medibio

ABN: 58 008 130 336

# Annual Report

## For the Year Ended 30 June 2019

# Corporate Information

ABN 58 008 130 336

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

| | |
|---|---|
| **Directors**<br>Mr David Kaysen (Managing Director, CEO and Chairman)<br>Mr Peter Carlisle (Lead Independent Director)<br>Mr Claude Solitario (Non-Executive Director)<br>Ms Melanie Leydin (Director)<br>Ms Lisa Wipperman Heine (Non-Executive Director)<br>Dr. Lisa Ragen Ide (Non-Executive Director)<br>Ms Liwanag Ojala (Non-Executive Director) | **Share Registry**<br>Computershare Investor Services Pty Limited<br>Level 3, 60 Carrington Street<br>Sydney, NSW, 2000<br>Telephone: 1300 850 505 |
| **Company Secretaries**<br>Ms Melanie Leydin<br>Mr Mathew Watkins | **Website**<br>www.medibio.com.au |
| **Registered Office**<br>Level 4, 100 Albert Road<br>South Melbourne VIC 3205<br>Telephone: +61 3 9692 7222<br>Facsimile: +61 3 9077 9233 | **Global Headquarters**<br>Minneapolis, Minnesota<br><br>8696 Eagle Creek Circle<br>Savage, MN 55378<br>Telephone: 952-222-0551 |
| **Legal Advisors**<br>Gadens<br>Level 25 Bourke Place<br>600 Bourke Street<br>Melbourne VIC 3000<br>Telephone: +61 3 9252 2555<br>Facsimile: +61 3 9252 2500 | **Notice of Annual General Meeting**<br>The Company will hold its annual general meeting of shareholders on 22 November 2019. |
| **Auditors**<br>William Buck (QLD)<br>Level 21, 307 Queen Street<br>Brisbane QLD 4000<br>Telephone: +61 7 3229 5100<br>Facsimile: +61 7 3221 6027 | **Corporate Governance Statement**<br>Corporate governance statement are available on the Company's website. Please refer to<br>https://medibio.com.au/corporate-governance/ |
| **Home Exchange**<br>ASX Limited<br>20 Bridge Street<br>Sydney NSW 2000 | **Bankers**<br>Westpac Banking Corporation |

# CONTENTS TO FINANCIAL REPORT

REVIEW OF OPERATIONS .......... 3
DIRECTORS REPORT .......... 9
AUDITOR'S INDEPENDENCE DECLARATION .......... 26
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME .......... 27
CONSOLIDATED STATEMENT OF FINANCIAL POSITION .......... 28
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY .......... 29
CONSOLIDATED STATEMENT OF CASH FLOWS .......... 30
NOTES TO THE FINANCIAL STATEMENTS .......... 31
DIRECTOR'S DECLARATION .......... 56
INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF MEDIBIO LIMITED AND CONTROLLED ENTITIES .......... 57
ASX ADDITIONAL INFORMATION .......... 62

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## Chairman's Letter to Shareholders

Dear Shareholders:

It is my honour to write my first annual report letter to the Medibio Limited shareholders. Fiscal year 2019 has been a year of significant change, with many challenges and a full restart of Medibio. We have thoroughly re-evaluated our organisational structure and operations, making several changes in personnel and implementing significant cost reductions. The format of this Annual Report is one of the many ways we are working to reduce operational expenses. The glossy, high-production style of previous annual reports has given way to a more modest approach. We are also grateful so many of you are willing to receive this report electronically. This allows us to focus those funds on areas that will move the company forward. We have developed a laser focus on the core Intellectual Property of Medibio. These changes have not come easily for any of us, especially you shareholders. We are emerging from these challenging times and we are working hard to execute against our goals and move Medibio forward.

Organisational Changes

During this fiscal year we have implemented a number of organisational changes involving personnel transitions and the Board of Directors. Today, we are a much smaller organization with all of our people focused on re-positioning Medibio for success. At the Board level, in this fiscal year, we welcomed two new Non-Executive Directors to the company. Mr Claude Solitario, one of the founding shareholders of the company, and Ms Melanie Leydin, our Joint Company Secretary. They replaced Mr Christopher Indermaur and Mr Andrew Maxwell. In February of 2019, I assumed the role of Chairman of the Board in addition to my position as Managing Director and CEO. At that time, Mr Peter Carlisle stepped aside as Acting Chairman and assumed the position of Lead Non-Executive Director.

Post fiscal year we announced additional changes to our board structure welcoming three superbly qualified individuals as Non-Executive Directors: Ms Lisa Wipperman Heine, Dr Lisa Ragen Ide and Ms Liwanag Ojala joined effective 29 August 2019. At the same time, Mr Michael Phelps and Mr Patrick Kennedy transitioned from their Non-executive Director roles to the newly created Growth & Advocacy Board. And Dr Franklyn Prendergast resigned from his Non-executive Director role effective 29 August 2019 to focus on personal and business obligations. It is my strong belief that our Board is dedicated to work closely with the management team as we execute our newly focused strategies and to provide the proper governance for the company. The management team is now staffed with highly skilled individuals who are committed to our re-startup strategy. We are driving for successful performance now and into the future. In terms of overall staff, we have a total of 12 dedicated full-time and fractional employees. As needed, we contract with some of the best consultants available to support the research and development of our technology and regulatory efforts.

Clinical and Research Relationships

During the year, we entered into a sponsored Research Agreement with the Department of Biomedical Sciences of Humanitas University in Milan, Italy. Dr Giampaolo Perna, a Medibio Scientific Advisory Board member is overseeing this collaboration. This Research Agreement supports the company's continued development of mental health software products based on Medibio's Intellectual Property. We are working to develop other collaborations with additional world-renowned institutions.

Regulatory Strategy

In July of 2018 we submitted a De Novo application to the U.S. FDA. In October 2018 we received a Major Deficiency Letter from FDA outlining a list of questions and deficiencies regarding that submission. In March of 2019 we met with the FDA to discuss this De Novo submission, the deficiencies they identified, and our proposed thoughts on how to best move forward. Based on the considerable positive dialog we had with FDA at that meeting, we voluntarily withdrew that original De Novo submission in April of 2019.

Shortly after our meeting with the FDA, we engaged new regulatory counsel to assist and work with us to move forward on the regulated path here in the U.S. Based on their considerable experience and expertise related to De Novo submissions, we determined to pursue a new De Novo application for submission to the FDA. We have now embarked on that effort with a strong focus and strategy to submit a new De Novo with FDA guidance. We believe this new De Novo will meet the key criteria required for their review process. We expect that submission to occur in late calendar year 2019 or early calendar year 2020. Of utmost importance is not the timing of our submission, but rather the quality of the submission which will hopefully lead to FDA clearance of this new De Novo.

Commercialisation – U.S. Regulated

The basis of a U.S. commercialisation effort will be informed by our De Novo submission. The core of this technology will be driven by capturing specific data from physician-prescribed overnight inpatient sleep studies. This high-quality output, when run through our proprietary algorithms, will provide a physician with objective data to better asses a patient's depressive burden. The physician can use this objective data to compare to validated subjective data collected as part of the sleep study from the patient. We believe this will provide the physician a superior screening method with which to analyse the patient's overall depressive burden. It will also allow the physician to better direct the treatment paths for those patients presenting higher on the diagnostic scale for depressive burden. The commercial opportunity for Medibio will be based on licensing opportunities with manufacturers of sleep study equipment as well as with major commercial sleep centres.

Commercialisation with ilumen™

Medibio continues to work to integrate ilumen™ into organisations with global reach and impact. During fiscal 2019 and shortly thereafter, we announced six pilot trials in Australia and the United Kingdom with major corporations. These pilot trials have provided significant input and learning for our development team and have helped to identify the commercial strategy and pricing for ilumen™ moving forward. There is a tremendous call-to-action for corporations to provide their employees with programs to evaluate, address, and improve their overall wellbeing. With ilumen™ we are finding great interest from corporations and their employees. Our revenue mix will be generated from program setup fees, annual check-in program fees, licensing fees and royalty fees. Our various efforts related to this significant opportunity will evolve over the next fiscal year and beyond.

To broaden our approach and appeal for ilumen™, post fiscal year-end we announced a partnership agreement with WellteQ Limited, a digital corporate wellness solution company for employers and insurers. The initial geographic focus for this partnership will be the fast-growing APAC region of the world. Together we will create an integrated solution, incorporating ilumen's wellbeing assessment into WellteQ's digital wellness platform. We believe that this integrated solution will offer a unique value proposition to existing and new WellteQ clients.

Looking Forward

We believe that many of the challenges we faced in FY2019 are behind us now and the re-start of Medibio is well underway. We are very focused on two key business opportunities – the U.S. regulated path and the growth of ilumen™ on a global basis. We have begun, and will continue, to build relationships with world-class research institutions as well as corporate partners. Our entire team of personnel, consultants and Board members are focused on this clear path forward and we are committed to success. We continue to believe that Medibio will play a key role in transforming how mental healthcare is delivered by medical practitioners and to individuals.

I am proud to be a part of this talented group of people. We are excited for the future of Medibio Limited. I want to thank our employees, our consultants, the Board of Directors and most importantly you, our shareholders, for your ongoing support of our mission to bring objective solutions to mental health.

My very best regards,

David B. Kaysen
Chairman, Managing Director and CEO

# REVIEW OF OPERATIONS

## OPERATING RESULTS FOR THE YEAR

Medibio Limited ("Medibio", "MEB" or "the Company") and its controlled entities ("the Group") generated a comprehensive loss after tax of $6,596,941 (2018: loss of $16,432,656). Key highlights include:

- **Received $3,146,835 from the Australian Taxation Office under the Research and Development Tax Incentive Program and raised $923,465 through Non-Renounceable Entitlement Issue**
- **Implemented significant cost reduction measures in both the U.S. and Australia**
  - **Eliminated certain staff positions in the U.S. and Perth, Australia through a redundancy program**
  - **Outsourced Corporate Health Psychology Services**
- **Refined Regulatory and Commercialisation Strategy**
- **Launched Corporate Health Product ilumen™**
  - **Successfully completed a number of ilumen™ pilot programs**
- **Announced a Sponsored Research Agreement with the Department of Biomedical Sciences of Humanitas University**
- **Restructured board and management team**

In October 2018, the Company received $3,146,835 from the Australian Taxation Office under the Research and Development Tax Incentive Program. The cash refund was related to expenditure on eligible R&D activities conducted during the financial year ended 30 June 2018.

In March 2019, the Company announced the closing of its Non-Renounceable Entitlement Issue (Entitlement Issue) offer raising $923,465 (before costs).

We continue to be mindful of the cash position and have taken cost-reduction actions throughout the fiscal year, including termination of vendor contracts and reductions in staff, to reduce net future quarterly cash outlays. The Company will continue to evaluate spending at all levels of the organisation while maintaining an adequate infrastructure to support organisational goals.

As part of these efforts, in March 2019, Medibio announced the outsourcing of psychology services in support of ilumen™ and the collaboration with a new corporate psychology group. This reorganisation addressed Medibio's need to further reduce costs and streamline the organization. Medibio and Alta Corporate Psychology (Alta), led by former Medibio employees, entered into a Services Agreement allowing collaboration between the two entities to support existing and future corporate ilumen™ customers. Psychology services are outsourced as needed to Alta as part of ongoing cost reduction strategy.

## REGULATORY

Medibio announced a new regulatory and commercialisation strategy during fiscal 2019. Effective 29 April 2019, Medibio withdrew the initial De Novo submission filed in July 2018. The decision to withdraw the submission was made after considering input from the FDA, ascertained through the Company's ongoing and positive dialogue with the agency. The decision was also informed by newly engaged regulatory counsel, the well-known and respected regulatory law firm of DuVal & Associates. The firm, led by proven industry leader Mark DuVal J.D., counsels companies in the medical device, pharmaceutical, biotech and other industries. The firm has specialised expertise doing submission work with the FDA, has worked on many De Novo applications and participated in the first-ever De Novo panel meeting held by the FDA.

## REVIEW OF OPERATIONS

With the expertise from DuVal & Associates Medibio identified a revised regulatory strategy which includes filing a new De Novo submission in late CY2019 or early CY2020. The Company determined at that time not to pursue a parallel path through 510(k) submission. The revised strategy follows an extensive evaluation, review and analysis of all FDA regulatory pathways available with these key findings:

- Further analysis on a proposed 510(k) submission revealed limited commercialisation opportunity with the 510(k) due to the limited indications for use that would be obtained.
- Upon extensive review and analysis, these limited indications ultimately did not fit with the Company's strategy. Medibio is better served by building a longer-term FDA strategy for a robust and sustainable commercial pathway in the U.S., which includes a more attractive indications for use statement only obtainable through the De Novo path.
- Further, the resources required to pursue the parallel paths, De Novo and 510(k), would be prohibitive for the Company, including limiting its ability to respond to increased global interest in the Corporate Health ilumen™ product.

