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Medibio Limited

ABN 58 008 130 336

Annual Report
30 June 2020

Medibio Limited
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30 June 2020



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Directors	Mr Claude Solitario (Managing Director and CEO) Mr Peter Carlisle (Non-Executive and Lead Independent Director) Ms Melanie Leydin (Director and Joint Company Secretary)
Company secretaries	Ms Melanie Leydin Mr Mathew Watkins
Registered office	Level 4, 100 Albert Road South Melbourne VIC 3205 Telephone: +61 3 9692 7222 Facsimile: +61 3 9077 9233
Share register	Computershare Investor Services Pty Limited Level 3, 60 Carrington Street Sydney, NSW, 2000 Telephone: 1300 850 505
Auditor	William Buck (Qld) Level 21, 307 Queen Street Brisbane QLD 4000 Telephone: +61 7 3229 5100 Facsimile: +61 7 3221 6027
Legal advisors	Gadens Level 25 Bourke Place 600 Bourke Street Melbourne VIC 3000 Telephone: +61 3 9252 2555 Facsimile: +61 3 9252 2500
Bankers	Westpac Banking Corporation
Stock exchange listing	Medibio Limited securities are listed on the Australian Securities Exchange (ASX code: MEB and MEBOB)
Website	www.medibio.com.au
Corporate Governance Statement	Corporate governance statement are available on the Company's website. Please refer to https://medibio.com.au/corporate-governance/
Annual General Meeting	The Company advises that its Annual General Meeting will be held on Thursday, 12th November 2020.

Dear Shareholders,

It is with great pleasure that I write to you, after what has been an important and productive year for Medibio. Considerable progress has been made in both the regulated and non-regulated business units - including the efficiency gains by our corporate and administration staff - despite the disruption due to the internal restructuring; and of course during a time of major global disruption caused by COVID-19.

On the 29th April we announced Medibio lodged its 510(k) application with the FDA for our sleep staging software solution, MEBsleep. Following detailed queries, the FDA informed us on the 24th August that our application was found to contain all the necessary elements and information needed to proceed with a substantive review. At the time of writing, we await the FDA's determination. We remain positive of receiving clearance, although please note this cannot be guaranteed.

On the 30th August we also submitted the Technical File for MEBsleep to the European Regulatory Body for CE Marking certification. This will ensure conformity with health, safety, and environmental protection standards for products sold within the European Economic Community. We also await the CE Mark determination.

I am also pleased to advise that our Depressive Burden trial has recommenced, following the closures of sleep clinics earlier this year due to COVID-19. Our depressive burden trial aims to identify clinical depressive burden in patients with sleep disturbance who undergo a study in a sleep clinic environment. We hope to make up for lost time due to the COVID-19 closures by expanding the number of sleep clinics participating in the trial. In this regard, we have signed a Clinical Trial Agreement with a corporation that operates over 130 sleep centers across the USA and partners with hospitals and physician practices to offer comprehensive, fully-integrated services for patient identification, testing, diagnosis, therapeutic coordination, and long-term care management of patients with sleep disorders.

In relation to our non-regulated business unit, Medibio executives continue to focus on a number of global organizations who will act as resellers, on a revenue-sharing basis, in order to further support our widespread rollout of ilumenTM. Negotiations with these large, global companies are rigorous and time consuming, nevertheless we believe it is the right strategy for the Company at this point in time. Given the scalability of ilumenTM, it will prove to be the optimum strategy in the medium to long term.

In keeping with this strategy, in February this year, we successfully concluded the final of four commercial pilots for ilumenTM with a global food and essential support services company. These pilots have paved the way for meaningful negotiations for the implementation of ilumenTM to their employees and to that of their client companies across a variety of industries on a global scale. We will be making further information available regarding these negotiations in due course.

Following our successful Entitlement Offer completed during July 2020, Medibio has entered FY2021 well-capitalized and ready to advance development of our regulated and non-regulated business units, whilst continuing our focus on new commercial areas. In this regard, the Board has approved a feasibility study for a consumer app using the Company's proprietary intellectual property. Medibio is in a unique position to offer what we believe will be the only mental wellbeing app in the market with a biometric assessment (i.e. an objective measure using a variety of inputs, including heartrate). The revenue potential of Medibio's consumer app is significant as it will target all English speaking individuals who have an interest and need in assessing and monitoring their mental wellbeing. We anticipate a working prototype by the end of CY2020, with a commercial launch in the first half of CY2021.

Underpinning the consumer app will be Medibio's recently granted US patent covering a method for monitoring stress conditions using heartrate collected from a wearable device and applying machine learning techniques. This stress patent complements the intellectual protection already granted to Medibio that relates to a method of diagnosing depression by analyzing heartbeat records obtained during sleep.

I will conclude this letter by acknowledging the tremendous effort and dedication shown by all Medibio staff in the months since my appointment. I am particularly proud of the team who have worked tirelessly to meet our objectives and will continue to do so in order to achieve the best value for shareholders.

I would also like to extend my gratitude to all shareholders that have shown commitment to the Company, some of whom have been with us for many years.

I look forward to another productive year at Medibio and your continuing support.

Yours Sincerely,



Claude Solitario
CEO & Managing Director

25 September 2020

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The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Medibio Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2020.

Directors

The following persons were Directors of Medibio Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Mr Claude Solitario, Managing Director (appointed to Managing Director and CEO role effective 9 January 2020)
Mr Peter Carlisle, Non-Executive and Lead Independent Director
Ms Melanie Leydin, Director
Mr David Kaysen, Managing Director, CEO and Chairman (resigned 8 January 2020)
Ms Lisa Wipperman Heine, Non-Executive Director (appointed 29 August 2019, resigned 22 November 2019)
Dr. Lisa Ragen Ide, Non-Executive Director (appointed 29 August 2019, resigned 22 November 2019)
Ms Liwanag Ojala, Non-Executive Director (appointed 29 August 2019, resigned 22 November 2019)
Mr Michael Phelps, Non-Executive Director (resigned 29 August 2019)
Mr Patrick Kennedy, Non-Executive Director (resigned 29 August 2019)
Dr Franklyn Prendergast, Non-Executive Director (resigned 29 August 2019)

Principal activities

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

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$3,872,404 (30 June 2019: \$6,587,039).

The loss for the period reflected the following:

- the development of Company's intellectual property, including the depressive burden trial and the development of its sleep staging software, MEBsleep;
- the further development and commercialization of its corporate wellness product, ilumen™;
- the Company reorganization and restructuring, which included the downsizing of the company's US operations.

In March 2019, the depressive burden concept was presented and discussed in a pre-submission meeting with the FDA, who recognized its potential clinical value. Subsequently, in October 2019, our Sleep Analysis of Depressive Burden study (SADB) was approved by a US-based Institutional Review Board (IRB). The aim of SADB is to identify clinical depressive burden in patients with sleep disturbance who undergo a sleep study in a sleep clinic environment.

The SADB trial involves the development of the depressive burden Platform known as MEB-001 consisting of 3 main components:

- The sleep staging algorithm known as MEBsleep;
- An overlaying resting heart rate and heart rate variability algorithms, leading to:
- Depressive burden analysis.

During the SADB, data analysis is being performed for every 50 patients. Once the study reaches sufficient statistical power a full statistical analysis will be performed. The result of this analysis will be used for a pre-submission meeting with the FDA to agree on endpoints and prepare for the final SADB "Pivotal Study". For the Pivotal Study, the FDA will require an agreed number of patients from different US-based sleep centres, the data of which will then form the basis for the De Novo submission.

Medibio is actively seeking commercial collaborations and opportunities for MEBsleep in anticipation of FDA clearance. Medibio is also seeking CE Mark for MEBsleep, which will ensure conformity with health, safety, and environmental protection standards for products sold within the European Economic Area (EEA).

