,323,464	1,323,464
BioProspect America Pty Ltd**	Australia	Ord	100	100	2	2
Re Gen Wellness Products Pty Ltd**	Australia	Ord	100	100	50,000	50,000
Medibio Limited – USA***	USA - Delaware	Ord	100	100	1,320	1,320
Invatec Health Pty Ltd***	Australia	Ord	100	100	8,061,250	8,061,250
Annapanna Pty Ltd***	Australia	Ord	100	100	445,000	445,000

* Cost before provisioning. Refer to Note 10 for further investment disclosures.

** Dormant entities

*** Human health – CHR diagnostic development

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise receivables, payables, cash, investments and short-term deposits.

The main risks arising from the Group's financial instruments are credit risk, interest rate risk, foreign exchange risk and liquidity risk. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring the levels of exposure to interest rates and assessments of market forecast for interest rates. Liquidity risk is monitored through the development of future rolling cash flow forecasts that are tabled and reviewed at each board meeting.

Risk exposures and responses

Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables. The Group's maximum exposures to credit risk at the end of the reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the Statement of Financial Position. The Group minimises concentrations of credit risk in relation to trade receivables by having payment terms of 30 days and receivable balances are monitored on an ongoing basis with the result that the Group has currently never had an exposure to bad debts.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. Term deposits are placed with major financial institutions to minimise the risk of default of counterparties.

Interest rate risk

The Group's exposure to market interest rates relates primarily to the Group's funds held on term deposit. At the end of the reporting period the Group had the following mix of financial assets and liabilities exposed to interest rate risk:

	Consolidated	
	2016 $	2015 $
Financial assets		
Cash and cash equivalents	1,039,944	944,301

The Group's policy is to place funds on interest-bearing term deposit that are surplus to immediate requirements. The Group's interest rate exposure is reviewed near the maturity date of term deposits, to assess whether more attractive rates are available without increasing risk. The following sensitivity analysis is based on the interest rate exposures in existence at the end of the reporting period:

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

	Post tax loss Higher/ (lower)		Equity Higher/ (lower)	
	2016 $	**2015 $**	**2016 $**	**2015 $**
Consolidated				
+ 1% (100 basis points)	10,400	9,443	(10,400)	(9,443)
- 0.5 % (50 points)	(5,200)	(4,722)	5,200	4,722

The movements in losses are due to higher/ (lower) interest income from cash balances. There is no impact on equity other than impact on accumulated losses.

Notes to the Financial Statements

Liquidity risk

The Group's objective is to maintain sufficient funds to finance its current operations and additional funds to ensure its long-term survival. The Group has no finance facilities in place and therefore it is currently dependent on capital raisings and government tax incentives for short-term survival.

Foreign Currency Risk

The Group is exposed to fluctuations in foreign currencies on purchases of goods in currencies other than the Group's functional currency. The group manages the risk by monitoring the level of exposure to foreign currency transactions and limiting where possible.

Fair value

The carrying amount of all recognised financial assets and financial liabilities is considered a reasonable approximation of their fair value due to their short-term nature.

20. CONTINGENT LIABILITIES

There were no known contingent liabilities as at 30 June 2016.

21. SHARE-BASED PAYMENT PLANS

Recognised share-based payment expenses

	Consolidated	
	2016 $	2015 $
a. The expense recognised for employee services received during the year is shown below.		
Expense arising from equity-settled share-based payment transactions	-	-
b. The cost recognised for consulting services rendered during the year.		
25,000 shares issued to B McNaught	7,500	-
166,667 shares issued to F Prendergast	50,000	-
10,417 shares issued to C Indermaur	4,167	-
75,000 shares issued to M Player	30,000	-
150,000 shares issued to S Mathieson	50,000	-
350,000 shares issued to S Stapelberg	115,000	-
1,000,000 shares issued to Brooke Starbuck Corporate Advice	350,000	-
130,000 shares issued to Andrew Mortimer	44,000	-
203,235 shares issued to Matthew Flax	68,237	-
4,000,000 shares issued to Heartlink Limited for acquisition of Patents	1,200,000	-
75,000 shares issued to Duncan Groenewald	15,000	-
105,000 shares issued to Colorado Investments Pty Ltd	21,000	-
3,000,000 Options ex at $0.40 issued to Fosters Stockbroking	343,800	-
1,500,000 Options ex at $0.60 issued to Fosters Stockbroking	117,150	-
1,500,000 Options ex at $0.80 issued to Fosters Stockbroking	84,300	-
150,000 shares issued to C Indermaur	-	45,000
493,100 shares issued to S Pearce	-	147,930
250,000 options ex at $0.30 issued to J Campbell	-	43,600
1,000,000 options ex at $0.30 issued to SEK Investments Limited	-	174,400
1,500,000 options ex at $0.30 issued to Ausepen Pty Ltd	-	261,600
Total Share-Based Payments	**2,500,154**	**672,530**

21. SHARE-BASED PAYMENT PLANS (continued)

Option pricing model

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

The following table lists the inputs to the model used for the year ended 30 June 2016.