### CLINICAL

During April, the Company announced a Sponsored Research Agreement with the Department of Biomedical Sciences of Humanitas University, Milan, Italy. This research agreement supports the Company's continued development of mental health software products based on Medibio's Intellectual Property. The collaboration extends the Company's clinical team and reinforces clinical relevance needed to align with regulatory guidance and market needs. Medibio will maintain ownership of intellectual property generated under this agreement. Throughout CY2019 Medibio will work closely with this highly skilled team of researchers and data-scientists who have clinical backgrounds in Psychiatry and Psychology. The team's depth of expertise is impressive, including collectively publishing 177 peer-reviewed articles focusing on subjects like panic attacks, anxiety disorders and general Psychiatry. The Humanitas team will support the development of the regulated product as well as work to identify a clinical use case for the ilumen™ product.

As disclosed to the ASX during June 2019, Medibio received a writ of summons issued in the Supreme Court of Western Australia. The writ relates to a joint venture agreement for research and development of a clinical diagnostic tool that was executed in April 2017. Of note, the writ did not specify the amount of any damages being sought.

The Company announced in late June 2019 that a clinical research article by Saad et al titled 'Using heart rate profiles during sleep as a biomarker of depression' has been published by BMC Psychiatry, an open access, peer-reviewed journal that considers articles on all aspects of the prevention, diagnosis and management of psychiatric disorders. The article states, "This study demonstrates, for the first time, that changes in heart rate across sleepwake states may be valid physiological markers for the identification of depression in a sample of people with sleep complaints. The heart rate profiling algorithm classified individuals with an accuracy of 79.9%. Specifically, the algorithm was able to detect 82.8% of the depression cases and rule out 77.0% of healthy controls (these results are in line with the preliminary analyses conducted for CE marking). In comparison, the detection rate of depression amongst primary care practitioners is thought to be approximately 47%." (Saad et al., 2019).

### BOARD AND MANAGEMENT CHANGES

Throughout the year, the Company has seen a number of changes that has strengthened the management team of the organization.

# REVIEW OF OPERATIONS

Lindsey Hagan joined Medibio as VP of Integrated Health Systems in September 2018 to partner with the technology and clinical teams on product strategy and lead business development initiatives. Ms Hagan has more than 13 years of sales experience working with medical device, technology, pharmaceutical, and healthcare organizations. With the company's increased efforts to refine business and product strategy, Ms Hagan's title was changed to VP of Strategy and Business Development to better reflect her role in leading product strategy and business development for future commercialisation efforts.

Also, in September 2018, the Company appointed Jennifer Solitario as Senior Vice President of Corporate Health. Ms Solitario is a proficient leader with more than 20 years of experience in the health insurance industry and brings proven and extensive contract negotiation skills. Ms Solitario is located in Perth, Australia. She joined the Company upon departure of Peta Slocombe, formerly SVP Corporate Health.

In November 2018, Medibio welcomed David B. Kaysen as CEO and Managing Director. Mr Kaysen brings more than 35 years of experience leading and managing both domestic and international emerging growth companies. He has achieved consistent and solid results with biopharmaceutical, medical device, and clinical software/IT companies. Mr Kaysen is experienced in the FDA approval process, leading products to revenue growth, and has experience working with companies that have operations based in Australia.

In December 2018 and February 2019, the Company announced changes to its Board of Directors. On 31 December 2018 Mr Chris Indermaur resigned from his position as Chairman with immediate effect. On this date Mr Claude Solitario joined the Board Directors. The Medibio Board appointed Mr Peter Carlisle, at that time Vice Chairman of the Board, as Interim Chairman. On 22 February 2019 Mr Andrew Maxwell resigned from his position as Non-Executive Director of Medibio with immediate effect due to family commitments and workload related to other endeavours. The Medibio Board appointed Ms Melanie Leydin to an Australian Director position. Ms Leydin is a principal of the chartered accounting firm, Leydin Freyer and is Medibio's Joint Company Secretary.

In February 2019, the Company also elected David B. Kaysen to the position of Chairman in addition to his CEO and Managing Director positions. Given Medibio's current size, and the level of engagement of the board members, combining the CEO and Chairman roles allowed for increased efficiency, stability and cost savings. In connection with its decision to combine the role of CEO and Chair, the Board considered it prudent to establish a Lead Independent Director and appointed Mr Peter Carlisle to undertake this role.

Post balance date, in August 2019, the Company announced further changes to the structure of the Board of Directors with the appointment of three new Non-executive Directors and establishment of a Growth & Advocacy Advisory Board.

Mr Michael Phelps and Mr. Patrick Kennedy tendered their resignations as Non-Executive Directors of Medibio Limited effective 29 August 2019 as part of a planned transition to a newly formed Growth & Advocacy Advisory Board which will enable them to take a more active role in public awareness and advocacy for Medibio.

Dr. Franklyn Prendergast also tendered his resignation as Non-Executive Director of Medibio effective 29 August 2019 due to personal and other business obligations.

The Board of Directors, as part of a thorough review of necessary skills, background and expertise to guide Medibio forward with its business and commercial strategies has appointed Ms Lisa Wipperman Heine, Dr Lisa Ragen Ide, and Ms Liwanag Ojala as new Non-Executive Directors effective 29 August 2019.

From 28 August 2018, Jack Cosentino ceased as CEO and Managing Director and resigned as a Director from 20 September 2018.

# REVIEW OF OPERATIONS

**COMMERCIALISATION AND PARTNERSHIPS**

In October 2018, the Company released ilumen™, the second generation of the company's corporate health product. ilumen™ uses biometric data and subjective assessments to provide individuals with a 'well-being snapshot' that they use to monitor and make improvements over time; whilst also providing management with de-identified aggregate data to better support and manage the mental well-being of their workforce.

Since that time, the Company has successfully demonstrated the stability of its ilumen™ product through its pilot program implemented with a number of corporations with a global presence. Medibio continues to advance and consider unsolicited approaches from major global companies. Medibio will work to integrate ilumen™ into organisations with global distribution channels.

In July 2019 the Company announced a partnership agreement with WellteQ Limited (WellteQ), a digital corporate wellness solution for employers and insurers. Under the partnership agreement the parties will create an integrated solution by incorporating Medibio's ilumen™ mental well-being assessment into WellteQ's digital wellness platform. Medibio and WellteQ have identified that the Integrated Solution will offer a unique value proposition and enter into this Partnership Agreement to design, develop and implement a Minimum Viable Product (MVP). Teams will begin work immediately on the integration in anticipation of the platform being available by the end of CY2019. The initial geography will be specific to the rapidly growing Asia Pacific (APAC) Region with potential for additional geographical areas upon mutual agreement.

For the planned U.S. Regulated Product, the initial commercialisation and licensing opportunities will focus primarily on physician-prescribed inpatient sleep studies.

# REVIEW OF OPERATIONS

## INTELLECTUAL PROPERTY

During the year Medibio further solidified its intellectual property position through the filing of new patents. The filings and license are in line with Medibio's intellectual property (IP) strategy and protecting a dominant, defensible broad position in the use of physiologic biomarkers to characterize mental state.

The following table summarises Medibio's current patent coverage.

| COUNTRY | OFFICIAL NO. | TITLE | CASE STATUS |
|---|---|---|---|
| PCT | AU98/00252 | Method diagnose psychiatric disorders | Granted |
| Australia | 720226 | Method diagnose psychiatric disorders | Granted |
| Canada | 2284553 | Method diagnose psychiatric disorders | Granted |
| Israel | 132186 | Method diagnose psychiatric disorders | Granted |
| New Zealand | 337833 | Method diagnose psychiatric disorders | Granted |
| USA | 6245021 | Method diagnose psychiatric disorders | Granted |
| USA | 9861308 | Method/System for Monitoring Stress | Registered |
| Australia | 2016278357 | Method/System for Monitoring Stress | Application Filed |
| PCT China/Europe/Japan | AU2016/050491 | Method/System for Monitoring Stress | Application Filed |
| New Zealand | 738067 | Method/System for Monitoring Stress | Application Filed |
| USA | 15/736445 | Method/System for Monitoring Stress | Application Filed |
| USA | 15/403494 | Method/system assessing mental State | Accepted |
| Australia | 2016278356 | Method/system assessing mental State | Application filed |
| PCT China/Europe/Japan | AU2016/050490 | Method/system assessing mental State | Application filed |
| New Zealand | 738185 | Method/system assessing mental State | Application filed |
| USA | 15/736652 | Method/system assessing mental State | Application filed |
| USA | 62/518389 | Mental State Indicator | Application Filed |
| USA | 62/534526 | Medication Monitoring System | Application Filed |
| USA | 62/574527 | Risk Indicator | Application Filed |
| USA | 62/573940 | Breathing State Indicator | Application Filed |

## REVIEW OF OPERATIONS

| COUNTRY | OFFICIAL NO. | TITLE | CASE STATUS |
|---|---|---|---|
| USA | 62/433066 | Using ECG to Classify PTSD | World-wide exclusive license from Emory University |
| PCT | WO2018/111428 | Using Heartrate to classify PTSD | World-wide exclusive license from Emory University |

The applications, once granted, will provide 20 years of exclusivity for the diagnosis of mental health disorders using CHR technology and assure the Company 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 2019.

### 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, role and experience

## *Current Directors*

| | |
|---|---|
| **David B. Kaysen**<br>**Experience:** | **Managing Director, Chairman and CEO**<br>Appointed 5 November 2018; appointed Chairman 31 December 2018.<br><br>Mr Kaysen has 35+ years of experience leading and managing both domestic and international emerging growth companies. He has achieved consistent and solid results with bio-pharmaceutical, medical device and clinical software/IT companies. Mr Kaysen is experienced in the FDA approval process, leading products to revenue growth, and has experience working with companies that have operations based in Australia. |
| **Peter Carlisle**<br>**Experience:** | **Lead Non-Executive Director**<br>Appointed Lead Non-Executive Director 22 February 2019.<br><br>Mr Carlisle serves as Managing Director of Olympics & Action Sports at global sports marketing agency, Octagon. Mr Carlisle oversees an international business focused on athlete brand-building through commercial, public relations, and cause-related activities. He has served on numerous non-profit boards and has worked to develop and promote programs focused on a variety of mental health issues. |
| **Claude Solitario**<br>**Experience:** | **Non-Executive Director**<br>Appointed 31 December 2018<br><br>Mr Solitario brings 30 years of experience in the development of new and emerging technology, with a deep understanding of licensing and commercialisation of intellectual property. As a founding shareholder of Medibio he is one the Company's major shareholders and brings an extensive financial background having served as a financial executive for many public and private companies. |
| **Melanie Leydin**<br>**Experience:** | **Director**<br>Appointed 22 February 2019<br><br>Ms Leydin is a principal of the chartered accounting firm, Leydin Freyer and is Medibio's Joint Company Secretary. She has 25 years' experience in the accounting profession and 15 years' experience in Company Secretarial services. Ms Leydin is a Chartered Accountant, a Registered Company Auditor and a graduate of Swinburne University in 1997 (B.Bus(Acc)(Corp law)). |

# DIRECTORS' REPORT

| | |
|---|---|
| **Lisa Wipperman Heine** | **Non-Executive Director** |
| **Experience:** | Appointed 29 August 2019 |
| | Ms Wipperman Heine is currently President & CEO of PreCardia, Inc., an early stage medtech company developing an innovative catheter-based intervention for the treatment of acute decompensated heart failure. Prior to PreCardia, Lisa was Chief Operating Officer at Mitralign, Inc., a venture backed company focused on development of transcatheter heart valve technologies. Lisa has also served in multiple leadership roles at Covidien, Inc., including Global Vice President of Medical Affairs for Vascular Therapies. During her tenure at Covidien, she helped drive the strategy in support of a $1.7B business and was also responsible for leading the strategy and operations of Clinical Affairs, Healthcare Economics, Policy and Reimbursement and Medical Education functions. Lisa also currently serves as an independent member of the Board of Directors of Surmodics Inc. (NASDAQ: SRDX) and Natus Medical (NASDAQ: NTUS). |
| **Lisa Ragen Ide, MD, MPH** | **Non-Executive Director** |
| **Experience:** | Appointed 29 August 2019 |
| | Dr Ide is the Chief Medical Officer of Zipnosis, a Minneapolis, Minnesota based leading virtual care software company that pairs traditional telemedicine with next-generation online virtual care tools, where she holds clinical and leadership roles in sales, digital health and directs the regulatory department reviewing state and federal telemedicine legislation. |
| **Liwanag Ojala** | **Non-Executive Director** |
| **Experience:** | Appointed 29 August 2019 |
| | Ms Ojala is the CEO of CaringBridge, leading management and operations. More than 16 years of experience has given Liwanag the business skills and knowledge needed to lead an organization. Before joining CaringBridge as chief operating officer at the end of 2014, she was vice president of ecommerce at Meijer. Liwanag was elected to the Minnesota Public Radio board of trustees in 2016, and she remains a member of the Minnesota State Bar and a trustee emeritus of the Blandin Foundation. |

## *Former Directors*

| | |
|---|---|
| **Chris Indermaur** | **Non-Executive Chairman** |
| **Experience:** | Resigned 31 December 2018. |
| | 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. He is also a director of Centrex Metals (ASX: CXM) from 29 June 2017. |