In relation to Medibio's corporate product offering ilumen™, during the year Medibio announced its first annual commercial agreement with PricewaterhouseCoopers (PwC), Australia. In May this year global engineering, design and related professional services firm Stantec Australia commenced providing ilumen™ to its employees in Australia and New Zealand. Both PwC and Stantec have had a very positive employee participation rates in ilumen™.

Medibio's strategy for commercialization of ilumen™ has been to focus its limited resources on global service providers that have the capacity to implement and/or distribute ilumen™ widely. To this end, discussions are ongoing with a number of corporations, and health and wellness providers, including Compass Group PLC in London; and separately with its Australian subsidiary, following the successful completion of a number of paid pilot programs.

As the vision is to implement ilumen™ in various parts of the world, the data privacy and security requirements demanded of ilumen™ are of the highest order and remain its biggest development challenge. Medibio is working diligently to ensure these high standards are met.

Regrettably, COVID-19 has had a significant detrimental effect on financial resources and staffing levels of most corporations, which has impacted the decision making process. Border closures has also impeded Medibio's ability to generate new opportunities and deepen existing relationships. Nevertheless, ilumen™ continues to generate interest from corporations in Australia and internationally, and although time frames have lengthened, opportunities are being pursued as effectively and efficiently as possible.

Significant changes in the state of affairs

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 cent) 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 the same date, the Group announced a number of changes to its Board of Directors. Mr Michael Phelps, Mr Patrick Kennedy and Mr Franklyn Prendergast resigned from their role as Non-Executive Directors, while Ms Lisa Wipperman Heine, Dr Lisa Ragen Ide and Ms Liwanag Ojala were appointed as Non-Executive Directors.

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 were eliminated from the Group's capital table and the outstanding receivable and liability on the balance sheet at 30 June 2019 has been removed.

On 22 November 2019, following the Annual General Meeting, Ms Lisa Wipperman-Heine, Dr Lisa Ide and Ms Liwanag Ojala ceased to be Non-Executive Directors.

On 9 January 2020, the Group announced further changes to the Board of Directors. Mr David Kaysen stepped down from his role as CEO, Managing Director and Chairman with Mr Claude Solitario appointed as Managing Director.

On 2 June 2020, the Group issued 15,000,000 fully paid ordinary shares at \$0.01 (1 cents) per share as consideration for full and final release of the Company from all claims in relation to the proceedings issued by Dr Paul Porter in the Supreme Court of Western Australia as set out in the announcement dated 27 May 2020. The Group also issued 1,333,333 fully paid ordinary shares at \$0.007 (0.7 cents) per share in settlement of outstanding liabilities.

On 10 June 2020, the Group announced that it had launched a capital raising transaction to raise approximately \$2 million (before costs) ("Capital Raising"). The Capital Raising has been structured as a placement of \$0.5 million ("Placement"), followed by a fully underwritten, Non-Renounceable Entitlement Offer to raise approximately a further \$1.52 million.

On 18 June 2020, the Group finalised the Placement by issuing 83,333,333 fully paid ordinary shares at \$0.006 (0.6 cents) per share to sophisticated and professional investors, raising \$500,000 before costs. The Group also issued 20,000,000 options with exercise price at \$0.03 (3 cents) per option expiring on 2 June 2022, issued to CPS as part of the costs of the Capital Raising.

There were no other significant changes in the state of affairs of the consolidated entity during the financial year.

Matters subsequent to the end of the financial year

On 13 July 2020, the Group completed the fully underwritten Non-Renounceable Entitlement Offer and issued 252,865,843 fully paid ordinary shares at \$0.006 (0.6 cents) per share raising \$1,517,195 before costs.

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations

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

Environmental regulation

The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Information on Directors

Name:	Mr Claude Solitario
Title:	Managing Director and CEO
Experience and expertise:	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 of the Company's major shareholders and brings an extensive financial background having served as a financial executive for many public and private companies.
Other current directorships:	None
Former directorships (last 3 years):	None
Interests in shares:	52,220,086 fully paid ordinary shares
Interests in options:	3,000,000 unlisted options exercisable at \$0.014 expiring on 13 June 2023 30,333,040 quoted options exercisable at \$0.03 expiring on 1 December 2021 4,000,000 unlisted options exercisable at \$0.015 expiring on 19 August 2024 3,000,000 unlisted options exercisable at \$0.011 expiring on 20 December 2023

Name: Mr Peter Carlisle
Title: Non-Executive and Lead Independent Director
Experience and expertise: Mr Carlisle serves as Managing Director of Olympics & Action Sports at global sports marketing agency, Octagon. He has served on numerous non-profit boards and has worked to develop and promote programs focused on a variety of mental health issues.

An expert at the forefront of the booming action sports industry for more than two decades, he has successfully transitioned his creative marketing strategies to emerge as the leader in the representation and marketing of Olympic and Action Sports athletes.

Mr Carlisle is one of only two sports agents to be inducted into Sports Business Journal's "Forty-Under-Forty" Hall of Fame. Mr Carlisle oversees a global business that provides career management for the company's Olympics and Action Sports clients through contract negotiations, endorsements, licensing and merchandising opportunities as well as successfully developing content-driven programs for athletes that are re-defining the term "athlete marketing." He oversees some of the worlds most recognisable athletes.

Mr Carlisle is highly decorated and respected with multiple recognition awards including Sports Illustrated's "Top 15 Most Influential Sports Agents", Member of Sports Business Journal's "Forty-Under-Forty" Hall of Fame following three career "Forty Under 40" Awards ('07, '04, '03), Two-time recipient of Sports Business Journal's "20 Most Influential People: Sports Agents" ('06, '04) amongst others.

Other current directorships: None
Former directorships (last 3 years): None
Interests in shares: 125,500 fully paid ordinary shares
Interests in options: 559,556 unlisted options exercisable at \$0.44 expiring on 18 June 2022
4,000,000 unlisted options exercisable at \$0.014 expiring on 13 June 2023
3,600,000 unlisted options exercisable at \$0.011 expiring on 20 December 2023

Name: Ms Melanie Leydin
Title: Director and Joint Company Secretary
Qualifications: B.Bus Acc Corp law
Experience and expertise: 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)).

Other current directorships: E2 Metals Limited
Former directorships (last 3 years): Australian Primary Hemp Limited (ASX: APH) (formerly Alchemia Limited) resigned 2 October 2019
Interests in shares: None
Interests in options: 2,600,000 unlisted options exercisable at \$0.02 expiring on 19 August 2023
2,200,000 unlisted options exercisable at \$0.011 expiring on 20 December 2023

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company secretaries

Ms Melanie Leydin, CA (Joint Company Secretary)

Refer to information on Directors for further information.

Mr Mathew Watkins (Joint Company Secretary)

Mr Watkins is a Company Secretariat with the Company Secretarial and 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.

Meetings of Directors

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2020, and the number of meetings attended by each Director were:

	Full Board		Nomination and Remuneration Committee		Audit and Risk Committee	
	Attended	Held	Attended	Held	Attended	Held
C Solitario	19	19	-	-	3	3
P Carlisle	18	19	1	1	3	3
M Leydin	17	19	1	1	-	-
D Kaysen	10	11	-	-	-	-
L Wiperman Heine	4	4	-	-	-	-
L Ragen Ide	4	4	-	-	-	-
L Ojala	4	4	-	-	-	-
M Phelps	-	5	-	-	-	-
P Kennedy	-	5	-	-	-	-
F Prendergast	1	5	-	-	-	-

Held: represents the number of meetings held during the time the Director held office or was a member of the relevant committee.

Following a restructuring of the Board during the year and due to the size of the Company and Board, the Board now fulfils the roles and responsibilities in relation to the Audit and Risk Committee and Remuneration and Nomination Committee. The Board is now responsible for the duties that would ordinarily be carried out by these Committees.

Remuneration report (audited)

The remuneration report details the key management personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

The performance of the Group depends upon the quality of its Directors and executives. The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward.

The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

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.