	Black-Scholes		
Dividend yield (%)	0.00%	0.00%	0.00%
Expected volatility (%)	60%	60%	60%
Risk-free interest rate (%)	2.0%	2.0%	2.0%
Expected life of options (years)	3	3	3
Option exercise price ($)	$0.40	$0.60	$0.80
Weighted average share price at measurement date (post-consolidation prices)	$0.325	$0.325	$0.325

The reserve records items recognised as expenses on valuation of options - $1,024,850 (2015: $479,600).

	Consolidated	
	2016 $	2015 $

22. PARENT ENTITY INFORMATION

Net loss attributable to members of Medibio Limited	(5,665,354)	(7,374,764)
Change in market value of available for sale financial assets	-	-
Total comprehensive income for the year attributable to members of Medibio Limited	**(5,665,354)**	**(7,374,764)**
Current assets	3,907,713	920,651
Total assets	**17,767,760**	**14,470,274**
Current liabilities	5,175,515	1,420,273
Total liabilities	**8,473,668**	**4,718,427**
Issued Capital	55,756,237	51,093,889
Share based payments reserve	1,024,850	479,600
Retained earnings	(47,486,996)	(41,821,642)
Total equity	**9,294,091**	**9,751,847**
Contingent liabilities	-	-

23. EVENTS AFTER THE END OF THE REPORTING PERIOD

There are no matters or circumstances that have arisen since the end of the financial year that have had significantly affected either:

- the Group's operations in financial year 2016; or
- future prospects.

Directors' Declaration

In accordance with a resolution of directors of Medibio Limited, I state that:

1. In the opinion of the directors:

   a. the financial statements, notes and additional disclosures included in the directors' report designated as audited, of the Company are in accordance with the *Corporations Act 2001* including:

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

      ii. complying with Accounting Standards and Corporations Regulations 2001,

   b. on the basis of those outlined in note 15, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, and

   c. the financial statements and notes to the financial statements are prepared in compliance with International Financial Reporting Standards as made by the International Accounting Standards Board.

2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2016.

Chris Indermaur
Chairman

30th September 2016
Sydney NSW

Independent Auditor's Report to the Members of Medibio Limited and Controlled Entities

William Buck

Report on the Financial Report

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

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

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Independent Auditor's Report to the Members of Medibio Limited and Controlled Entities

William Buck

Auditor's Opinion
In our opinion:

a. the financial report of the Group is in accordance with the *Corporations Act 2001*, including:
   i. giving a true and fair view of the Group's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
   ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Emphasis of Matter regarding Going Concern

Without modifying our opinion, we draw attention to Note 15(c) in the financial report which indicates that the Group incurred losses of $5,824,371 (2015: $7,921,702), the group's current liabilities exceeded its current assets by $2,205,232 (2015: $1,391,403) and cash outflows from operations amounted to $2,700,962 (2015: $1,515,083). These conditions, along with other matters set forth in Note 15(c) indicate the existence of a material uncertainty, which may cast significant doubt about the Group's ability to continue as a going concern and therefore the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 26 to 31 of the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion
In our opinion, the Remuneration Report of Medibio Limited for the year ended 30 June 2016, complies with section 300A of the *Corporations Act 2001*.

Matters Relating to the Electronic Presentation of the Audited Financial Report

This auditor's report relates to the financial report of Medibio Limited for the year ended 30 June 2016 included on Medibio Limited's web site. The company's directors are responsible for the integrity of the Medibio Limited's web site. We have not been engaged to report on the integrity of the Medibio Limited's web site. The auditor's report refers only to the financial report. It does not provide an opinion on any other information, which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

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William Buck

William Buck (Qld)
ABN 11 603 627 400

Junaide Latif
A Member of the Firm

Dated this 30th day of September, 2016

ASX Additional Information

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 15 September 2016.

b. Distribution of equity securities

The numbers of shareholders, by size of holding, in each class of share are:

	Ordinary shares	
	No. of Holders	**No. of Shares**
1 – 1,000	1,870	468,083
1,001 – 5,000	649	1,659,907
5,001 – 10,000	201	1,590,016
10,001 – 100,000	354	12,841,387
100,001 and over	125	89,750,756
	3,199	**106,310,149**
The number of shareholders holding less than a marketable parcel of shares of 1,250 shares are:	1,950	558,293

c. Twenty largest shareholders – ordinary shares quoted on ASX

The names of the twenty largest holders of quoted shares are:

		Number of Shares Held	% Held
1	Dr Stephen Robert Desmond Addis	12,318,734	11.59
2	Mr Claude Solitario <Solitario Family Account>	11,964,703	11.25
3	UBS Nominees Pty Ltd	4,666,863	4.39
4	Metavone Limited	4,000,000	3.76
5	ABN Amro Clearing Sydney Nominees Pty Ltd <Custodian A/C>	3,151,749	2.96
6	Moneybung Pty Ltd <Moneybung Family A/C>	3,060,000	2.88
7	Pitt Street Absolute Return Fund Pty Limited	3,040,500	2.86
8	Domaevo Pty Ltd	2,698,098	2.56
9	Covelane Gold Coast Pty Ltd	2,000,000	1.88
10	Samma-Vayama Pty Ltd <The Panna A/C>	1,930,909	1.82
11	Freeman Road Pty Ltd <THE AVENUE A/C>	1,625,000	1.53
12	Bond Street Custodians Limited <MMO - V23726 A/C>	1,548,337	1.46
13	Mining Investments Limited	1,400,000	1.32
14	Bernard Laverty Pty Ltd	1,372,993	1.29
15	HSBC Custody Nominees (Australia) Limited	1,292,881	1.22
16	Ms Diane Phyllis Sherwood	1,092,159	1.03
17	Mr Nigel Robert Strong	1,057,711	0.99
18	Ms Alison Catherine Round	1,000,000	0.94
19	Starbuck Group Pty Ltd <Starbuck Family Account>	1,000,000	0.94
20	Sparta Nominees Pty Ltd <Sparta Family A/C>	930,000	0.87
		61,650,637	**57.54**

ASX Additional Information

d. Options

There are 27,030,009 options currently on issue. This consists of 14,363,342 Options held by 8 option holders expiring 1 April 2018 and exercisable on the payment of $0.10 and 6,666,667 Options held by 16 option holders expiring 1 April 2017 and exercisable on the payment of $0.30. A further 6,000,000 Options expiring 19 January 2019 with 3,000,000 exercisable on the payment of $0.40, 1,500,000 exercisable on the payment of $0.60 and 1,500,000 exercisable on the payment of $0.80.

All options are unlisted.

e. Unquoted Securities

There are currently no shares.

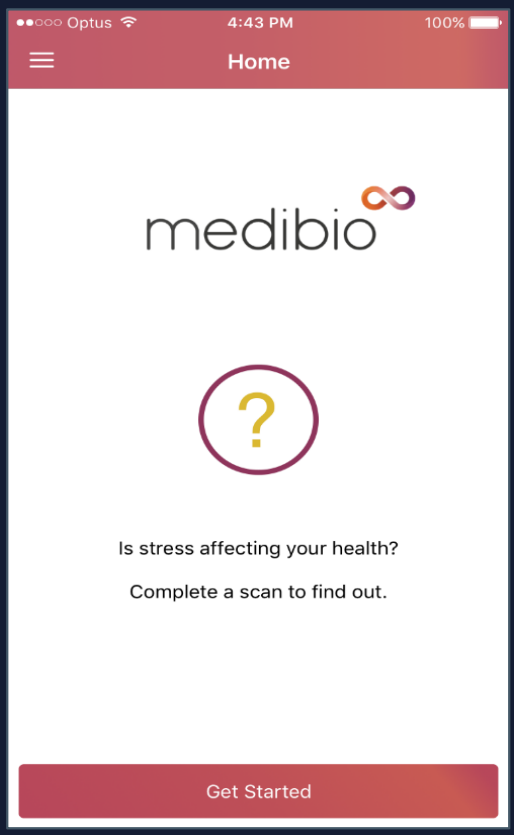
f. Voting Rights

All ordinary shares carry one vote per share without restriction.

g. Substantial shareholders

The following shareholders have notified the company as being substantial holders in the Company:

Name	Number	Percentage
Dr Stephen Addis	12,318,734	11.59
Mr Claude Solitario	11,964,703	11.25
Kris Knauer and associated entities (Moneybung & Pitt Street Absolute Return Fund)	6,440,541	6.06



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