# DIRECTORS' REPORT

| | |
|---|---|
| **Andrew Maxwell**<br>**Experience:** | **Non-Executive Director**<br>Resigned 22 February 2019<br>Mr. Maxwell is the chair of TMS Australia, which owns a network of out-patient clinics treating depression using transcranial magnetic stimulation. He is Chair of Agersens the global market leader in virtual fencing technology for beef and dairy cattle, a director of BioMelbourne Network and a member of the Bond University School of Health, Science and Medicine advisory board. |
| **Frank G. Prendergast, MD**<br>**Experience:** | **Non-Executive Director**<br>Resigned 29 August 2019<br>Dr Prendergast 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 between 1992-2009. Dr Prendergast retired from Mayo Clinic in December of 2014. |
| **Patrick Kennedy**<br>**Experience:** | **Non-Executive Director**<br>Resigned 29 August 2019<br>The Honourable Patrick J. Kennedy is a former member of the U.S. House of Representatives and a leading U.S. political voice on mental illness, addiction, and other brain diseases. Mr. Kennedy was a chief sponsor of one of the major pieces of legislation of 2008, the Mental Health Parity Act, a bill requiring most group health plans to provide coverage for the treatment of mental illnesses that is comparable to what they provide for physical illnesses. Mr. Kennedy was also appointed to President Trump's Commission on Combating Drug Addiction and the Opioid Crisis. |
| **Michael Phelps**<br>**Experience:** | **Non-Executive Director**<br>Resigned 29 August 2019<br>Mr Phelps is an advocate for Mental Health and since retiring from competitive swimming has dedicated his time, fame, and focus to raise awareness around mental health. |
| **Jack Cosentino**<br>**Experience:** | **Non-Executive Director**<br>Resigned 20 September 2018<br>Mr. Cosentino ceased as CEO and Managing Director on 28 August 2018. Mr Cosentino was appointed to the Board on 16 February 2017 as CEO and Managing Director. |

# DIRECTORS' REPORT

### *Executive Management and Company Secretary*

**Brian Mower**

**Experience:**

Appointed Interim CEO 28 August 2018, Resigned 1 January 2019

Mr Mower has over 21 years of experience in senior finance positions, including 17 years in commercializing innovative medical technologies. Prior to joining Medibio, he was VP Finance and International at Torax Medical Inc. (acquired by Johnson & Johnson) for 8 years, where he helped guide the company from early clinical stages through regulatory stages and to commercialization in Europe and the U.S.

**Melanie Leydin**

**Joint Company Secretary**

**Experience:**

Ms Leydin is responsible for complying with all the governance requirements of a listed company. She has over 25 years of experience in the accounting profession and 13 years of experience as a Company Secretary for ASX listed companies. Her extensive experience in public company responsibilities includes ASX and ASIC compliance, control and implementation of corporate governance, statutory financial reporting, reorganisation of companies and shareholder relations.

**Mathew Watkins**

**Joint Company Secretary**

Appointed 16 November 2018

**Experience:**

Mr Watkins is a Company Secretariat with the chartered accounting firm, Leydin Freyer. Mathew completed a Bachelor of Business (Accounting) with a minor in Advanced Finance at Swinburne University of Technology and is a member of the Institute of Chartered Accountants of Australia and New Zealand. He specialises in Company Secretarial and Accounting Services for ASX listed and unlisted public companies in the mining, biotech and industrial sectors.

His skillset includes ASX statutory reporting, ASX compliance, Corporate Governance and board and secretarial support.

### Interests in the shares and options of the Company and related bodies corporate

As at 30 June 2019, the interests of the directors in the shares, options and convertible notes of Medibio Limited were:

| | Ordinary Shares | Options over Ordinary Shares | Convertible Notes |
|---|---|---|---|
| D Kaysen | - | - | - |
| P Carlisle | 125,500 | 4,559,556 | - |
| F Prendergast | 374,075 | 2,759,556 | - |
| M Phelps | - | 2,759,556 | - |
| P Kennedy | - | 3,159,556 | - |
| C Solitario | 11,479,536 | 3,000,000 | 15,166,520 |
| M Leydin | - | - | - |

# DIRECTORS' REPORT

## Dividends

No dividends have been paid or provided during the year ended 30 June 2019 (2018: nil).

## Principal Activities

The principal activity of the Group is conducting clinical research, product development and early stage commercialisation of a mental health technology using objective biomarkers to assist in the screening, diagnosing, monitoring, and management of depression and other mental health conditions.

## Business Review

### *Operating Results*

The consolidated comprehensive loss of the Group was $6,596,941 (2018: loss of $16,432,656).

### *Significant Changes in the State of Affairs*

On 15 October 2018, the Group announced that it had received a refund in relation to its Research and Development Tax Incentive Grant amounting to $3,146,835 for its activities conducted during the year ended 30 June 2018.

On 18 December 2018, the Group issued 30,394,240 convertible notes at a face value of $0.02 (2 cents) per note raising $607,885 (before costs). The Convertible Notes expire 18 months after their issue date unless converted earlier.

On 31 January 2019, the Group issued following shareholder approval 107,272,280 convertible notes at a face value of $0.02 (2 cents) per note raising $2,145,446 (before costs). The Convertible Notes expire 18 months after their issue date unless converted earlier.

On 14 March 2019, the Group completed an Entitlement Offer to existing shareholders as announced on 10 December 2018 issuing a total of 46,173,228 fully paid ordinary shares at $0.02 (2 cents) raising $923,465 (before costs).

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*

On 19 July 2019, the Group completed Placement to sophisticated investors as announced on 10 July 2019 issuing a total of 35,000,000 fully paid ordinary shares at $0.01 (1 cents) raising $350,000 (before costs).

On 29 August 2019, the Group completed a Share Purchase Plan and a Placement to sophisticated investors issuing 120,995,500 and 315,000,000 fully paid ordinary share respectively. Upon completion of the two offers a total of $4,359,955 (before costs) was raised. These two transactions were approved by shareholders on 19 August 2019. For each share subscribed to as part of the two offers one free attaching quoted option was granted exercisable at $0.03 (3 cents) per option expiring on 1 December 2021.

# DIRECTORS' REPORT

Also on 29 August 2019, the Group issued 275,333,040 fully paid ordinary shares following early conversion of 137,666,520 convertible notes. For each share issued upon conversion of the convertible notes one free attaching quoted option was granted exercisable at $0.03 (3 cents) per option expiring on 1 December 2021.

On 30 August 2019, the Group issued 90,000,000 quoted options to CPS Capital Group Pty Ltd for services provided as Lead Manager for the capital raisings completed. The options are exercisable at $0.03 (3 cents) per option expiring on 1 December 2021.

On 26 September 2019, Group announced that following a thorough review of the circumstances around the purported issue of the partly paid shares and having obtained legal advice, the Board has concluded that the partly paid shares were not validly issued and has requested agreement from the respective holders to rectify the Company's register of members accordingly. The holders of a significant majority of the partly paid shares have agreed to the Board's request.

As a result, the 4,650,000 partly paid shares will be eliminated from the Company's Capital Table and the outstanding receivable on the Company's Balance Sheet as of 30 June 2019 has been removed.

Apart from the matters set out above, 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 2019 or future prospects.

## Other Information

### *Options*

On 13 June 2019 14,500,000 unlisted options were issued, as approved at the 15 May 2019 General Meeting. These options vest immediately, are exercisable at $0.014, and expire 13 June 2023.

At the date of this report there were 906,915,653 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 officers of the Group and its Australian and U.S. 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.

# DIRECTORS' REPORT

### *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 other than those disclosed in this 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 Financial Officer and Company Secretary.

### *Details of key management personnel*

**i. Directors**

| | |
|---|---|
| **D Kaysen** | Chairman, Managing Director & CEO (appointed 5 November 2018) |
| **P Carlisle** | Non-Executive & Lead Independent Director (appointed Lead Independent Director 22 February 2019) |
| **F Prendergast** | Director (Non-Executive) |
| **M Phelps** | Director (Non-Executive) |
| **P Kennedy** | Director (Non-Executive) |
| **C Solitario** | Director (Non-Executive) – appointed 31 December 2018 |
| **M Leydin** | Director – appointed 22 February 2019 |
| **C Indermaur** | Non-Executive Chairman (resigned 31 December 2018) |
| **A Maxwell** | Non- Executive Director – resigned 22 February 2019 |
| **J Cosentino** | Managing Director & CEO – ceased as Managing Director and CEO on 28 August 2018, resigned as Director on 20 September 2018 |

**ii. Executives**

| | |
|---|---|
| **B Mower** | Chief Financial Officer – appointed Interim CEO 28 August 2018, resigned 1 January 2019 |
| **S Sathre** | Appointed Interim CFO 1 January 2019; resigned 8 February 2019 |
| **M Leydin** | Joint Company Secretary |
| **M Watkins** | Appointed Joint Company Secretary 16 November 2018 |

# DIRECTORS' REPORT

*First strike at Company's 2018 Annual General Meeting (AGM)*

At the 2018 AGM of shareholders held on 16 November 2018, a total of 70.06% of the votes were in favour of the adoption of the remuneration report for the year ended 30 June 2018. As the votes against the adoption of the remuneration report represented more that 25% against the Company recorded its first strike to the Remuneration Report. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

In response to the first strike noted at the 2018 AGM, the Remuneration and Nomination Committee in conjunction with the Board of Directors have reviewed the Company's remuneration practices.

It is noted that the Company has undertaken a significant Board and management restructure in the last 12 months which has included a review of the remuneration practices of the Company. The Remuneration and Nomination Committee in conjunction with the Board of Directors has undertaken the following initiatives with the aim of managing the short and medium-term remuneration of the non-executive directors and key management personnel:

- Non-Executive Directors cash remuneration ceased effective from 1 January 2019;
- Non-Executive Directors are currently remunerated by means of options to align the interests of shareholders and Non-Executive Directors; and
- Setting measurable objectives for KPI's for management.

The Company will continue to monitor the remuneration practices of the Board and management in line with market practices and benchmarks however it will continue to review its outflows of cash remuneration in line with its scrutinised budget in order to best manage its financial resources.

*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.

*Remuneration structure*

In accordance with best practice corporate governance, the structure of non-executive director, 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.

***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 (2017: $750,000); 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.

Up until 1 January 2019 each Director received 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.

Effective 1 January 2019 the Non-Executive Directors the Company announced that directors will no longer receive any cash compensation for their services. The Board implemented an equity-based compensation plan for all Non-Executive Directors for their services.

The remuneration of non-executive directors for the period ended 30 June 2019 are detailed in Table 1 within the remuneration 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.

No key management personnel appointed during the period received a payment as part of his or her consideration for agreeing to hold the position.

### *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 and variable remuneration is reviewed annually by the Remuneration and Nomination Committee in conjunction with 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.

# DIRECTORS' REPORT

***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. In addition, executives participate in a short-term incentive program that provides for variable remuneration for achievement of key performance indicators.

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

*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 objective digital biomarker technology and scientific platform used to assist in the screening, diagnosing, monitoring, and management of mental health conditions, which is delivered using web- based Artificial Intelligence to evaluate mental illness phenotypes, combined with dimensional circadian heart – sleep biometrics and physiological biomarkers.

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. The 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 2019 | 30 June 2018 | 30 June 2017 | 30 June 2016 | 30 June 2015 | 30 June 2014 |
|---|---|---|---|---|---|---|
| Share price – cents | 0.9 | 13.5 | 36.0 | 32.5 | 40.0 | 0.4 |
| Shares on issue | 248,801,499 | 202,628,271 | 148,718,619 | 105,446,807 | 89,802,932 | 3,173,189,372 |
| Capitalisation | $2.2m | $27.4m | $53.5m | $34.3m | $35.9m | $12.6m |
| Loss per share – cents | (3.045) | (8.805) | (7.443) | (5.916) | (16.995) | (0.0015) |

# DIRECTORS' REPORT

*Remuneration of key management personnel*

***Table 1: Remuneration for the year ended 30 June 2019***

| | | Short-term employee benefits (i) | | | Post | Share-based Payments | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Salary & Fees $ | Cash Bonus $ | Accrued Bonus 2019 $ | Employment Super $ | Shares $ | Value of Vested Stock Options (j) $ | Termination Pay $ | Total $ |
| **Executive director** | | | | | | | | | |
| D Kaysen | a | 310,873 | | | | | | | 310,873 |
| J Cosentino | b | 66,914 | | | | | | 414,973 | 481,887 |
| **Non-executive directors** | | | | | | | | | |
| C Indermaur | c | 41,063 | | | | | | | 41,063 |
| F Prendergast | | 48,910 | | | | | 30,621 | | 79,531 |
| A Maxwell | d | 28,743 | | | | | 3,105 | | 31,848 |
| M Phelps | | 30,986 | | | | | 30,621 | | 61,607 |
| P Kennedy | | 30,986 | | | | | 33,105 | | 64,091 |
| P Carlisle | | 30,986 | | | | | 41,799 | | 72,785 |
| C Solitario | e | - | | | | | 18,630 | | 18,630 |
| **Sub-total directors** | | **589,461** | **-** | **-** | **-** | | **157,881** | **414,973** | **1,162,315** |
| **Other key management personnel (KMP)** | | | | | | | | | |
| B Mower | f | 162,008 | | | | | | 47,028 | 209,036 |
| M Leydin & M Watkins | g | 147,631 | | | | | | | 147,631 |
| S Sathre | h | 133,364 | | | | | | 16,903 | 150,267 |
| **Sub-total executive KMP** | | **443,003** | **-** | **-** | **-** | **-** | **-** | **63,931** | **506,934** |
| **Totals** | | **1,032,464** | **-** | **-** | **-** | **-** | **157,881** | **478,904** | **1,669,249** |

a. Appointed 5 November 2018. Per Mr. Kaysen's employment contract he is paid US$360,000 salary and is eligible for a 50% bonus based on performance.

b. Per Mr. Cosentino's employment contract, he was paid US$300,000 salary and was eligible for a 50% bonus based on performance. Mr. Cosentino ceased employment 28 August 2018 and resigned as Director 20 September 2018.

c. Non-executive Chairman from 1 July 2018 to 31 December 2018

d. Resigned 22 February 2019

e. Appointed 31 December 2018

f. Resigned 1 January 2019. Per Mr. Mower's employment contract, he was paid US$250,000 salary and was eligible for a 40% bonus based on performance.

g. Fees paid to Leydin Freyer, of which Melanie Leydin is a director, in respect of the Company Secretarial Services. No additional fees were paid in respect of Mr Watkins Joint Company Secretarial appointment.

h. Appointed Interim CFO 1 January 2019. Per Mr. Sathre's employment contract, he was paid US$170,000 and was eligible for a 20% bonus based on performance.