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:

- focusing on sustained growth in shareholder wealth, consisting of growth in share price, driving towards dividends, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value
- attracting and retaining high calibre executives

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience
- reflecting competitive reward for contribution to growth in shareholder wealth
- providing a clear structure for earning rewards

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

Non-executive directors remuneration

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Nomination and Remuneration Committee. The Nomination and Remuneration Committee may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market.

Effective 1 January 2019 the Non-Executive Directors of 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.

ASX listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. The most recent determination was at the General Meeting held on 11 September 2017, where the shareholders approved a maximum annual aggregate remuneration of \$750,000.

Senior management and executive remuneration

The consolidated entity aims to reward senior management and executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The senior management and executive remuneration and reward framework has four components:

- base pay and non-monetary benefits
- short-term performance incentives
- share-based payments
- other remuneration such as superannuation and long service leave

The combination of these comprises the senior management and executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Nomination and Remuneration Committee based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remunerations.

The short-term incentives ('STI') program is designed to align the targets of the business units with the performance hurdles of executives. STI payments are granted to executives based on specific annual targets and key performance indicators ('KPI's') being achieved. KPI's include revenue targets, relevant regulatory approvals, financial efficiencies, amongst other operational matters.

The long-term incentives ('LTI') include long service leave and share-based payments. These may include increase in shareholders value relative to the entire market and the increase compared to the consolidated entity's direct competitors.

Following the restructure of the Board and senior management during the year the Company is currently in the process of updating its STI and LTI programs.

Voting and comments made at the Company's 22 November 2019 Annual General Meeting ('AGM')

At the 22 November 2019 AGM, 78.75% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2019. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration

Amounts of remuneration

Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables. Unless otherwise noted, the named persons were key management personnel for the whole of the period ended 30 June 2020.

The key management personnel of the consolidated entity consisted of the following Directors of Medibio Limited:

- Mr Claude Solitario, Managing Director and CEO (previously Non-Executive Director appointed as Managing Director and CEO effective 9 January 2020)
- Mr Peter Carlisle, Non-Executive and Lead Independent Director
- Ms Melanie Leydin, Director and Joint Company Secretary
- Mr David Kaysen, Managing Director, CEO and Chairman (resigned 8 January 2020)
- Ms Lisa Wipperman Heine, Non-Executive Director (appointed 29 August 2019, resigned 22 November 2019)
- Dr. Lisa Ide, Non-Executive Director (appointed 29 August 2019, resigned 22 November 2019)
- Ms Liwanag Ojala, Non-Executive Director (appointed 29 August 2019, resigned 22 November 2019)
- Mr Michael Phelps, Non-Executive Director (resigned 29 August 2019)
- Mr Patrick Kennedy, Non-Executive Director (resigned 29 August 2019)
- Dr Franklyn Prendergast, Non-Executive Director (resigned 29 August 2019)

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Total
	Cash salary and fees \$	Cash bonus \$	Non-monetary \$	Super-annuation \$	Long service leave \$	Equity-settled \$	
30 June 2020							
<i>Non-Executive Directors:</i>							
P Carlisle	-	-	-	-	-	20,268	20,268
L Wipperman Heine (1)	-	-	-	-	-	-	-
L Ragen Ide (2)	-	-	-	-	-	-	-
L Ojala (3)	-	-	-	-	-	-	-
M Phelps (4)	-	-	-	-	-	-	-
P Kennedy (5)	-	-	-	-	-	-	-
F Prendergast (6)	-	-	-	-	-	-	-
<i>Executive Directors:</i>							
C Solitario	64,805	-	-	6,157	-	67,810	138,772
D Kaysen (8)	455,145	-	-	-	-	190,950	646,095
<i>Other Key Management Personnel:</i>							
M Leydin (7)	141,631	-	-	-	-	42,416	184,047
	<u>661,581</u>	<u>-</u>	<u>-</u>	<u>6,157</u>	<u>-</u>	<u>321,444</u>	<u>989,182</u>

(1) L Wipperman Heine resigned as director on 22 November 2019

(2) L Ragen Ide resigned as director on 22 November 2019

(3) L Ojala resigned as director on 22 November 2019

(4) M Phelps resigned as director on 29 August 2019

(5) P Kennedy resigned as director on 29 August 2019

(6) F Prendergast resigned as director on 29 August 2019

(7) Melanie Leydin is a Director and Joint Company Secretary, undertakes executive functions in her role as Joint Company Secretary and as such is referred to as Other Key Management Personnel for the purposes of the Remuneration Report. 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.

(8) D Kaysen salaries paid above include a notice payment of USD\$90,000, as a part of his resignation from the company.

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments		Total
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled	Termination Pay	
30 June 2019	\$	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>								
P Carlisle	30,986	-	-	-	-	41,799	-	72,785
F Prendergast	48,910	-	-	-	-	30,621	-	79,531
M Phelps	30,986	-	-	-	-	30,621	-	61,607
P Kennedy	30,986	-	-	-	-	33,105	-	64,091
C Solitario (1)	-	-	-	-	-	18,630	-	18,630
C Indermaur (2)	41,063	-	-	-	-	-	-	41,063
A Maxwell (3)	28,743	-	-	-	-	3,105	-	31,848
<i>Executive Directors:</i>								
D Kaysen (4)	310,873	-	-	-	-	-	-	310,873
J Cosentino (5)	66,914	-	-	-	-	-	414,973	481,887
<i>Other Key Management Personnel:</i>								
M Leydin & M Watkins (6)	147,631	-	-	-	-	-	-	147,631
B Mower (7)	162,008	-	-	-	-	-	47,028	209,036
S Sathre (8)	133,364	-	-	-	-	-	16,903	150,267
	<u>1,032,464</u>	-	-	-	-	<u>157,881</u>	<u>478,904</u>	<u>1,669,249</u>

(1) Appointed 31 December 2018

(2) Non-executive Chairman from 1 July 2018 to 31 December 2018

(3) Resigned 22 February 2019

(4) 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.

(5) 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.

(6) Melanie Leydin is a Director and Joint Company Secretary, undertakes executive functions in her role as Joint Company Secretary and as such is referred to as Other Key Management Personnel for the purposes of the Remuneration Report. 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.

(7) 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.

(8) 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.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019	30 June 2020	30 June 2019
<i>Non-Executive Directors:</i>						
P Carlisle	-	43%	-	-	100%	57%
M Phelps	-	50%	-	-	-	50%
P Kennedy	-	48%	-	-	-	52%
F Prendergast	-	61%	-	-	-	39%
<i>Executive Directors:</i>						
C Solitario	51%	-	-	-	49%	100%
D Kaysen	70%	100%	-	-	30%	-
<i>Other Key Management Personnel:</i>						
M Leydin	77%	100%	-	-	23%	-

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 Claude Solitario
Title:	Managing Director
Agreement commenced:	1 January 2020
Term of agreement:	Ongoing
Details:	Total remuneration for the position is a package of \$150,000 (inclusive of statutory superannuation). Termination of the agreement by either party with 3 month's written notice.

The position also includes an options sign on package which includes the issue of 11,250,000 exercisable within 5 years of the date of grant with an exercise price equal to the 30 day VWAP immediately prior to the date of grant. The options remain subject to shareholder approval at the next shareholder meeting.

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

Share-based compensation

Issue of shares

There were no shares issued to Directors and other key management personnel as part of compensation during the year ended 30 June 2020.

Options

The terms and conditions of each grant of options over ordinary shares affecting remuneration of Directors and other key management personnel in this financial year or future reporting years are as follows:

Name	Number of options granted	Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
C Solitario	4,000,000	29/08/2019	29/08/2019	19/08/2024	\$0.015	\$0.01273
C Solitario	3,000,000	20/12/2019	20/12/2019	20/12/2023	\$0.011	\$0.00563
P Carlisle	3,600,000	20/12/2019	20/12/2019	20/12/2023	\$0.011	\$0.00563
M Leydin	2,600,000	29/08/2019	29/08/2019	19/08/2023	\$0.020	\$0.01155
M Leydin	2,200,000	20/12/2019	20/12/2019	20/12/2023	\$0.011	\$0.00563
D Kaysen	15,000,000	29/08/2019	29/08/2019 - 29/08/2022*	19/08/2024	\$0.015	\$0.01273

- * 25% vests on grant date, with remaining 75% vesting on each subsequent anniversary at portions of 25%, 25% and 25%, respectively

Options granted carry no dividend or voting rights.

There were no options over ordinary shares granted to or vested by Directors and other key management personnel as part of compensation during the year ended 30 June 2020.

Additional information

The earnings of the Group for the five years to 30 June 2020 are summarised below:

	2020	2019	2018	2017	2016
	\$	\$	\$	\$	\$
Revenue and other income	932,831	4,132,291	2,600,592	3,156,565	1,805,032
Net profit/(loss) before tax	(3,872,404)	(6,587,039)	(16,300,382)	(9,785,072)	(5,824,371)
Net profit/(loss) after tax	(3,872,404)	(6,587,039)	(16,300,382)	(9,785,072)	(5,824,371)

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2020	2019	2018	2017	2016
Share price at financial year start (\$)	0.01	0.14	0.36	0.33	0.40
Share price at financial year end (\$)	0.01	0.01	0.14	0.36	0.33
Basic earnings per share (cents per share)	(0.44)	(3.05)	(8.81)	(7.44)	(5.92)

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the Company held during the financial year by each Director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions*	Disposals/ other**	Balance at the end of the year
<i>Ordinary shares</i>					
C Solitario	11,479,536	-	30,333,040	-	41,812,576
P Carlisle	125,500	-	-	-	125,500
M Leydin	-	-	-	-	-
F Prendergast	374,075	-	-	(374,075)	-
	11,979,111	-	30,333,040	(374,075)	41,938,076

* Shares received upon conversion of Convertible Notes on the same terms as other Convertible Notes holders.

** Shares held on date of resignation.

Option holding

The number of options over ordinary shares in the Company held during the financial year by each Director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Granted**	Exercised	Expired/ forfeited/ other	Balance at the end of the year
<i>Options over ordinary shares</i>					
C Solitario	3,000,000	37,333,040	-	-	40,333,040
P Carlisle	4,559,556	3,600,000	-	-	8,159,556
M Leydin	-	4,800,000	-	-	4,800,000
M Phelps*	2,759,556	-	-	(2,759,556)	-
P Kennedy*	3,159,556	-	-	(3,159,556)	-
F Prendergast*	2,759,556	-	-	(2,759,556)	-
D Kaysen*	-	15,000,000	-	(15,000,000)	-
	<u>16,238,224</u>	<u>60,733,040</u>	<u>-</u>	<u>(23,678,668)</u>	<u>53,292,596</u>

* Options held at date of resignation.

** 30,333,040 quoted options received as free attaching option upon conversion of Convertible Notes on the same terms as other Convertible Notes holders.

This concludes the remuneration report, which has been audited.

Shares under option

Unissued ordinary shares of Medibio Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
19/08/2019	01/12/2021	\$0.030	836,328,519
11/09/2017	11/10/2022	\$0.450	2,000,000
30/11/2017	30/11/2020	\$0.400	3,000,000
06/06/2018	18/06/2022	\$0.440	3,637,113
21/06/2018	18/06/2023	\$0.450	1,350,000
21/06/2018	11/10/2020	\$0.800	3,000,000
15/05/2019	13/06/2023	\$0.010	14,500,000
19/07/2019	14/06/2023	\$0.010	9,500,000
19/08/2019	19/08/2023	\$0.020	2,600,000
19/08/2019	19/08/2024	\$0.015	3,750,000
19/08/2019	19/08/2024	\$0.015	4,000,000
22/11/2019	20/12/2023	\$0.011	8,800,000
02/06/2020	02/06/2022	\$0.030	7,500,000
18/06/2020	02/06/2022	\$0.030	20,000,000
			<u>919,965,632</u>

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the Company or of any other body corporate.

Shares issued on the exercise of options

There were no shares issued on the exercise of options to the financial year however subsequent to year end a total of 21 options were exercised into shares.

Indemnity and insurance of officers

The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the directors and executives of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

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 Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Non-audit services

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

Details of the amount paid or payable to the auditor (William Buck (Qld)) for audit and non-audit services provided during the year are set out in Note 24 .

The Board of Directors has considered the position and, in accordance with the advice received from the Audit and Risk Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001 for the following reasons:

- All non-audit services have been reviewed by the Audit and Risk Committee to ensure they do not impact the impartiality and objectivity of the auditor.
- None of the services undermine the general principles relating to auditor independence as set out in Professional Statement APES 110 Code of Ethics for Professional Accountants (including Independence Standards) issued by the Accounting Professional and Ethical Standards Boards, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

Officers of the Company who are former partners of

There are no officers of the Company who are former partners of William Buck (Qld).

Auditor's independence declaration

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.

Auditor

William Buck (Qld) continues in office in accordance with section 327 of the Corporations Act 2001.

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



Claude Solitario
Managing Director

25 September 2020

**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 2020 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 25th day of September 2020

ACCOUNTANTS & ADVISORS

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williambuck.com

Medibio Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2020



		Consolidated	
	Note	30 June 2020	30 June 2019
		\$	\$
Revenue			
Sales	5	133,500	364,628
Other income	6	799,331	3,767,663
Expenses			
Cost of sales		(204,688)	(226,092)
Employee costs	7	(1,866,489)	(4,535,179)
Research and development expenses		(359,954)	(394,906)
Finance costs	8	(36,687)	(13,928)
Depreciation and amortisation expense		(148,865)	-
Other expenses	9	(1,985,003)	(5,007,547)
Impairment expense		(203,549)	(541,678)
Loss before income tax expense		(3,872,404)	(6,587,039)
Income tax expense	10	-	-
Loss after income tax expense for the year attributable to the Owners of Medibio Limited		(3,872,404)	(6,587,039)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		19,157	(9,902)
Other comprehensive income for the year, net of tax		19,157	(9,902)
Total comprehensive income for the year attributable to the Owners of Medibio Limited		(3,853,247)	(6,596,941)
		Cents	Cents
Basic earnings per share	30	(0.44)	(3.05)
Diluted earnings per share	30	(0.44)	(3.05)

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

Medibio Limited
Statement of financial position
As at 30 June 2020



		Consolidated	
	Note	30 June 2020	30 June 2019
		\$	\$
Assets			
Current assets			
Cash and cash equivalents	11	812,503	1,333,090
Trade and other receivables	12	32,505	14,874
Other current assets		16,688	184,054
Total current assets		<u>861,696</u>	<u>1,532,018</u>
Non-current assets			
Other assets		78,271	107,228
Right-of-use assets	13	71,440	-
Intangibles	14	13,002,170	11,664,252
Total non-current assets		<u>13,151,881</u>	<u>11,771,480</u>
Total assets		<u>14,013,577</u>	<u>13,303,498</u>
Liabilities			
Current liabilities			
Trade and other payables	15	1,204,221	1,808,382
Convertible notes	16	-	2,753,331
Lease liabilities		76,905	-
Employee benefits	17	123,063	137,315
Total current liabilities		<u>1,404,189</u>	<u>4,699,028</u>
Total liabilities		<u>1,404,189</u>	<u>4,699,028</u>
Net assets		<u>12,609,388</u>	<u>8,604,470</u>
Equity			
Issued capital	18	91,669,201	84,424,838
Reserves	19	5,323,117	4,678,933
Accumulated losses		(84,382,930)	(80,499,301)
Total equity		<u>12,609,388</u>	<u>8,604,470</u>