# DIRECTORS' REPORT

i. Amounts in Australian dollars, conversion rate varies based on timing of payment for U.S. dollar payments.

j. The value of the options granted to key management personnel as part of their remuneration is calculated as at the grant date using a binomial or black-scholes pricing model. The amounts disclosed as part of remuneration for the financial year have been determined by allocating the grant date value on a straight-line basis over the period from grant date to vesting date.

*Remuneration of key management personnel*

***Table 2: Remuneration for the year ended 30 June 2018***

| | | Short-term employee benefits (h) | | | Post | Share-based Payments | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Salary & Fees $ | Cash Bonus $ | Accrued Bonus 2018 (i) $ | Employment Super $ | Shares (j) $ | Value of Vested Stock Options (k) $ | Termination Pay $ | Total $ |
| **Executive director** | | | | | | | | | |
| J Cosentino | a | 379,500 | 71,156 | 189,750 | | | 415,000 | | 1,055,406 |
| **Non-executive directors** | | | | | | | | | |
| C Indermaur | | 82,125 | | | | | 25,432 | | 107,557 |
| K Knauer | b | 24,579 | | | | | | | 24,579 |
| F Prendergast | | 88,894 | | | | 23,333 | 16,955 | | 129,182 |
| A Maxwell | | 55,932 | | | | | 16,955 | | 72,887 |
| M Phelps | | 54,750 | | | | | 16,955 | | 71,705 |
| P Kennedy | c | 54,750 | | | | | 16,955 | | 71,705 |
| A Darkins | d | 29,129 | | | | | | | 29,129 |
| P Carlisle | | 54,750 | | | | | 16,955 | | 71,705 |
| **Sub-total directors** | | **824,409** | **71,156** | **189,750** | **-** | **23,333** | **525,207** | **-** | **1,633,855** |
| **Other key management personnel (KMP)** | | | | | | | | | |
| B Mower | e | 316,250 | 26,354 | 126,500 | | | 209,200 | | 678,304 |
| M Leydin | f | 12,350 | | | | | | | 12,350 |
| R E Lees | g | 153,416 | | | | | | | 153,416 |
| **Sub-total executive KMP** | | **482,016** | **26,354** | **126,500** | **-** | **-** | **209,200** | **-** | **844,070** |
| **Totals** | | **1,306,426** | **97,510** | **316,250** | **-** | **23,333** | **734,407** | **-** | **2,477,925** |

a. Per Mr. Cosentino's employment contract, he is paid US$300,000 salary and is eligible for a 50% bonus based on performance. Mr. Cosentino ceased employment 28 August 2018 and resigned as Director 20 September 2018.

b. Non-executive director from 1 May 2017 to 13 October 2017

c. Appointed 4 July 2017

d. Appointed 19 July 2017 and resigned 19 January 2018

e. Per Mr. Mower's employment contract, he is paid US$250,000 salary and is eligible for a 40% bonus based on performance.

f. Appointed 6 June 2018
g. Resigned 6 June 2018
h. Amounts in Australian dollars, conversion rate varies based on timing of payment for U.S. dollar payments.
i. Bonus for performance in fiscal year 2018 was approved by the remuneration committee
j. Represents payment of director's fees by issue of ordinary shares.
k. The value of the options granted to key management personnel as part of their remuneration is calculated as at the grant date using a binomial or black-scholes pricing model. The amounts disclosed as part of remuneration for the financial year have been determined by allocating the grant date value on a straight-line basis over the period from grant date to vesting date.

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

### *Options held in Medibio Limited (number)*

| 30 June 2019 | | Balance at 1 July 18 | Granted as Remuneration (h) | Options Forfeited | Net Change Other | Balance At 30 June 19 | Vested and exercisable at 30 June 19 Total |
|---|---|---|---|---|---|---|---|
| **Directors** | | | | | | | |
| D Kaysen | a | - | - | - | - | - | - |
| C Indermaur | b | 839,333 | - | - | (839,333) | - | - |
| F Prendergast | | 559,556 | 2,200,000 | - | - | 2,759,556 | 2,759,556 |
| A Maxwell | c | 559,556 | 500,000 | - | (1,059,556) | - | - |
| J Cosentino | d | 10,000,000 | - | - | (10,000,000) | - | - |
| M Phelps | | 559,556 | 2,200,000 | - | - | 2,759,556 | 2,759,556 |
| P Kennedy | | 559,556 | 2,600,000 | - | - | 3,159,556 | 3,159,556 |
| P Carlisle | | 559,556 | 4,000,000 | - | - | 4,559,556 | 4,559,556 |
| C Solitario | e | - | 3,000,000 | - | - | 3,000,000 | 3,000,000 |
| **Executives** | | | | | | | |
| B Mower | f | 5,000,000 | - | - | (5,000,000) | - | - |
| M Leydin | g | - | - | - | - | - | - |
| **Total** | | **18,637,113** | **14,500,000** | **-** | **(16,898,889)** | **16,238,224** | **16,238,224** |

a. Appointed 5 November 2018
b. Resigned 31 December 2018
c. Resigned 22 February 2019
d. Ceased employment 28 August 2018; resigned as Director 20 September 2018
e. Appointed 31 December 2018
f. Resigned 1 January 2019
g. Appointed Company Secretary 2019
h. During the year 14,500,000 unlisted options were issued to the directors of the company, as approved at the 15 May 2019 General Meeting. These options vest immediately, are exercisable at $0.014, and expire 13 June 2023.

There has been no alteration of the terms and conditions of the above share-based payment arrangements since the grant date.

# DIRECTORS’ REPORT

*Options held in Medibio Limited (number)*

| 30 June 2018 | | Balance at 1 July 17 | Granted as Remuneration | Options Forfeited | Net Change Other | Balance At 30 June 18 | Vested and exercisable at 30 June 18 Total |
|---|---|---|---|---|---|---|---|
| **Directors** | | | | | | | |
| C Indermaur | | - | 839,333 | - | - | 839,333 | 419,667 |
| K Knauer | a | 3,000,000 | - | - | (3,000,000) | - | - |
| F Prendergast | | - | 559,556 | - | - | 559,556 | 279,778 |
| A Maxwell | | - | 559,556 | - | - | 559,556 | 279,778 |
| J Cosentino | | - | 10,000,000 | - | - | 10,000,000 | 2,000,000 |
| M Phelps | | - | 559,556 | - | - | 559,556 | 279,778 |
| P Kennedy | b | - | 559,556 | - | - | 559,556 | 279,778 |
| A Darkins | c | - | - | - | - | - | - |
| P Carlisle | | - | 559,556 | - | - | 559,556 | 279,778 |
| **Executives** | | | | | | | |
| B Mower | | - | 5,000,000 | - | - | 5,000,000 | 1,166,667 |
| M Leydin | d | - | - | - | - | - | - |
| R Lees | e | - | - | - | - | - | - |
| **Total** | | **3,000,000** | **18,637,113** | **-** | **(3,000,000)** | **18,637,113** | **4,985,224** |

a. Resigned 13 October 2017
b. Appointed 4 July 2017
c. Appointed 19 July 2017 and resigned 19 January 2018
d. Appointed 6 June 2018
e. Resigned 6 June 2018

*Table 4: Shareholdings of key management personnel (consolidated)*

*Shares held in Medibio Limited (number)*

| 30 June 2019 | | Balance 1 July 18 | Granted as remuneration | On exercise of options | Net change other | Balance 30 June 19 |
|---|---|---|---|---|---|---|
| **Directors** | | | | | | |
| D Kaysen | a | - | - | - | - | - |
| C Indermaur | b | 271,260 | - | - | (271,260) | - |
| F Prendergast | | 374,075 | - | - | - | 374,075 |
| A Maxwell | c | 26,000 | - | - | (26,000) | - |
| J Cosentino | d | 200,000 | - | - | (200,000) | - |
| M Phelps | | | - | - | - | - |
| P Kennedy | | | - | - | - | - |
| P Carlisle | | 5,500 | - | - | 120,000 | 125,500 |
| C Solitario | e | | - | - | 11,479,536 | 11,479,536 |
| **Executives** | | | | | | |
| B Mower | f | - | - | - | - | - |
| M Leydin | g | - | - | - | - | - |
| S Sathre | h | - | - | - | - | - |
| **Total** | | **876,835** | | **-** | **11,102,276** | **11,979,111** |

# DIRECTORS' REPORT

a. Appointed 5 November 2018
b. Resigned 31 December 2018
c. Resigned 22 February 2019
d. Ceased employment 28 August 2018; resigned as Director 20 September 2018
e. Appointed 31 December 2018
f. Resigned 1 January 2019
g. Appointed Company Secretary 2019
h. Appointed Interim CFO 1 January 2019 and resigned 8 February 2019

### *Shares held in Medibio Limited (number)*

| 30 June 2018 | | Balance 1 July 17 | Granted as remuneration | On exercise of options | Net change other | Balance 30 June 18 |
|---|---|---|---|---|---|---|
| **Directors** | | | | | | |
| C Indermaur | | 215,877 | 55,383 | - | - | 271,260 |
| K Knauer | a | 6,540,541 | - | 3,000,000 | (9,540,541) | - |
| F Prendergast | | 296,297 | 77,778 | - | - | 374,075 |
| A Maxwell | | - | - | - | 26,000 | 26,000 |
| J Cosentino | b | 200,000 | - | - | - | 200,000 |
| M Phelps | | - | - | - | - | - |
| P Kennedy | c | - | - | - | - | - |
| A Darkins | d | - | - | - | - | - |
| P Carlisle | | - | - | - | 5,500 | 5,500 |
| **Executives** | | | | | | |
| B Mower | | - | - | - | - | - |
| M Leydin | e | - | - | - | - | - |
| R Lees | f | - | - | - | - | - |
| **Total** | | **7,252,715** | **133,161** | **3,000,000** | **(9,509,041)** | **876,835** |

a. Resigned 13 October 2017
b. Employment ceased 28 August 2018 and resigned as Director 20 September 2018
c. Appointed 4 July 2017
d. Appointed 19 July 2017 and resigned 19 January 2018
e. Appointed 6 June 2018
f. Resigned 6 June 2018

# DIRECTORS' REPORT

*Table 5: Convertible Note holdings of key management personnel (consolidated)*

*Convertible Notes held in Medibio Limited (number)*

| 30 June 2019 | | Balance at 1 July 18 | Net other change | Converted to Shares | Balance At 30 June 19 |
|---|---|---|---|---|---|
| **Directors** | | | | | |
| C Solitario | a | - | 15,166,520 | - | 15,166,520 |
| **Total** | | **-** | **15,166,520** | **-** | **15,166,520** |

a) Convertible Notes issued as announced on 19 December 2018 and 31 January 2019.

*Service agreements*

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

| | |
|---|---|
| **Name:** | Mr David Kaysen |
| **Title:** | Chairman, Managing Director and CEO |
| **Agreement commenced:** | 5 November 2018 |
| **Details:** | The Company or Executive may terminate the agreement by giving four (4) weeks' notice in writing. |

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

***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:

| | Board meetings | | Audit and Risk committee | | Remuneration and Nomination committee | |
|---|---|---|---|---|---|---|
| | Eligible to attend | Number attended | Eligible to attend | Number attended | Eligible to attend | Number attended |
| Christopher Indermaur | 16 | 15 | 1 | 1 | - | - |
| Franklyn Prendergast | 24 | 10 | - | - | - | - |
| Michael Phelps | 24 | 7 | - | - | - | - |
| Patrick Kennedy | 24 | 6 | - | - | 2 | 2 |
| Peter Carlisle | 24 | 22 | 4 | 4 | 2 | 2 |
| Andrew Maxwell | 18 | 12 | 3 | 3 | 1 | 1 |
| David Kaysen | 19 | 16 | - | - | - | - |
| Claude Solitario | 12 | 8 | 1 | 1 | - | - |
| Melanie Leydin | 10 | 7 | - | - | - | - |
| Jack Cosentino | - | - | 2 | 1 | - | - |

*Committee membership*

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

## Auditor Non-Audit Services

The details of non-audit services were provided by the entity's auditor, William Buck (Qld) are set out in note 17. 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.