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

Medibio Limited
Statement of changes in equity
For the year ended 30 June 2020



Consolidated	Issued capital \$	Foreign currency translation reserves \$	Share based payments reserve \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2018	83,642,250	(132,274)	4,388,774	(73,912,262)	13,986,488
Loss after income tax expense for the year	-	-	-	(6,587,039)	(6,587,039)
Other comprehensive income for the year, net of tax	-	(9,902)	-	-	(9,902)
Total comprehensive income for the year	-	(9,902)	-	(6,587,039)	(6,596,941)
<i>Transactions with Owners in their capacity as Owners:</i>					
Contributions of equity, net of transaction costs (note 18)	782,588	-	-	-	782,588
Share options issued	-	-	385,455	-	385,455
Foreign Exchange Translation	-	-	46,880	-	46,880
Balance at 30 June 2019	<u>84,424,838</u>	<u>(142,176)</u>	<u>4,821,109</u>	<u>(80,499,301)</u>	<u>8,604,470</u>

Consolidated	Issued capital \$	Foreign currency translation reserves \$	Share based payments reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2019	84,424,838	(142,176)	4,821,109	(80,499,301)	8,604,470
Adjustment upon adoption of AASB 16 (note 2)	-	-	-	(11,225)	(11,225)
Balance at 1 July 2019 - restated	84,424,838	(142,176)	4,821,109	(80,510,526)	8,593,245
Loss after income tax expense for the year	-	-	-	(3,872,404)	(3,872,404)
Other comprehensive income for the year, net of tax	-	19,157	-	-	19,157
Total comprehensive income for the year	-	19,157	-	(3,872,404)	(3,853,247)
<i>Transactions with Owners in their capacity as Owners:</i>					
Contributions of equity, net of transaction costs (note 18)	7,244,363	-	-	-	7,244,363
Share-based payments (note 31)	-	-	625,027	-	625,027
Balance at 30 June 2020	<u>91,669,201</u>	<u>(123,019)</u>	<u>5,446,136</u>	<u>(84,382,930)</u>	<u>12,609,388</u>

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

Medibio Limited
Statement of cash flows
For the year ended 30 June 2020



	Consolidated	
Note	30 June 2020	30 June 2019
	\$	\$
Cash flows from operating activities		
	233,480	550,610
	674,158	3,146,335
	<u>(4,496,456)</u>	<u>(10,554,623)</u>
	29	(3,588,818)
	<u>(3,588,818)</u>	<u>(6,857,678)</u>
Cash flows from investing activities		
	28,958	-
	7,562	54,013
	<u>(1,541,468)</u>	<u>(1,111,220)</u>
	<u>(1,504,948)</u>	<u>(1,057,207)</u>
Cash flows from financing activities		
	4,708,647	782,588
	-	2,342,200
	<u>(154,625)</u>	<u>-</u>
	<u>4,554,022</u>	<u>3,124,788</u>
	(539,744)	(4,790,097)
	1,333,090	6,123,187
	<u>19,157</u>	<u>-</u>
	11	812,503
	<u>812,503</u>	<u>1,333,090</u>

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

Note 1. General 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.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Going concern

As at 30 June 2020, the Group had a net asset position of \$12,609,388 (30 June 2019: \$8,604,470). As at 30 June 2020 it had:

- Incurred a loss after tax for the period of \$3,872,404 (30 June 2019: \$6,587,039)
- Net cash outflows from operations of \$3,588,818 (30 June 2019: \$6,857,678)
- Cash at bank of \$812,503 (30 June 2019: \$1,333,090)
- Current liabilities exceed current assets by \$542,493 (30 June 2019: \$3,167,010)

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. Medibio undertook a comprehensive review of internal operations to identify costs savings, these savings are being applied predominantly to the commercialisation of ilumen™ and the FDA program with the hiring of technology vendors who possess the specific skills needed for R&D work, thereby providing more flexibility in how funds are spent.

As announced on 10 June 2020, the Group has launched a capital raising to raise \$2 million (before costs). \$500,000 of this was raised via a placement prior to year end, and \$1.5 million was raised via an entitlement offer subsequent to year end. The directors are confident that the Group is able to raise further equity from its shareholders and sophisticated professional investors if required.

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

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 26.

Note 2. Significant accounting policies (continued)

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Medibio Limited ('Company' or 'parent entity') as at 30 June 2020 and the results of all subsidiaries for the year then ended. Medibio Limited and its subsidiaries together are referred to in these financial statements as the 'Group'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Foreign currency translation

The financial statements are presented in Australian dollars, which is Medibio Limited's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or 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 nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Note 2. Significant accounting policies (continued)

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

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Current and non-current classification

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

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

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

Deferred tax assets and liabilities are always classified as non-current.

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

The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 2. The estimate of recoverable amount involves significant judgement.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Goods and Services Tax ('GST') and other similar taxes

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

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

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

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

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2020. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

Note 2. Significant accounting policies (continued)

Conceptual Framework for Financial Reporting (Conceptual Framework)

The revised Conceptual Framework is applicable to annual reporting periods beginning on or after 1 January 2020 and early adoption is permitted. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards. Where the consolidated entity has relied on the existing framework in determining its accounting policies for transactions, events or conditions that are not otherwise dealt with under the Australian Accounting Standards, the consolidated entity may need to review such policies under the revised framework. At this time, the application of the Conceptual Framework is not expected to have a material impact on the consolidated entity's financial statements.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

AASB 16 Leases

The consolidated entity has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straightline operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

Impact of adoption

AASB 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated.

The impact of adoption on opening accumulated losses as at 1 July 2019 was as follows:

Right-of-use assets as at 1 July 2019	220,305
Lease liabilities - current - as at 1 July 2019	(155,113)
Lease liabilities - non-current - as at 1 July 2019	(76,417)
Reduction in opening accumulated losses	<u>(11,225)</u>
Gross lease commitments as at 30 June 2019	373,315
Short term leases not recognised	(107,313)
Discount to present value at weighted average incremental borrowing rate 5.24%	(34,472)
	<u>231,530</u>

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated or amortised on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Note 2. Significant accounting policies (continued)

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Note 3. Critical 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:

Estimation of useful lives of assets

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

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

The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 2. The estimate of recoverable amount involves significant judgement.

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.

Note 4. Operating 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 2020 and 2019 was sourced from Australia.

All assets reside in two geographical regions being Australia \$10,883,359 (2019: \$11,374,791) and USA \$3,258,463 (2019: \$1,928,707).

Note 5. Sales

	Consolidated	
	30 June 2020	30 June 2019
	\$	\$
Sales	<u>133,500</u>	<u>364,628</u>

Revenue recognition

The consolidated entity recognises revenue as follows:

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.

Note 5. Sales (continued)

Other revenue

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

Note 6. Other income

	Consolidated	
	30 June 2020	30 June 2019
	\$	\$
R&D grant received	674,158	3,712,586
Other income	117,611	-
Interest received	7,562	30,077
Research grant	-	25,000
	<u>799,331</u>	<u>3,767,663</u>

Note 7. Employee costs

	Consolidated	
	30 June 2020	30 June 2019
	\$	\$
Wages and salaries	1,135,307	3,429,379
Share-based compensation expense	248,080	385,455
Payroll taxes and benefits	107,734	430,060
Other employee expenses	350,781	234,931
Superannuation	24,587	55,354
	<u>1,866,489</u>	<u>4,535,179</u>

Note 8. Finance costs

	Consolidated	
	30 June 2020	30 June 2019
	\$	\$
Leasing costs	10,091	13,928
Other finance costs	26,596	-
	<u>36,687</u>	<u>13,928</u>

Note 9. Other expenses

	Consolidated	
	30 June 2020	30 June 2019
	\$	\$
Consulting and advisory expenses	804,056	1,593,127
Legal fees	525,588	1,158,589
Listing fees and share registry charges	72,419	106,784
Sales and marketing	916	119,426
Other administration expenses	582,024	2,029,621
	<u>1,985,003</u>	<u>5,007,547</u>

Note 10. Income tax expense

	Consolidated	
	30 June 2020	30 June 2019
	\$	\$
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Loss before income tax expense	(3,872,404)	(6,587,039)
Tax at the statutory tax rate of 27.5%	(1,064,911)	(1,811,436)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Tax effect of temporary differences and current year loss not brought to account	1,064,911	1,811,436
Income tax expense	<u>-</u>	<u>-</u>

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 2020, there is no recognised or unrecognised deferred tax liability (2019: 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.