## Auditor Independence

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the Directors

**David B. Kaysen**
Chairman, Managing Director and CEO
27th September 2019

**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 2019 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 21 559 713 106

M.Monaghan

**M J Monaghan**
Director

Dated this 27th day of September 2019

ACCOUNTANTS & ADVISORS

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Telephone: +61 7 3229 5100

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# CONSOLIDATED STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME

## For the Year Ended 30 June 2019

| | Note | CONSOLIDATED 2019 $ | 2018 $ |
|---|---|---|---|
| Sales | | 364,628 | 204,878 |
| Contract milestone achievement | | - | 226,000 |
| Other income | | 3,767,663 | 2,169,714 |
| **Revenue** | 5 | **4,132,291** | **2,600,592** |
| Cost of sales | | (226,092) | (75,669) |
| Gross profit | | **3,906,199** | **2,524,923** |
| Amortisation | | - | (1,329,461) |
| Employee costs | 5 | (4,535,179) | (6,621,282) |
| Finance costs | 5 | (13,928) | (8,139) |
| Research and development expenses | | (394,906) | (3,255,245) |
| Other expenses | 5 | (5,549,225) | (7,611,178) |
| **Loss before income tax** | | **(6,587,039)** | **(16,300,382)** |
| Income tax benefit | 6 | - | - |
| **Loss attributable to members of Medibio Limited** | | **(6,587,039)** | **(16,300,382)** |
| **Other comprehensive income/(loss) - items that may be reclassified to profit or loss** | | | |
| Foreign currency translations | | (9,902) | (132,274) |
| **Total other comprehensive income/(loss) for the period net of tax** | | **(9,902)** | **(132,274)** |
| **Total comprehensive income/(loss) attributable to members of Medibio** | | **(6,596,941)** | **(16,432,656)** |
| Basic earnings/(loss) per share (cents per share) | 7 | (3.0) | (8.8) |
| Diluted earnings/(loss) per share (cents per share) | 7 | (3.0) | (8.8) |

*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 2019

| | Note | CONSOLIDATED | |
|---|---|---|---|
| | | 2019 $ | 2018 $ |
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | 8 | 1,333,090 | 6,123,187 |
| Trade and other receivables | 9 | 14,874 | 1,669,026 |
| Other current assets | 14 | 184,054 | 93,954 |
| **Total Current Assets** | | **1,532,018** | **7,886,167** |
| **Non-current Assets** | | | |
| Other assets | | 107,228 | 111,186 |
| Intangible assets | 10 | 11,664,252 | 10,757,785 |
| Goodwill | 10 | - | 309,100 |
| **Total Non-current Assets** | | **11,771,480** | **11,178,071** |
| **TOTAL ASSETS** | | **13,303,498** | **19,064,238** |
| | | | |
| **LIABILITIES** | | | |
| **Current Liabilities** | | | |
| Trade and other payables | 11 | 1,808,382 | 3,969,225 |
| Convertible Notes | 12 | 2,753,331 | - |
| Borrowings | 13 | - | 120,000 |
| Employee liabilities | | 137,315 | 988,525 |
| **Total Current Liabilities** | | **4,699,028** | **5,077,750** |
| | | | |
| **TOTAL LIABILITIES** | | **4,699,028** | **5,077,750** |
| **NET ASSETS** | | **8,604,470** | **13,986,488** |
| | | | |
| **EQUITY** | | | |
| Issued capital | 15 | 84,424,838 | 83,642,250 |
| Reserves | 16 | 4,678,933 | 4,256,500 |
| Accumulated losses | | (80,499,301) | (73,912,262) |
| **TOTAL EQUITY** | | **8,604,470** | **13,986,488** |

*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 2019

| | Issued Capital $ | Foreign Currency Translation Reserve $ | Accumulated Losses $ | Share Based Payments Reserve $ | Total Equity $ |
|---|---|---|---|---|---|
| **At 1 July 2017** | **68,999,845** | **-** | **(58,071,851)** | **2,386,086** | **13,314,080** |
| | | | | | |
| **Comprehensive income** | | | | | |
| Loss for the period | - | - | (16,300,382) | - | (16,300,382) |
| Other comprehensive income | - | (132,274) | - | - | (132,274) |
| **Total comprehensive income** | **-** | **(132,274)** | **(16,300,382)** | **-** | **(16,432,656)** |
| | | | | | |
| **Transactions with owners** | | | | | |
| Shares issued | 16,314,739 | - | - | - | 16,314,739 |
| Share options issued | - | - | - | 2,462,659 | 2,462,659 |
| Transfers from reserve to accumulated losses | | | 459,971 | (459,971) | - |
| Share issue costs | (1,672,334) | - | - | - | (1,672,334) |
| **Total transactions with owners** | **14,642,405** | **-** | **459,971** | **2,002,688** | **17,105,064** |
| **At 30 June 2018** | **83,642,250** | **(132,274)** | **(73,912,262)** | **4,388,774** | **13,986,488** |

| | | | | | |
|---|---|---|---|---|---|
| **At 1 July 2018** | **83,642,250** | **(132,274)** | **(73,912,262)** | **4,388,774** | **13,986,488** |
| | | | | | |
| **Comprehensive income** | | | | | |
| Loss for the period | - | - | (6,587,039) | - | (6,587,039) |
| Other comprehensive income | - | (9,902) | - | - | (9,902) |
| **Total comprehensive income** | **-** | **(9,902)** | **(6,587,039)** | **-** | **(6,596,941)** |
| | | | | | |
| **Transactions with owners** | | | | | |
| FX Translation | - | - | - | 46,880 | 46,880 |
| Shares issued | 923,465 | - | - | - | 923,465 |
| Share options issued | - | - | - | 385,455 | 385,455 |
| Share issue costs | (140,877) | - | - | - | (140,877) |
| **Total transactions with owners** | **782,588** | **-** | **-** | **432,335** | **1,214,923** |
| **At 30 June 2019** | **84,424,838** | **(142,176)** | **(80,499,301)** | **4,821,109** | **8,604,470** |

*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 2019

| | Note | CONSOLIDATED | |
|---|---|---|---|
| | | 2019<br>$ | 2018<br>$ |
| **Cash flows from operating activities** | | | |
| Receipts from operations | | 550,610 | 111,716 |
| Contract milestone achievement | | - | 226,000 |
| R&D grants received | | 3,146,335 | 3,294,498 |
| Payments to suppliers and employees | | (10,554,619) | (15,900,614) |
| **Net cash flows used in operating activities** | 8(a) | **(6,857,674)** | **(12,268,400)** |
| | | | |
| **Cash flows from investing activities** | | | |
| Interest received | | 54,013 | 85,394 |
| Payment for intangible assets | | (1,111,220) | - |
| Deposits (net) | | - | (85,009) |
| Acquisition of Vital Conversations | | - | (400,000) |
| **Net cash flows provided by (used in) investing activities** | | **(1,057,207)** | **(399,615)** |
| | | | |
| **Cash flows from financing activities** | | | |
| Proceeds from issues of shares | | 923,465 | 14,845,190 |
| Proceeds from issues of convertible notes | | 2,342,200 | - |
| Transaction costs of issue of shares | | (140,877) | (1,051,540) |
| Repayment of borrowings | | - | (12,500) |
| Interest paid | | (4) | - |
| **Net cash flows from financing activities** | | **3,124,784** | **13,781,150** |
| Net increase in cash and cash equivalents | | (4,790,097) | 1,113,135 |
| Cash and cash equivalents at beginning of the year | | 6,123,187 | 5,010,052 |
| **Cash and cash equivalents at end of the year** | 8 | **1,333,090** | **6,123,187** |

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

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE YEAR ENDED 30 JUNE 2019

## 1. CORPORATE INFORMATION

Medibio Limited ('Medibio', 'the Company', or 'the Parent') 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 Medibio Limited and the entities it controlled ('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 that 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(d)**. 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

*AASB 16 Leases (for reporting periods beginning after 1 January 2019)*

Under the new AASB 16 standard, a lessee is in essence required to:

- Recognise all right of use assets and lease liabilities, with the exception of short term (under 12 months) and low value leases, on the Statement of Financial Position. The liability is initially measured at the present value of future lease payments for the lease term. Where a lease contains an extension option, the lease payments for the extension period will be included in the AASB 16 liability if the Group is reasonably certain that it will exercise the option. The liability includes variable lease payments that depend on an index or rate but excludes other variable lease payments. The right of use asset reflects the lease liability, initial direct costs and any lease payments made before the commencement date of the lease less any lease incentives and, where applicable, provisions for dismantling and restoration.

- Recognise depreciation of right of use assts and interest on lease liabilities in the Statement of Profit or Loss and Other Comprehensive Income over the lease term.

- Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest portion (presented in operating activities) in the Statement of Cash Flows.

AASB 16 will therefore result in higher assets and liabilities on the Statement of Financial Position. Information on the undiscounted amount of the Group's non-cancellable operating lease commitments is disclosed in note 24. The present value of the Group's operating lease payments as defined under the new standard will be recognised as lease liabilities on the balance sheet and included in net debt.
Operating cash flow will increase under AASB 16 as the element of cash paid attributable to the repayment of principal will be included in financing cash flow. The net increase/decrease in cash and cash equivalents will remain the same.

This standard must be implemented retrospectively, either with the restatement of comparatives or with the cumulative impact of application recognized as at 1 January 2019 under the modified retrospective approach. The Group currently expects to use the modified retrospective approach.

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.

### c. Basis of consolidation

The consolidated financial statements comprise the financial statements of Medibio Limited and its controlled entities as at 30 June 2019 (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, except for Medibio USA which is USD, 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.

# NOTES TO THE FINANCIAL STATEMENTS

# FOR THE YEAR ENDED 30 JUNE 2019

### e. Revenue recognition

*Revenue from contracts with customers*
Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

*Sale of goods*
Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

*Rendering of services*
Revenue from a contract to provide services is recognised over time as the services are rendered based on either a fixed price or an hourly rate.

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

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

### f. 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 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.

### g. 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.

# NOTES TO THE FINANCIAL STATEMENTS

# FOR THE YEAR ENDED 30 JUNE 2019

### h. Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

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 credit losses is made when there is objective evidence that the Group will not be able to collect the debts.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

### i. 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.

# NOTES TO THE FINANCIAL STATEMENTS

# FOR THE YEAR ENDED 30 JUNE 2019

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 revenue 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.

### j. 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.

### k. Goodwill and intangible assets

Goodwill represents the excess of the purchase price over the fair value of net assets acquired in a business combination. Intangible assets acquired separately or in a business combination are initially measured at cost. Goodwill is not amortised, but is instead subject to impairment testing. 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 useful lives.

# NOTES TO THE FINANCIAL STATEMENTS

# FOR THE YEAR ENDED 30 JUNE 2019

*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.

### l. 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.

### m. 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.

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

# NOTES TO THE FINANCIAL STATEMENTS

# FOR THE YEAR ENDED 30 JUNE 2019

On the issue of the convertible notes the fair value of the liability component is determined using the price at the date of issue.

### n. 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.

### o. 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 wholly settled within 12 months of the reporting date are recognised in current liabilities in respect of employee 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.

### p. 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.

# NOTES TO THE FINANCIAL STATEMENTS

# FOR THE YEAR ENDED 30 JUNE 2019

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.

### q. 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.

### r. Earnings per share

Basic earnings per share (EPS) is calculated as net loss 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.

### s. 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.

# NOTES TO THE FINANCIAL STATEMENTS

# FOR THE YEAR ENDED 30 JUNE 2019

### t. Reclassification

Certain amounts reported in prior years in the financial statements have been reclassified to conform to the current year's presentation.

## 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.

**Share based payments**

The Group measures the cost of equity-settled transactions with employees, directors and advisors with reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the Binomial or Black-scholes method taking into account the terms and conditions upon which they were granted. These calculations can involve significant estimates and judgements.

## 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 Company has one operating segment, being the research, development and commercialisation of its Software as a Service product, and two geographical locations, being Australia and the United States. The US based subsidiary is maintained to support US and Canadian research, development, and commercialisation activities.

All revenue earned during 2019 and 2018 was sourced from Australia.

All assets reside in two geographical regions being Australia $11,374,791 (2018: $18,164,407) and USA $1,928,707 (2018: $899,831).