Note 11. Current assets - cash and cash equivalents

	Consolidated	
	30 June 2020	30 June 2019
	\$	\$
Cash at bank	<u>812,503</u>	<u>1,333,090</u>

Accounting policy for cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Note 12. Current assets - trade and other receivables

	Consolidated	
	30 June 2020	30 June 2019
	\$	\$
Trade receivables	<u>32,505</u>	<u>14,874</u>

Accounting policy for 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.

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

Note 13. Non-current assets - right-of-use assets

	Consolidated	
	30 June 2020	30 June 2019
	\$	\$
Right-of-use assets - land and buildings	581,972	-
Less: Accumulated depreciation	<u>(510,532)</u>	<u>-</u>
	<u>71,440</u>	<u>-</u>

The consolidated entity leases land and buildings for its offices under agreements of between 3 to 5 years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Land and buildings \$
Adoption of AASB16	220,305
Depreciation expense	<u>(148,865)</u>
Balance at 30 June 2020	<u>71,440</u>

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Note 14. Non-current assets - intangibles

	Consolidated	
	30 June 2020	30 June 2019
	\$	\$
Goodwill - at cost	444,999	444,999
Goodwill - Acquisition of Vital Conversations Pty Ltd	309,100	309,100
Goodwill - Accumulated impairment losses	(754,099)	(754,099)
	<u>-</u>	<u>-</u>
Capitalized R&D Expenses	3,283,941	2,778,737
ilumen Application Development - at cost	750,772	541,616
MEB-001 Application Development - at cost	1,172,813	549,255
Data files - at cost	7,794,644	7,794,644
	<u>13,002,170</u>	<u>11,664,252</u>

Accounting policy for intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Research and development

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the consolidated entity is able to use or sell the asset; the consolidated entity has sufficient resources and intent to complete the development; and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

Note 15. Current liabilities - trade and other payables

	Consolidated	
	30 June 2020	30 June 2019
	\$	\$
Trade payables	1,204,221	1,808,382

Refer to note 21 for further information on financial instruments.

Accounting policy for trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Note 16. Current liabilities - Convertible notes

	Consolidated	
	30 June 2020	30 June 2019
	\$	\$
Convertible notes payable	<u>-</u>	<u>2,753,331</u>

Refer to note 21 for further information on financial instruments.

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 at the same issue price, as approved by shareholders at the 21 January 2019 General Meeting.

On 29 August 2019 all 137,666,250 convertible notes converted into 275,333,040 fully paid ordinary shares, and as a result there is NIL convertible notes outstanding at 30 June 2020.

Accounting policy for borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

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.

On the issue of the convertible notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders equity as a convertible note reserve, net of transaction costs. The carrying amount of the conversion option is not remeasured in the subsequent years. The corresponding interest on convertible notes is expensed to profit or loss.

Note 17. Current liabilities - employee benefits

	Consolidated	
	30 June 2020	30 June 2019
	\$	\$
Employee benefits	<u>123,063</u>	<u>137,315</u>

Accounting policy for employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Note 18. Equity - issued capital

	Consolidated			
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>1,094,796,705</u>	<u>248,801,499</u>	<u>91,669,201</u>	<u>84,424,838</u>

Note 18. Equity - issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2018	202,628,271		83,642,250
Shares issued	14 March 2019	46,173,228	\$0.020	923,464
Share issue costs		-	\$0.000	(140,876)
Balance	30 June 2019	248,801,499		84,424,838
Share issued	19 July 2019	35,000,000	\$0.010	350,000
Share purchase plan and placement	29 August 2019	435,995,500	\$0.010	4,359,955
Conversion of convertible notes	29 August 2019	275,333,040	\$0.010	2,753,330
Share issued for settlement of debt	2 June 2020	15,000,000	\$0.010	150,000
Share issued for settlement of payables	2 June 2020	1,333,333	\$0.007	9,333
Share issued via placement	18 June 2020	83,333,333	\$0.006	500,000
Share issue costs		-	\$0.000	(878,255)
Balance	30 June 2020	<u>1,094,796,705</u>		<u>91,669,201</u>

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back

There is no current on-market share buy-back.

Capital risk management

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

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

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

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

The capital risk management policy remains unchanged from the 2019 Annual Report.

Accounting policy for issued capital

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.

Note 19. Equity - reserves

	Consolidated	
	30 June 2020	30 June 2019
	\$	\$
Share based payment reserve	5,446,136	4,821,109
Foreign currency translation reserve	(123,019)	(142,176)
	<u>5,323,117</u>	<u>4,678,933</u>

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 2018	(132,274)	4,388,774	4,256,500
Foreign currency 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
Foreign currency translation	19,157	-	19,157
Share options issued	-	625,027	625,027
Balance at 30 June 2020	<u>(123,019)</u>	<u>5,446,136</u>	<u>5,323,117</u>

Note 20. Equity - dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Note 21. Financial instruments

Financial risk management objectives

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.

Market risk

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.

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.

Note 21. Financial instruments (continued)

Consolidated
30 June 2020 30 June 2019
\$ \$

Financial assets

Cash and cash equivalents	812,503	1,333,090
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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 2020, 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 - 30 June 2020	Basis point change	Increase Effect on profit before tax	Effect on equity	Basis point change	Decrease Effect on profit before tax	Effect on equity
Cash and cash equivalents	100	8,125	8,125	(100)	(8,125)	(8,125)
Cash and cash equivalents	50	4,063	4,063	(50)	(4,063)	(4,063)
		<u>12,188</u>	<u>12,188</u>		<u>(12,188)</u>	<u>(12,188)</u>

Consolidated - 30 June 2019	Basis point change	Increase Effect on profit before tax	Effect on equity	Basis point change	Effect on profit before tax	Effect on equity
Cash and cash equivalents	100	13,331	13,331	(100)	(13,331)	(13,331)
Cash and cash equivalents	50	6,665	6,665	(50)	(6,665)	(6,665)
		<u>19,996</u>	<u>19,996</u>		<u>(19,996)</u>	<u>(19,996)</u>

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.

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.

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.

Note 21. Financial instruments (continued)

Fair value of financial instruments

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.

Note 22. Fair value measurement

Accounting policy for 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 principal market; or in the absence of a principal 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 interests. 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 are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Note 23. Key management personnel disclosures

Directors

The following persons were Directors of Medibio Limited during the financial year:

Mr Claude Solitario, Managing Director (appointed to Managing Director and CEO role effective 9 January 2020)
Mr Peter Carlisle, Non-Executive and Lead Independent Director
Ms Melanie Leydin, Director
Mr David Kaysen, Managing Director, CEO and Chairman (resigned 8 January 2020)
Ms Lisa Wipperman Heine, Non-Executive Director (appointed 29 August 2019, resigned 22 November 2019)
Dr. Lisa Ragen Ide, Non-Executive Director (appointed 29 August 2019, resigned 22 November 2019)
Ms Liwanag Ojala, Non-Executive Director (appointed 29 August 2019, resigned 22 November 2019)
Mr Michael Phelps, Non-Executive Director (resigned 29 August 2019)
Mr Patrick Kennedy, Non-Executive Director (resigned 29 August 2019)
Dr Franklyn Prendergast, Non-Executive Director (resigned 29 August 2019)

Other key management personnel

The following person also had the authority and responsibility for planning, directing and controlling the major activities of the consolidated entity, directly or indirectly, during the financial year:

Mr Mathew Watkins

Compensation

The aggregate compensation made to Directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated	
	30 June 2020	30 June 2019
	\$	\$
Short-term employee benefits	527,523	1,032,464
Post-employment benefits	6,157	-
Termination benefits	134,058	478,904
Share-based payments	321,444	157,881
	<u>989,182</u>	<u>1,669,249</u>

Note 24. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by , the auditor of the Company:

	Consolidated	Consolidated
	30 June 2020	30 June 2019
	\$	\$
<i>Audit services -</i>		
Audit or review of the financial statements	37,000	38,500
<i>Other services -</i>		
Tax compliance	12,000	12,000
Tax and other advice	-	1,940
EGM and AGM attendance	952	439
	<u>12,952</u>	<u>14,379</u>
	<u>49,952</u>	<u>52,879</u>

Note 25. Related party transactions

Parent entity

Medibio Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 27.

Key management personnel

Disclosures relating to key management personnel are set out in note 23 and the remuneration report included in the Directors' report.

Other transactions with related parties:

	Consolidated	Consolidated
	2020	2019
	\$	\$
Convertible notes issued to Claude Solitario	<u>-</u>	<u>303,330</u>

In 2019, 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.

On 29 August 2019 these convertible notes were converted into 30,333,000 fully paid ordinary shares, and as a result there is NIL convertible notes outstanding at 30 June 2020.

Transactions with related parties

There were no transactions with related parties during the current and previous financial year.

Receivable from and payable to related parties

There were trade payables of \$34,720 to Leydin Freyer at 30 June 2020.

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Note 26. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	30 June 2020	30 June 2019
	\$	\$
Loss after income tax	(328,955)	(1,208,217)
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income	(328,955)	(1,208,217)

Statement of financial position

	Parent	
	30 June 2020	30 June 2019
	\$	\$
Total current assets	576,970	1,319,491
Total non-current assets	36,482,856	31,756,886
Total assets	37,059,826	33,076,377
Total current liabilities	577,527	3,934,269
Total non-current liabilities	6,186,952	6,149,563
Total liabilities	6,764,479	10,083,832
Net assets	<u>30,295,347</u>	<u>22,992,545</u>
Equity		
Issued capital	91,669,201	84,424,838
Share based payment reserve	4,676,985	3,742,584
Accumulated losses	(66,050,839)	(65,174,877)
Total equity	<u>30,295,347</u>	<u>22,992,545</u>

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2020 and 30 June 2019.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2020 and 30 June 2019.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2020 and 30 June 2019.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 27. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

Name	Principal place of business / Country of incorporation	Ownership interest	
		30 June 2020 %	30 June 2019 %
BioProspect Australia Pty Ltd*	Australia	100%	100%
Australian Phytochemicals Pty Ltd*	Australia	100%	100%
BioProspect America Pty Ltd*	Australia	100%	100%
Medibio Limited – USA**	USA - Delaware	100%	100%
Invatec Health Pty Ltd	Australia	100%	100%
Annapanna Pty Ltd**	Australia	100%	100%

* Dormant entities

** Human health – CHR diagnostic development

Note 28. Events after the reporting period

On 13 July 2020, the Group completed the fully underwritten Non-Renounceable Entitlement Offer and issued 252,865,843 fully paid ordinary shares at \$0.006 (0.6 cents) per share raising \$1,517,195 before costs.

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 29. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated	
	30 June 2020 \$	30 June 2019 \$
Loss after income tax expense for the year	(3,872,404)	(6,587,039)
Adjustments for:		
Interest received	(7,562)	(54,013)
Impairment expense	203,549	541,678
Share-based payments and share-based compensation expense	407,412	385,455
Depreciation on the right of use assets	148,865	-
Change in operating assets and liabilities:		
Decrease in prepayments	167,366	-
(Increase) / decrease in trade and other receivables	(17,631)	1,654,152
(Increase) / decrease in other current assets	-	(86,142)
(Decrease) / increase in trade and other payables	(604,161)	(1,860,559)
(Decrease) / increase in employee entitlements	(14,252)	(851,210)
Net cash used in operating activities	<u>(3,588,818)</u>	<u>(6,857,678)</u>

Note 30. Earnings per share

	Consolidated	
	30 June 2020 \$	30 June 2019 \$
Loss after income tax attributable to the Owners of Medibio Limited	<u>(3,872,404)</u>	<u>(6,587,039)</u>

Note 30. Earnings per share (continued)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	882,414,832	216,290,486
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>882,414,832</u>	<u>216,290,486</u>
	Cents	Cents
Basic earnings per share	(0.44)	(3.05)
Diluted earnings per share	(0.44)	(3.05)

Accounting policy for earnings per share

Basic earnings per share

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

Diluted earnings per share

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

Note 31. Share-based payments

Expense recognised for employee services received during the year

	Consolidated 2020 \$	Consolidated 2019 \$
Share-based compensation related to options granted to employees	<u>151,033</u>	<u>2,227,574</u>

Expense recognised for consulting services received during the year

	Consolidated 2020 \$	Consolidated 2019 \$
Share-based compensation related to options granted to directors	<u>314,661</u>	<u>157,881</u>

Expense recognised for other services received during the year

	Consolidated 30 June 2020 \$	Consolidated 30 June 2019 \$
Share-based compensation related to options granted for settlement of services	<u>159,333</u>	<u>-</u>

Note 31. Share-based payments (continued)

Set out below are summaries of options granted:

30 June 2020

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
05/11/2016	30/11/2019	\$0.480	3,500,000	-	-	(3,500,000)	-
11/09/2017	11/10/2022	\$0.450	2,000,000	-	-	-	2,000,000
30/11/2017	30/11/2019	\$0.400	3,000,000	-	-	(3,000,000)	-
30/11/2017	30/11/2020	\$0.400	3,000,000	-	-	-	3,000,000
06/06/2018	18/06/2022	\$0.440	3,637,113	-	-	-	3,637,113
21/06/2018	18/06/2023	\$0.450	8,875,000	-	-	(7,525,000)	1,350,000
21/06/2018	11/10/2020	\$0.800	3,000,000	-	-	-	3,000,000
15/05/2019	13/06/2023	\$0.010	14,500,000	-	-	-	14,500,000
19/07/2019	14/06/2023	\$0.010	-	15,000,000	-	(5,500,000)	9,500,000
19/08/2019	19/08/2023	\$0.020	-	2,600,000	-	-	2,600,000
19/08/2019	19/08/2024	\$0.015	-	19,000,000	-	(11,250,000)	7,750,000
22/11/2019	20/12/2023	\$0.011	-	8,800,000	-	-	8,800,000
02/06/2020	02/06/2022	\$0.030	-	7,500,000	-	-	7,500,000
18/06/2020	02/06/2022	\$0.030	-	20,000,000	-	-	20,000,000
			41,512,113	72,900,000	-	(30,775,000)	83,637,113
Weighted average exercise price			\$0.317	\$0.019	\$0.000	\$0.211	\$0.097

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	Volatility	Risk-free interest rate	Fair value
19/07/2019	14/06/2023	\$0.020	\$0.010	127.00%	0.95%	\$0.01717
19/08/2019	19/08/2023	\$0.015	\$0.020	127.00%	0.69%	\$0.01155
19/08/2019	19/08/2024	\$0.015	\$0.015	127.00%	0.69%	\$0.01273
22/11/2019	20/12/2023	\$0.008	\$0.011	127.00%	0.82%	\$0.00563
02/06/2020	02/06/2022	\$0.007	\$0.030	254.00%	0.27%	\$0.00582
18/06/2020	02/06/2022	\$0.006	\$0.030	256.00%	0.26%	\$0.00509

On 29 August 2019, the consolidated entity issued 90 million quoted options with an exercise price of 3 cents. The options expire 1 December 2021 and were issued for the purpose of services rendered in relation to the August 2019 capital raising initiatives. The fair value of these options upon issue was \$270,000, which is based on the price on grant date for these quoted options, which has been capitalised as share raising costs.