# NOTES TO THE FINANCIAL STATEMENTS

# FOR THE YEAR ENDED 30 JUNE 2019

| | CONSOLIDATED | |
|---|---|---|
| | 2019<br>$ | 2018<br>$ |
| **5. REVENUES AND EXPENSES** | | |
| **(a) Revenue** | | |
| Sales | 364,628 | 204,878 |
| Contract milestone achievement | - | 226,000 |
| Bank interest received and receivable | 30,077 | 138,501 |
| Research grant | 25,000 | 25,000 |
| R&D Grant received | 3,712,586 | 2,006,213 |
| | **4,132,291** | **2,600,592** |
| **(b) Finance costs** | | |
| Leasing costs | (13,928) | (8,139) |
| | **(13,928)** | **(8,139)** |
| **(c) Employee benefits expense** | | |
| Wages and salaries | (3,429,379) | (4,633,419) |
| Share-based compensation expense | (385,455) | (761,071) |
| Payroll taxes and benefits | (430,060) | (615,037) |
| Other employee expenses | (234,931) | (521,531) |
| Superannuation | (55,354) | (90,224) |
| | **(4,535,179)** | **(6,621,282)** |
| **(d) Other expenses** | | |
| Consulting and advisory expenses | (1,593,127) | (3,463,810) |
| Legal fees | (1,158,589) | (577,638) |
| Listing fees and share registry charges | (106,784) | (178,328) |
| Sales and marketing | (119,426) | (521,526) |
| Impairment expense | (541,678) | - |
| Other administration expenses | (2,029,621) | (2,869,876) |
| | **(5,549,225)** | **(7,611,178)** |

# NOTES TO THE FINANCIAL STATEMENTS

# FOR THE YEAR ENDED 30 JUNE 2019

| | CONSOLIDATED | |
|---|---|---|
| | 2019<br>$ | 2018<br>$ |
| **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 | (6,587,039) | (16,300,383) |
| At the statutory tax rate of 27.5% (2018: 27.5%) | (1,811,436) | (4,482,605) |
| | | |
| Tax effect of temporary differences and current year loss not brought to account | 1,811,436 | 4,482,605 |
| | - | - |
| 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 | 3,236,239 | 2,618,467 |

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 2019, there is no recognised or unrecognised deferred tax liability (2018: 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.

# NOTES TO THE FINANCIAL STATEMENTS

# FOR THE YEAR ENDED 30 JUNE 2019

## 7. EARNINGS PER SHARE

| | CONSOLIDATED | |
|---|---|---|
| | 2019<br>$ | 2018<br>$ |
| Net loss attributable to equity holders of the Company | (6,587,039) | (16,300,382) |
| | Number of Shares | Number of Shares |
| Weighted average number of ordinary shares used in calculating basic earnings per share: | 216,290,486 | 185,130,043 |
| Weighted average number of ordinary shares used in calculating diluted earnings per share: | 216,290,486 | 185,130,043 |
| | | |
| Basic earnings per share (cents per share) | (3.0) | (8.8) |
| Diluted earnings per share (cents per share) | (3.0) | (8.8) |

## 8. CASH AND CASH EQUIVALENTS

| | CONSOLIDATED | |
|---|---|---|
| | 2019<br>$ | 2018<br>$ |
| Cash at bank and in hand | 833,090 | 1,123,187 |
| Short-term deposits | 500,000 | 5,000,000 |
| | **1,333,090** | **6,123,187** |

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.

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

| | CONSOLIDATED | |
|---|---|---|
| | 2019<br>$ | 2018<br>$ |
| **Net loss** | **(6,587,039)** | **(16,300,382)** |
| ***Adjustments for:*** | | |
| Amortisation | - | 1,329,461 |
| Interest received | (54,013) | (85,394) |
| Impairment expense | 541,678 | - |
| Share-based payments and share-based compensation expense | 385,455 | 3,482,776 |
| ***Changes in assets and liabilities:*** | | |
| (Increase) / decrease in trade and other receivables | 1,654,152 | (1,448,749) |
| (Increase) / decrease in other current assets | (86,142) | 2,026,090 |
| (Decrease) / increase in trade and other payables | (1,860,555) | (2,156,449) |
| (Decrease) / increase in employee entitlements | (851,210) | 884,247 |
| **Net cash used in operating activities** | **(6,857,674)** | **(12,268,400)** |

# NOTES TO THE FINANCIAL STATEMENTS

# FOR THE YEAR ENDED 30 JUNE 2019

| | CONSOLIDATED 2019 $ | CONSOLIDATED 2018 $ |
|---|---|---|
| **9. TRADE AND OTHER RECEIVABLES** | | |
| Trade debtors | 14,874 | 136,331 |
| Share proceeds receivable | - | 1,375,101 |
| Other debtors | - | 157,594 |
| | **14,874** | **1,669,026** |

**Terms and conditions**

(i) Trade debtors are carried at amortised cost, 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) Share proceeds receivable are related to the binding agreements with partly paid shareholders. The binding agreements were cancelled by both parties subsequent to year-end, and the receivable balance was offset in its entirety by the equity owed under the agreement, resulting in a $0 balance as of 30 June 2019.

## 10. INTANGIBLES & GOODWILL

| | | CONSOLIDATED 2019 $ | CONSOLIDATED 2018 $ |
|---|---|---|---|
| **ilumen Application Development** | | | |
| Additions at cost | | 541,616 | - |
| Net carrying amount | | **541,616** | **-** |
| | | | |
| **MEB-001 Application Development** | | | |
| Additions at cost | | 549,255 | - |
| Net carrying amount | | **549,255** | **-** |
| | | | |
| **Development Costs** | | | |
| At cost | | 2,963,142 | 2,782,317 |
| Additions | | 20,349 | 183,200 |
| Foreign currency changes to asset cost | | 27,825 | 19,192 |
| Impairment | | (232,578) | - |
| Accumulated amortisation | | - | (21,567) |
| Net carrying amount | | **2,778,738** | **2,963,142** |
| | | | |
| **Data files** | | | |
| At cost | | 7,794,643 | 7,794,643 |
| Net carrying amount | | **7,794,643** | **7,794,643** |
| | | | |
| Total Intangible assets | | **11,664,252** | **10,757,785** |
| | | | |
| **Goodwill** | | | |
| At cost | | 754,099 | 444,999 |
| Acquisition of Vital Conversations Pty Ltd | | - | 309,100 |
| Accumulated impairment losses | | (754,099) | (444,999) |
| Net carrying amount | | **-** | **309,100** |

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE YEAR ENDED 30 JUNE 2019

| Reconciliation of carrying amount | | | |
|---|---|---|---|
| Net carrying amount at beginning of year | | 11,066,885 | 11,884,855 |
| Additions | | 1,111,220 | 492,300 |
| Foreign currency changes to asset cost | | 27,825 | 19,192 |
| Impairment | | (541,678) | - |
| Amortisation | | - | (1,329,462) |
| Net carrying amount | | **11,664,252** | **11,066,885** |

**ilumen™ Application Development**

Multiple pilot programs were launched during the financial year, each of which provided valuable data to the users and to the Company as it worked to improve the application before the full commercial launch. The application has met technological feasibility and other AASB requirements for capitalisation of costs incurred, which include compensation costs incurred for both Company developers and external tech vendors.

**MEB-001 System Development**

Costs incurred in the development of the MEB-001 System Development and associated De Novo 510K (FDA) submission are being capitalised as they have met the requirements of the AASB 138 for intangible assets, including technological feasibility and demonstrated market need. The Company has acquired and committed resources to continued improvements to the application that supports research and development needed to successfully file a De Novo submission.

The core of this technology will be driven by capturing specific data from physician-prescribed overnight inpatient sleep studies. This high-quality output, when run through our proprietary algorithms, will provide a physician with objective data to better assess patients' depressive burden. The physician can use this objective data to compare to validated subjective data collected as part of the sleep study from the patient.

**Development Costs**

Certain historical algorithm and diagnostic system development costs incurred have been capitalised.

**Data files**

Consists of all the data collected by Invatec Health Pty Ltd including 24-hour ECG data and corresponding diagnosis.

**Goodwill**

The financial year 2018 addition related to the acquisition of Vital Conversations Pty Ltd in April 2018. The revenue generated by this business segment in particular the psychology consulting services have fallen short of expectations, and the related goodwill of $309,100 has been adjusted to reflect the impairment and its effect on expected future returns. Impairment losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

**Impairment**

Based on an impairment assessment conducted on the intangible assets, the carrying amount of both the Invatec App Development and Vital Conversations Pty Ltd would be impaired in full. No further impairment was required on the remaining intangible assets.

# NOTES TO THE FINANCIAL STATEMENTS

# FOR THE YEAR ENDED 30 JUNE 2019

## 11. TRADE AND OTHER PAYABLES – CURRENT

| | | CONSOLIDATED | |
|---|---|---|---|
| | Note | 2019<br>$ | 2018<br>$ |
| Trade payables | (i) | 1,011,300 | 1,235,393 |
| Other creditors and accruals | (ii) | 797,082 | 2,733,832 |
| | | **1,808,382** | **3,969,225** |

**Terms and conditions relating to the above financial instruments**

i. Trade creditors are carried at amortised cost, are non-interest bearing and normally settled on 30-day terms.

ii. Other creditors are carried at amortised cost, are non-interest bearing and have repayment terms between 30 and 330 days.

## 12. CONVERTIBLE NOTES

| | | CONSOLIDATED | |
|---|---|---|---|
| | | 2019<br>$ | 2018<br>$ |
| Convertible notes | | 2,753,331 | - |

On 18 December 2018, the Group issued a total of 30,394,240 Convertible Notes at an issue price of $0.02 (2 cents) per Note. On 31 January 2019, the Group subsequently issued a total of 107,272,280 Convertible Notes as the same issue price, as approved by shareholders at the 21 January 2019 General Meeting.

Key terms attaching to the notes:

- Conversion is at the holder's discretion up to the maturity date, when all remaining notes will be automatically converted
- Converted at the lower of $0.02 and the issue price per share under any subsequent equity capital raising undertaken by Medibio during the conversion period
- Maturity date of the notes is 18 months after issue
- Under the terms of the Convertible Note Deed, there is no option for Medibio to repay the noteholders in cash, except in an insolvency event. However, as there is the potential under the Convertible Note Deed for a variable number of shares to be issued, the value of the convertible notes issued as at 30 June 2019 are classified as a liability until they are converted into shares.

## 13. BORROWINGS

| | | CONSOLIDATED | |
|---|---|---|---|
| | | 2019<br>$ | 2018<br>$ |
| Borrowings – Current | Invatec Shareholders loan | - | 120,000 |
| | **Total Borrowings** | **-** | **120,000** |

**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, payable 26 months after completion (due 2 May 2017) of the acquisition. During the year $120,000 was repaid by means of an issue of convertible notes, eliminating the loan balance outstanding at 30 June 2019.

## 14. OTHER CURRENT ASSETS

| | | CONSOLIDATED | |
|---|---|---|---|
| | | 2019<br>$ | 2018<br>$ |
| Prepayments | | 184,054 | 93,954 |
| | | **184,054** | **93,954** |

## 15. ISSUED CAPITAL

### a. Fully Paid Ordinary Shares

| | CONSOLIDATED | | | |
|---|---|---|---|---|
| | 2019<br>Shares | 2018<br>Shares | 2019<br>$ | 2018<br>$ |
| Ordinary shares - fully paid | 248,801,499 | 202,628,271 | 84,424,838 | 83,642,250 |

*Movements in ordinary share capital*

| Details | Date | Shares | Issue price | $ |
|---|---|---|---|---|
| Balance | 1 July 2017 | 148,718,619 | | 68,999,845 |
| Shares issued | 24 August 2017 | 329,803 | 0.31* | 101,077 |
| Shares issued | 28 September 2017 | 1,648,136 | 0.34* | 555,088 |
| Exercise of options | 28 September 2017 | 5,500,000 | 0.10 | 550,000 |
| Shares issued | 23 October 2017 | 38,736,640 | 0.36 | 13,945,190 |
| Exercise of options | 13 November 2017 | 3,000,000 | 0.10 | 300,000 |
| Shares issued | 4 December 2017 | 1,974,297 | 0.35 | 675,622 |
| Exercise of options | 16 January 2018 | 500,000 | 0.10 | 50,000 |
| Shares issued | 2 March 2018 | 1,836,512 | 0.02 | 45,462 |
| Shares issued | 17 April 2018 | 384,264 | 0.24 | 92,300 |
| Share issue costs | | | | (1,672,334) |
| Balance | 30 June 2018 | 202,628,271 | | 83,642,250 |
| Shares issued | 14 March 2019 | 46,173,228 | 0.02 | 923,465 |
| Share issue costs | | | | (140,877) |
| Balance | 30 June 2019 | 248,801,499 | | 84,424,838 |

* Average of issue prices

### b. Partly paid shares

On 5 April 2017, the Company announced it had entered into binding agreements with the holders of 4,650,000 options exercisable at $0.30, which expired on 1 April 2017. These Agreements were presented to each option holder to exchange the options to Partly Paid Shares. Under the agreements the Company exchanged each unexercised relevant option into a partly paid share with an expected paid-up capital of $0.30 per share subject to ASX review and Shareholder approval. ASX, upon review, indicated to the Company that the Partly Paid Shareholders should pay at least $0.01 per share with a balance owed of $0.29 per share. At an Extraordinary Shareholder meeting held in September of 2017 the Shareholders approved payment of $0.01 per share by the Partly Paid Shareholders with a balance of $0.29. Subsequent to year end the Board finalised their review on the matter and concluded that the partly paid shares were not validly issued and has requested agreement from the respective holders to rectify the Company's register of members accordingly. The holders of a significant majority of the partly paid shares have agreed to the Board's request.

As a result, the 4,650,000 partly paid shares will be eliminated from the Company's Capital Table and the outstanding receivable and liability on the Company's Balance Sheet as of 30 June 2019 has been removed.

# NOTES TO THE FINANCIAL STATEMENTS

# FOR THE YEAR ENDED 30 JUNE 2019

## d. 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 2019, the Group had a net asset position of $8,604,470 (30 June 2018: $13,986,488). However, as at 30 June 2019 it had:

- Incurred a comprehensive loss for the period of $6,596,941 (30 June 2018: $16,432,656)
- Net cash outflows from operations of $6,857,674 (30 June 2018: $12,268,400)
- Cash at bank of $1,333,090 (30 June 2018: $6,123,187)
- Current liabilities exceed current assets by $3,167,010 (30 June 2018: current assets exceed current liabilities by $2,808,417)

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 grant funding and research and development tax incentives.

The Management Team has assessed the operating and research costs along with future research and development activities in order to establish future funding requirements. Additional staff cuts were made after year-end that will enable the hiring of technology vendors who possess the specific skills needed for R&D work, thereby providing more flexibility in how funds are spent.

Subsequent to year the end Group completed the following:

- On 19 July 2019, the Group completed Placement to sophisticated investors as announced on 10 July 2019 issuing a total of 35,000,000 fully paid ordinary shares at $0.01 (1 cents) raising $350,000 (before costs).
- On 29 August 2019, the Group completed a Share Purchase Plan and a Placement to sophisticated investors issuing 120,995,500 and 315,000,000 fully paid ordinary share respectively. Upon completion of the two offers a total of $4,359,955 (before costs) was raised.
- Also on 29 August 2019, the Group issued 275,333,040 fully paid ordinary shares following early conversion of 137,666,520 convertible notes. As such the convertible note liability has been extinguished subsequent to year end.

These funds will provide the financial runway required to carry the Group through the 2019-2020 fiscal year and to the ilumen product launch and corresponding sales. The Group also intends to seek additional funding through non-dilutive government grants for which the Group is eligible, along with R&D tax incentives.

The Management Team is confident that the Group will be able to raise further equity from its shareholders and sophisticated and professional investors, if required. Accordingly, the Management Team believes 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.

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE YEAR ENDED 30 JUNE 2019

## 16. RESERVES

| | CONSOLIDATED 2019 $ | CONSOLIDATED 2018 $ |
|---|---|---|
| Foreign currency translation reserve | (142,176) | (132,274) |
| Share Based payments reserve | 4,821,109 | 4,388,774 |
| | 4,678,933 | 4,256,500 |

*Foreign currency translation reserve*
The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

*Share-based payments reserve*
This reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

*Movements in reserves*
Movements in each class of reserve during the current and previous financial year are set out below:

| **Consolidated** | Foreign currency translation reserve $ | Share Based payments reserve $ | Total $ |
|---|---|---|---|
| Balance at 1 July 2017 | - | 2,386,086 | 2,386,086 |
| FX translation | (132,274) | | (132,274) |
| Share options issued | | 2,462,659 | 2,462,659 |
| Transfers from reserves to accumulated losses | | (459,971) | (459,971) |
| Balance at 30 June 2018 | (132,274) | 4,388,774 | 4,256,500 |
| FX translation | (9,902) | 46,880 | 36,978 |
| Share options issued | | 385,455 | 385,455 |
| Balance at 30 June 2019 | (142,176) | 4,821,109 | 4,678,933 |

# NOTES TO THE FINANCIAL STATEMENTS

# FOR THE YEAR ENDED 30 JUNE 2019

## 17. AUDITORS' REMUNERATION

| | CONSOLIDATED | |
|---|---|---|
| | 2019<br>$ | 2018<br>$ |
| The auditor of Medibio Limited is William Buck (Qld) | | |
| Amounts received or due and receivable for:<br>- audit or review of the financial report of the entity and any other entity in the Group | 38,500 | 42,500 |
| **Other services in relation to the entity and any other entity in the Group:** | | |
| - Tax compliance | 12,000 | 10,900 |
| - Tax and other advice | 1,940 | 12,445 |
| - EGM and AGM attendance | 439 | 900 |
| | **52,879** | **66,745** |

## 18. KEY MANAGEMENT PERSONNEL

| | | |
|---|---|---|
| Short-term employee benefits | 1,032,464 | 1,720,185 |
| Termination benefits | 478,904 | - |
| Share-based payment and share-based compensation expense | 157,881 | 757,740 |
| Total compensation | **1,669,249** | **2,477,925** |

## 19. 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.

| Name | Country of Incorporation | Class of Shares | % Equity 2019 | Interest 2018 |
|---|---|---|---|---|
| BioProspect Australia Pty Ltd* | Australia | Ord | 100 | 100 |
| Australian Phytochemicals Pty Ltd* | Australia | Ord | 100 | 100 |
| BioProspect America Pty Ltd* | Australia | Ord | 100 | 100 |
| Re Gen Wellness Products Pty Ltd*** | Australia | Ord | - | 100 |
| Medibio Limited – USA** | USA - Delaware | Ord | 100 | 100 |
| Invatec Health Pty Ltd | Australia | Ord | 100 | 100 |
| Annapanna Pty Ltd** | Australia | Ord | 100 | 100 |

* Dormant entities
**Human health – CHR diagnostic development
*** The Group sold the entity during the year

## 20. 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.

# NOTES TO THE FINANCIAL STATEMENTS

# FOR THE YEAR ENDED 30 JUNE 2019

## Risk exposures and responses

***Credit risk***

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents and 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 financial asset exposed to interest rate risk.

| | CONSOLIDATED | |
|---|---|---|
| | 2019<br>$ | 2018<br>$ |
| **Financial assets** | | |
| Cash and cash equivalents | 1,333,090 | 6,123,187 |

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 2019, 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:

| **Consolidated - 2019** | **% change** | **Increase Effect on profit before tax** | **Effect on equity** | **% change** | **Decrease Effect on profit before tax** | **Effect on equity** |
|---|---|---|---|---|---|---|
| Cash and cash equivalents | 1% | 13,331 | 13,331 | (1%) | (13,331) | (13,331) |
| Cash and cash equivalents | 0.5% | 6,665 | 6,665 | (0.5%) | (6,665) | (6,665) |

| **Consolidated - 2018** | **% change** | **Increase Effect on profit before tax** | **Effect on equity** | **% change** | **Decrease Effect on profit before tax** | **Effect on equity** |
|---|---|---|---|---|---|---|
| Cash and cash equivalents | 1% | 61,232 | 61,232 | (1%) | (61,232) | (61,232) |
| Cash and cash equivalents | 0.5% | 30,616 | 30,616 | (0.5%) | (30,616) | (30,616) |

# NOTES TO THE FINANCIAL STATEMENTS

# FOR THE YEAR ENDED 30 JUNE 2019

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.

***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. Liquidity risk is monitored through the development of future rolling cash flow forecasts that are tabled and reviewed at each board meeting. All liabilities are due and payable within 12 months. The following table details the remaining contractual liabilities fir its financial liabilities:

| Consolidated - 2019 | Weighted average interest rate<br>% | Less than 6 months<br>$ | Between 6 and 12 months<br>$ | Between 1 and 5 years<br>$ | Remaining contractual maturities<br>$ |
|---|---|---|---|---|---|
| **Non-derivatives** | | | | | |
| *Non-interest bearing* | | | | | |
| Convertible Notes | - | 2,753,331 | - | - | 2,753,331 |
| Total non-derivatives | | 2,753,331 | - | - | 2,753,331 |

***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.

## 21. CONTINGENT LIABILITIES

The Company is currently a party to a claim in the Supreme Court of Western Australia in relation to a joint venture agreement executed in April 2017. The claim alleges that the Company wrongfully terminated the joint venture agreement and as a result the joint venture partner was unable to perform its obligations under the agreement. The Company has filed a notice of appearance as well as a defence to the claimant's statement of claim. The Company is unable to estimate a timing of any outflows of economic benefits as no date has been set for a substantive hearing. Further, the Company is unable to provide a reasonable estimate of the likely financial impact to the Company, as there is currently insufficient information for the Company to assess the merits of the claim and whether the amount claimed is supportable by evidence. As such the Company is unable to quantify an amount for the Contingent Liability.

# NOTES TO THE FINANCIAL STATEMENTS

# FOR THE YEAR ENDED 30 JUNE 2019

## 22. SHARE-BASED PAYMENT PLANS

### Recognised share-based payment expense

**a. The expense recognised for employee services received during the year is shown below.**

| | CONSOLIDATED | |
|---|---|---|
| | 2019<br>$ | 2018<br>$ |
| Expense arising from equity-settled share-based payment transactions | - | 114,789 |

**b. The expense recognised for consulting services rendered during the year.**

| | | |
|---|---|---|
| 1,888,911 shares issued to consultants | - | 62,962 |
| 77,778 shares issued to director | - | 23,333 |
| | | |
| **TOTAL SHARE-BASED PAYMENTS** | **-** | **201,084** |

### Recognised share-based compensation expense

**c. The expense recognised for employee services received during the year is shown below.**

| | CONSOLIDATED | |
|---|---|---|
| | 2019<br>$ | 2018<br>$ |
| Share-based compensation related to options granted to employees | 227,574 | 761,071 |

**d. The expense recognised for consulting services rendered during the year.**

| | | |
|---|---|---|
| Share-based compensation related to options granted to advisors | - | 1,497,775 |
| Share-based compensation related to options granted to consultants | - | 93,583 |
| Share-based compensation related to options granted to directors | 157,881 | 110,230 |
| | | |
| **TOTAL SHARE-BASED COMPENSATION EXPENSE** | **385,455** | **2,462,659** |

Set out below are summaries of options granted under share-based compensation:

2019

| Grant date | Expiry date | Exercise price | Balance at the start of the year | Granted | Exercised | Expired/ forfeited/ other | Balance at the end of the year |
|---|---|---|---|---|---|---|---|
| 29/01/2016 | 28/01/2019 | $0.40 | 3,000,000 | - | - | (3,000,000) | - |
| 29/01/2016 | 28/01/2019 | $0.60 | 1,500,000 | - | - | (1,500,000) | - |
| 29/01/2016 | 28/01/2019 | $0.80 | 1,500,000 | | - | (1,500,000) | - |
| 05/11/2016 | 30/11/2019 | $0.48 | 3,500,000 | - | | | 3,500,000 |
| 11/09/2017 | 11/10/2022 | $0.45 | 10,000,000 | - | - | (8,000,000) | 2,000,000 |
| 30/11/2017 | 30/11/2019 | $0.40 | 3,000,000 | - | - | - | 3,000,000 |
| 30/11/2017 | 30/11/2020 | $0.40 | 3,000,000 | - | - | - | 3,000,000 |
| 06/06/2018 | 18/06/2022 | $0.44 | 3,637,113 | - | - | - | 3,637,113 |
| 21/06/2018 | 18/06/2023 | $0.45 | 12,225,000 | - | - | (3,350,000) | 8,875,000 |
| 21/06/2018 | 11/10/2020 | $0.80 | 3,000,000 | - | - | - | 3,000,000 |
| 15/05/2019 | 13/06/2023 | $0.01 | - | 14,500,000 | - | - | 14,500,000 |
| | | | 44,362,113 | 14,500,000 | - | (17,350,000) | 41,512,113 |

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

| Grant date | Expiry date | Share price at grant date | Exercise price | Expected volatility | Dividend yield | Risk-free interest rate |
|---|---|---|---|---|---|---|
| 15/05/2019 | 13/06/2023 | $0.010 | $0.014 | 97.59% | - | 1.01% |

## 23. PARENT ENTITY INFORMATION

| | 2019 $ | 2018 $ |
|---|---|---|
| Net profit (loss) attributable to members of Medibio Limited | 1,208,217 | (9,448,754) |
| **Total comprehensive income for the year attributable to members of Medibio Limited** | **1,208,217** | **(9,448,754)** |
| Current assets | 1,319,491 | 7,303,463 |
| **Total assets** | **33,076,377** | **30,068,677** |
| Current liabilities | 3,934,269 | 3,076,495 |
| **Total liabilities** | **10,083,832** | **9,226,058** |
| Issued Capital | 84,424,838 | 83,642,250 |
| Share based payments reserve | 3,742,584 | 3,583,455 |
| Retained earnings | (65,174,877) | (66,383,086) |
| **Total equity** | **22,992,545** | **20,842,619** |
| Contingent liabilities | - | - |

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE YEAR ENDED 30 JUNE 2019

## 24. OPERATING LEASE COMMITMENTS

The Group is under lease for one (1) Australian-based facility and two (2) United States facilities, with approximate lease terms of three years. Commitments for facilities include base rental fees and an estimate for common-area-maintenance (CAM) fees, where applicable. Future minimum rentals payable under non-cancellable operating leases at 30 June 2019 are as follows.

| | CONSOLIDATED | |
|---|---|---|
| | 2019<br>$ | 2018<br>$ |
| Within one year | 247,785 | 242,000 |
| After one year but not more than five | 125,530 | 392,000 |
| More than five years | - | - |
| | **373,315** | **634,000** |

## 25. RELATED PARTY TRANSACTIONS

Disclosures relating to key management personnel are set out in note 18 and the remuneration report included in the Directors' report.