Accounting policy for share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

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 do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

Note 31. Share-based payments (continued)

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.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2020 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of Directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the Directors



Claude Solitario
Managing Director

25 September 2020

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 2020, the consolidated statement of 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 2020 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 (including Independence Standards)* (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 2 in the financial report, which indicates that the Group incurred a total comprehensive loss of \$3,853,247 during the year ended 30 June 2020 and had net cash outflows from operations of \$3,588,818. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, 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

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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 notes 2, 3 and 14	How our audit addressed it
<ul style="list-style-type: none"> — The group has \$13 million of identifiable intangible assets (2019: \$11.66 million) including Development Costs of \$5.2million and Data Files of \$7.79 million. During the year ended 30 June 2020 it capitalised \$1.54m in development costs. — 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. — 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. — An assessment is also required against the criteria in AASB 138 Intangible Assets to be able to capitalise internally generated intangible assets. <p>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.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> — Agreeing the cost of studies to supporting invoices from the external bodies conducting the studies; — Agreeing the cost per data file calculation based on the number of data files obtained; — Confirming that the recoverable amount based on the amounts calculated was in excess of the carrying amount; — Reviewed management’s impairment assessments — 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. — 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. <p>We also considered the adequacy of the Group’s disclosures in relation to identifiable intangible assets.</p>

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SHARE BASED PAYMENTS

Refer also to notes 2, 3 and 31	How our audit addressed it
<p>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.</p> <p>The arrangements require significant judgments and estimations by management, including the following:</p> <ul style="list-style-type: none"> — 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; — 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; — The evaluation of key inputs into the Black Scholes option pricing model, including the significant judgment of the forecast volatility of the share option over its exercise period. <p>The results of these share-based payment arrangements materially affect the disclosures in the financial statements.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> — 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. — Reviewing the inputs into the valuation of the Options conducted at 30 June 2020. — 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. <p>We also considered the adequacy of the Group's disclosures in relation to Share Based Payments.</p>

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 2020 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.

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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 pages 9 to 16 of the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Medibio Limited, for the year ended 30 June 2020, 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.

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William Buck

William Buck (Qld)
ABN 21 559 713 106

A handwritten signature in black ink, appearing to read 'M. Monaghan'.

M J Monaghan
Director

Brisbane, 25 September 2020

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The shareholder information set out below was applicable as at 15 September 2020.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Number of holders of ordinary shares	Number of ordinary shares held	Percentage of ordinary shares held
1 - 1,000	265	79,744	0.01%
1,001 - 5,000	455	1,260,611	0.09%
5,001 - 10,000	189	1,504,390	0.11%
10,001 - 100,000	862	45,134,631	3.36%
100,001 Over	1,019	1,299,683,193	96.43%
	<u>2,790</u>	<u>1,347,662,569</u>	
Holding less than a marketable parcel	<u>-</u>	<u>1,307</u>	

	Number of holders of listed options	Number of listed options held	Percentage of listed options
1 - 1,000	5	262	-
1,001 - 5,000	-	-	-
5,001 - 10,000	-	-	-
10,001 - 100,000	40	3,840,000	0.46%
100,001 Over	308	832,488,257	99.54%
	<u>353</u>	<u>836,328,519</u>	
Holding less than a marketable parcel	<u>-</u>	<u>47</u>	

	Number of holders of unlisted options	Number of unlisted options held	Percentage of unlisted options
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	2	14,000	0.02%
10,001 - 100,000	3	300,000	0.36%
100,001 Over	33	83,323,113	99.62%
	<u>38</u>	<u>83,637,113</u>	

Equity security holders

Twenty largest quoted equity security holders

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

Name	Number of fully paid ordinary shares held	% of total shares issued
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	130,562,499	9.69%
ROOKHARP CAPITAL PTY LIMITED	50,000,000	3.71%
MR CLAUDE SOLITARIO SOLITARIO FAMILY ACCOUNT	38,666,300	2.87%
CITICORP NOMINEES PTY LIMITED	33,712,821	2.50%
SUNSET CAPITAL MANAGEMENT PTY LTD SUNSET SUPERFUND A/C	33,087,189	2.46%
UBS NOMINEES PTY LTD	27,307,199	2.03%
MRS ZI JUAN QI CHEN FAMILY A/C	20,000,000	1.48%
ROOKHARP CAPITAL PTY LIMITED	17,500,000	1.30%
MR JOHN YACOUB	15,550,000	1.15%
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD DRP A/C	15,050,000	1.12%
PAUL ANTHONY PORTER	15,000,000	1.11%
TISIA NOMINEES PTY LTD HENDERSON FAMILY A/C	15,000,000	1.11%
MRS YAN WANG AUST WEST COAST TRAVEL A/C	15,000,000	1.11%
MR CLAUDE SOLITARIO SOLITARIO FAMILY A/C	13,371,250	0.99%
TISIA NOMINEES PTY LTD THE HENDERSON FAMILY A/C	12,500,000	0.93%
DEBUSCEY PTY LTD	12,000,000	0.89%
DR STEPHEN ROBERT DESMOND ADDIS + MS CORINNE MAY WHOLAGAN DAISYS SUPERFUND A/C	11,500,000	0.85%
MR DALE MAURICE RAYNES	11,333,333	0.84%
MERRIBROOK SUPER PTY LTD V & M DELLA FRANCA S/F A/C	10,333,333	0.77%
DENLIN NOMINEES PTY LTD	10,000,000	0.74%
MR LUIGI REGHELIN REGHELIN FAMILY A/C	10,000,000	0.74%
P K CAPITAL PTY LTD	10,000,000	0.74%
SPUNCOPIE PTY LIMITED	10,000,000	0.74%
	<u>537,473,924</u>	

Twenty largest quoted option holders

The names of the twenty largest security holders of quoted options are listed below:

Name	Number of options held	% of total options issued
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	52,357,200	6.26%
FIRST INVESTMENT PARTNERS PTY LTD	46,077,791	5.51%
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%
MR PETER ANDREW PROKSA	25,000,000	2.99%
MR BRENT JOSEPH EVITT B&J BE FUND A/C	24,671,500	2.95%
MR RYAN JAMES ROWE	20,000,000	2.39%
MR SAMUEL GERSHON JACOBS + MRS SARITA DEVI JACOBS + MISS MANEKHA		
BRIDGETTE JACOBS THE PHOENIX SUPERFUND A/C	20,000,000	2.39%
P K CAPITAL PTY LTD	20,000,000	2.39%
SUPER MSJ PTY LTD MSJ SUPER FUND A/C	20,000,000	2.39%
VENUS ANETAC PTY LTD RGC FAMILY A/C	20,000,000	2.39%
BROWN BRICKS PTY LTD HM A/C	15,000,000	1.79%
WLP INVESTMENTS PTY LTD	15,000,000	1.79%
HOLDSWORTH BROS (HOLDINGS) PTY LTD	12,000,000	1.43%
MR JOHN YACOUB	10,200,000	1.22%
MS PHAROTH SAN + MR KADEN SAN PKSAN SUPERFUND A/C	10,114,590	1.21%
DENLIN NOMINEES PTY LTD	10,000,000	1.20%
HOLDSWORTH BROS PTY LTD HOLDSWORTH BROS S/F A/C	10,000,000	1.20%
SAWGRASS T PTY LTD SAWGRASS T SUPER A/C	10,000,000	1.20%
MR MEL SPARTA	10,000,000	1.20%
TISIA NOMINEES PTY LTD HENDERSON FAMILY A/C	10,000,000	1.20%
	<u>456,811,321</u>	

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares issued	83,637,113	38

Substantial holders

Substantial holders in the Company, as disclosed in substantial holding notices given to the Company, are set out below:

	Ordinary shares Number held	% of total shares issued
FIL Limited holding	91,785,128	9.22%

Director Nomination

The Company will hold its Annual General Meeting of shareholders on 12 November 2020. The Company also advises that in accordance with ASX Listing Rule 14.5 and the Company's constitution the Closing Date for receipt of nominations for the position of Director is 1 October 2020. Any nominations must be received in writing no later than 5.00pm (Melbourne time) on this date at the Company's Registered Office.

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Listed & Unlisted options

The listed and unlisted options on issue do not carry any voting rights.

There are no other classes of equity securities.

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