Other transactions with related parties:

| | CONSOLIDATED | |
|---|---|---|
| | 2019<br>$ | 2018<br>$ |
| Convertible notes issued to Claude Solitario | $303,330 | - |

During the year, a total of 15,166,520 convertible notes at $0.02 per note were issued to the Company's founding shareholder and Non-executive Director Claude Solitario. These were partly issued to settle historical liabilities in previous financial years. These liabilities related to consulting fees of $183,330 owed to Hill View Consulting, an entity owned Mr Solitario, and a $120,000 loan provided to Invatec, a subsidiary of Medibio.

## 26. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 19 July 2019, the Group completed Placement to sophisticated investors as announced on 10 July 2019 issuing a total of 35,000,000 fully paid ordinary shares at $0.01 (1 cents) raising $350,000 (before costs).

On 29 August 2019, the Group completed a Share Purchase Plan and a Placement to sophisticated investors issuing 120,995,500 and 315,000,000 fully paid ordinary share respectively. Upon completion of the two offers a total of $4,359,955 (before costs) was raised. These two transactions were approved by shareholders on 19 August 2019. For each share subscribed to as part of the two offers one free attaching quoted option was granted exercisable at $0.03 (3 cents) per option expiring on 1 December 2021.

Also on 29 August 2019, the Group issued 275,333,040 fully paid ordinary shares following early conversion of 137,666,520 convertible notes. For each share issued upon conversion of the convertible notes one free attaching quoted option was granted exercisable at $0.03 (3 cents) per option expiring on 1 December 2021.

On 30 August 2019, the Group issued 90,000,000 quoted options to CPS Capital Group Pty Ltd for services provided as Lead Manager for the capital raisings completed. The options are exercisable at $0.03 (3 cents) per option expiring on 1 December 2021.

Apart from the matters set out above, 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 2019 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 2019 and of its performance for the year ended on that date; and

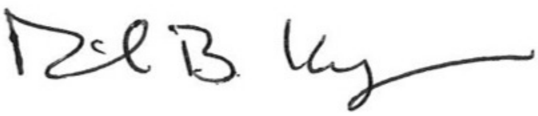
      ii. complying with Accounting Standards and Corporations Regulations 2001,

   b. on the basis of those outlined in **note 15d**, 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 2019.

On behalf of the Board



David B. Kaysen
Chairman, Managing Director and CEO

27th September 2019

# Medibio Limited

## Independent auditor's report to members

## Report on the Audit of the Financial Report

### Opinion

We have audited the financial report of Medibio Limited. (the Company and its subsidiaries (the Group)), which comprises the consolidated statement of financial position as at 30 June 2019, 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, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying 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 2019 and of its financial performance for the year ended on that date; and

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

### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

### Material Uncertainty Related to Going Concern

We draw attention to Note 15(d) in the financial report, which indicates that the Group incurred a total comprehensive loss of $6,596,941 during the year ended 30 June 2019 and had net cash outflows from operations of $6,857,674. As stated in Note 15(d), these events or conditions, along with other matters as set forth in Note 15(d), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

ACCOUNTANTS & ADVISORS

Level 21, 307 Queen Street
Brisbane QLD 4000

GPO Box 563
Brisbane QLD 4001

Telephone: +61 7 3229 5100

williambuck.com

## Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| VALUATION OF IDENTIFIABLE INTANGIBLE ASSETS | |
|---|---|
| **Refer also to note 1(k), 3, and 10** | **How our audit addressed it** |
| The group has $11.66 million of identifiable intangible assets (2018: $11.07 million) including Development Costs of $3.87million and Data Files of $7.79 million. During the year ended 30 June 2019 it capitalised $1.11m in development costs.<br><br>The carrying values of the identifiable intangible assets calls for significant judgement by the directors as the technology behind each component is still in development. The development costs and data files are not yet available for use. Accounting standards require that these assets be tested for amortisation and impairment annually by comparing its carrying amount with its recoverable amount and useful life.<br><br>The estimated recoverable amount has been calculated based on the fair value less costs to sell based on the cost approach with the recoverable amount based on the cost to collect further data files from recent studies and consideration has also been given to the outcomes of the studies and the progress in developing the technology.<br><br>An assessment is also required against the criteria in AASB 138 Intangible Assets to be able to capitalise internally generated intangible assets.<br><br>Overall due to the high level of judgement involved, and the significant carrying amounts involved, we have determined that this is a key judgemental area that our audit concentrated on. | Our audit procedures included:<br><br>— Agreeing the cost of studies to supporting invoices from the external bodies conducting the studies;<br><br>— Agreeing the cost per data file calculation based on the number of data files obtained;<br><br>— Confirming that the recoverable amount based on the amounts calculated was in excess of the carrying amount;<br><br>— Reviewed management's impairment assessments<br><br>— Reviewed whether intangible assets were eligible for capitalisation by examining and re-calculating the remuneration of employees conducting work on application development as well as the nature of the asset.<br><br>— Reviewed announcements to the market and held discussions with management to confirm the progress of the development of the technology and outcomes of studies to determine if there were any other indicators of impairment for the intangible assets.<br><br>We also considered the adequacy of the Group's disclosures in relation to identifiable intangible assets. |

<table>
<tr><th colspan="2">SHARE BASED PAYMENTS</th></tr>
<tr><th>Refer also to note 1(p) and 22</th><th>How our audit addressed it</th></tr>
<tr><td>The group grants options to its Directors, service providers and key management personnel by way of share-based payment arrangements, including the issue of shares and options.<br><br>The arrangements require significant judgments and estimations by management, including the following:<br><br>— The evaluation of the grant date of each arrangement, and the evaluation of the fair value of the underlying share price of the company as at that grant date;<br><br>— The evaluation of the vesting charge taken to the profit or loss in-respect of the accrual of service and performance conditions attached to those share-based payment arrangements;<br><br>— The evaluation of key inputs into the Binomial and Black Scholes option pricing models, including the significant judgment of the forecast volatility of the share option over its exercise period.<br><br>The results of these share-based payment arrangements materially affect the disclosures in the financial statements.</td><td>Our audit procedures included:<br><br>— Evaluating the fair values of share-based payment arrangements by agreeing assumptions to third party evidence. In determining the grant dates, we evaluated what were the most appropriate dates based on the terms and conditions of the share-based payment arrangements.<br><br>— Reviewing the qualifications of the independent valuer and the inputs into the valuation of the Options conducted at 30 June 2019.<br><br>— For the specific application of the valuation models, we re-tested the key assumptions used in the model and recalculated those fair values using the skill and know-how of our in-house specialists. We considered that the forecast volatility applied in the model to be appropriately reasonable and within industry norms.<br><br>We also considered the adequacy of the Group’s disclosures in relation to Share Based Payments.</td></tr>
</table>

## Other Information

The directors are responsible for the other information. The other information comprises the information in the Group’s annual report for the year ended 30 June 2019, but does not include the financial report and the auditor’s report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Directors 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 preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

### Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of these financial statements is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our independent auditor's report.

## Report on the Remuneration Report

### Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Medibio Limited, for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

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.

William Buck

**William Buck (Qld)**
ABN 21 559 713 106

M. Monaghan

**M J Monaghan**
Director

Brisbane, 27 September 2019

# ASX ADDITIONAL INFORMATION

The shareholder information set out below was applicable as at 17 September 2019.

**Distribution of equitable securities**
Analysis of number of equitable security holders by size of holding:

| | Number of holders of ordinary shares | Number of holders of listed options | Number of holders of unlisted options |
|---|---|---|---|
| 1 to 1,000 | 259 | 1 | - |
| 1,001 to 5,000 | 476 | - | - |
| 5,001 to 10,000 | 200 | - | - |
| 10,001 to 100,000 | 572 | 38 | - |
| 100,001 and over | 583 | 288 | 27 |
| | 2,090 | 327 | 27 |
| Holding less than a marketable parcel | 1,273 | 1 | - |

## ASX ADDITIONAL INFORMATION

**Equity security holders**

*Twenty largest quoted equity security holders*
The names of the twenty largest security holders of quoted equity securities are listed below:

| | Ordinary shares | |
|---|---|---|
| | | % of total shares |
| | Number held | issued |
| MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED | 102,102,508 | 10.26 |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 96,842,423 | 9.73 |
| HOPERIDGE ENTERPRISES PTY LTD <JONES FAMILY A/C> | 40,000,000 | 4.02 |
| MR CLAUDE SOLITARIO <SOLITARIO FAMILY ACCOUNT> | 30,933,040 | 3.11 |
| UBS NOMINEES PTY LTD | 27,307,199 | 2.74 |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA | 25,000,000 | 2.51 |
| CABLETIME PTY LTD <INGODWE A/C> | 20,000,000 | 2.01 |
| TISIA NOMINEES PTY LTD <HENDERSON FAMILY A/C> | 20,000,000 | 2.01 |
| DR STEPHEN ROBERT DESMOND ADDIS + MS CORINNE MAY WHOLAGAN <DAISYS SUPERFUND A/C> | 11,500,000 | 1.16 |
| MR CLAUDE SOLITARIO <SOLITARIO FAMILY A/C> | 10,697,000 | 1.07 |
| ARIS NOMINEES PTY LTD <SHREEVE SUPER FUND A/C> | 10,000,000 | 1.00 |
| CABLETIME PTY LTD <INGODWE A/C> | 10,000,000 | 1.00 |
| DENLIN NOMINEES PTY LTD | 10,000,000 | 1.00 |
| DENLIN NOMINEES PTY LTD | 10,000,000 | 1.00 |
| OAKTONE NOMINEES PTY LTD <GRIST SUPER FUND A/C> | 10,000,000 | 1.00 |
| SMICON PTY LTD | 10,000,000 | 1.00 |
| MR MEL SPARTA | 10,000,000 | 1.00 |
| TISIA NOMINEES PTY LTD <THE HENDERSON FAMILY A/C> | 10,000,000 | 1.00 |
| ROOKHARP CAPITAL PTY LIMITED | 9,500,000 | 0.95 |
| MR KEVIN DANIEL LEARY + MRS HELEN PATRICIA LEARY <KEVIN & HELEN LEARY S/F A/C> | 8,721,228 | 0.88 |
| | 482,603,398 | 48.50 |

## ASX ADDITIONAL INFORMATION

| | Options over ordinary shares | |
| --- | --- | --- |
| | Number held | % of total options issued |
| MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LTD <REGAL EMERGING COY FUNDII AC> | 100,000,000 | 11.96 |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 51,300,000 | 6.13 |
| HOPERIDGE ENTERPRISES PTY LTD <JONES FAMILY A/C> | 40,000,000 | 4.78 |
| MR CLAUDE SOLITARIO <SOLITARIO FAMILY ACCOUNT> | 30,333,040 | 3.63 |
| UBS NOMINEES PTY LTD | 26,057,200 | 3.12 |
| CPS CAPITAL NO 3 PTY LTD | 25,650,000 | 3.07 |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA | 25,000,000 | 2.99 |
| MR BRENT JOSEPH EVITT <B&J BE FUND A/C> | 24,671,500 | 2.95 |
| CABLETIME PTY LTD <INGODWE A/C> | 20,000,000 | 2.39 |
| TISIA NOMINEES PTY LTD <HENDERSON FAMILY A/C> | 20,000,000 | 2.39 |
| VENUS ANETAC PTY LTD <RGC FAMILY A/C> | 20,000,000 | 2.39 |
| FIRST INVESTMENT PARTNERS PTY LTD | 16,480,789 | 1.97 |
| BROWN BRICKS PTY LTD <HM A/C> | 15,000,000 | 1.79 |
| ARIS NOMINEES PTY LTD <SHREEVE SUPER FUND A/C> | 10,000,000 | 1.20 |
| CABLETIME PTY LTD <INGODWE A/C> | 10,000,000 | 1.20 |
| DENLIN NOMINEES PTY LTD | 10,000,000 | 1.20 |
| DENLIN NOMINEES PTY LTD | 10,000,000 | 1.20 |
| MR KEVIN DANIEL LEARY + MRS HELEN PATRICIA LEARY <KEVIN & HELEN LEARY S/F A/C> | 10,000,000 | 1.20 |
| OAKTONE NOMINEES PTY LTD <GRIST SUPER FUND A/C> | 10,000,000 | 1.20 |
| SMICON PTY LTD | 10,000,000 | 1.20 |
| | 484,492,529 | 57.93 |

*Unquoted equity securities*

| | Number on issue | Number of holders |
| --- | --- | --- |
| Options over ordinary shares issued | 70,587,113 | 26 |

# ASX ADDITIONAL INFORMATION

**Substantial holders**
The Company has received the following substantial Shareholder notices as at the date of this report:

| | Ordinary shares | |
|---|---|---|
| | Number held | % of total shares issued |
| MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LTD <REGAL EMERGING COY FUNDII AC> | 100,000,000 | 11.96 |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 51,300,000 | 6.13 |

**Voting rights**
All ordinary shares carry one vote per share without restriction.