# Sun Biomedical Limited

**ACN 001 285 230**

# Annual report for the financial year ended 30 June 2015

# Corporate directory

**Board of Directors**

| | |
|---|---|
| Dr James Williams | Executive Chairman |
| Dr Anton Uvarov | Executive Director |
| Mr Howard Digby | Non-Executive Director |
| Dr Sonia Poli | Non-Executive Director |

**Company Secretary**
Mr Peter Webse

**Registered and Principal Office**
Level 2, 1 Walker Avenue
West Perth, Western Australia 6005
Tel: +61 8 9481 3860
Fax: +61 8 9321 1204

**Postal Address**
PO Box 271
West Perth, Western Australia 6872

**Website**
Website: www.sunbiomed.com.au

**Auditors**
Stantons International
Level 2, 1 Walker Avenue
West Perth, Western Australia 6005

**Share Registry**
Automic Registry Services
Level 1, 7 Ventnor Avenue
West Perth, Western Australia 6005
Tel: +61 8 9324 2099
Fax: +61 8 9321 2337

**Stock Exchange**
Australian Securities Exchange
Level 40, Central Park
152-158 St George's Terrace
Perth, Western Australia 6000

**ASX Code**: SBN

# Annual report for the financial year ended 30 June 2015

## Contents

# Directors' report

The directors of Sun Biomedical Limited ("Sun Biomedical" or "the Company") submit herewith the annual report of the Company for the financial year ended 30 June 2015. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

**Information about the directors**

The names and particulars of the directors of the Group during or since the end of the financial year are:

| Name | Particulars |
|---|---|
| Dr James Williams<br>*BSc (Hons), MBA, PhD* | Executive Chairman, joined the Board in July 2015. Dr Williams is the co-founder of Dimerix Bioscience Limited as well as co-founder and investment director of Yuuwa Capital LP, a venture capital firm based in Western Australia. Prior to establishing Yuuwa Capital, he was managing director of two medical device companies, ASX-listed Resonance Health Limited and Argus Biomedical Pty Ltd, both of which secured regulatory approvals under his leadership. Dr Williams conceived, co-founded and is a former CTO and Director of iCeutica Inc., a clinical stage nano drug reformulation company. iCeutica was acquired by Philadelphia-based Iroko Pharmaceuticals in 2011. Dr Williams is a director of Yuuwa investee companies Adalta Pty Ltd, Eriden Technologies Pty Ltd, PolyActiva Pty Ltd, Fitgenes Australia Pty Ltd and Nexgen Plants Pty Ltd. He is also a director of Linear Clinical Research Ltd, a specialist early phase trial unit and a member of the "Panel of Experts" for the University of Western Australia's Pathfinder Fund. |
| Dr Anton Uvarov<br>*MBA, PhD* | Executive Director, joined the Board in November 2013. Dr Uvarov has significant experience as an equity analyst in the healthcare sector, both domestically and internationally. Prior to moving to Australia, he was with Citigroup Global Markets where he spent two years as a member of New York based biotechnology team. Dr Uvarov holds a PhD degree in Biotechnology and Medical Genetics from the University of Manitoba and an MBA degree from the University of Calgary, Canada. Dr Uvarov previously served as non-executive director of Acuvax Limited (ASX: ACU) and is currently a non-executive director of Actinogen Limited (ASX: ACW). |
| Mr Howard Digby<br>*B.Eng (Hons)* | Non Executive Director, joined the Board in January 2013. Mr Digby served as Executive Chairman of the Company and reverted to a non-executive role in July 2015. Mr Digby has spent over 25 years managing technology businesses across the Asia Pacific region including 11 years being based in Hong Kong. Before returning to Perth, he was with the Economist Group as regional Managing Director. Prior to this, Mr Digby held senior business management roles at Gartner (NYSE: IT) and Adobe (NSDQ: ADBE), having started his career at IBM. Mr Digby holds a Bachelor of Engineering from the University of Western Australia. Mr Digby is former executive director of Cynata Therapeutics Limited (ASX: CYP) and is currently a non-executive director of Estrella Resources Limited (ASX: ESR). |
| Dr Sonia Poli<br>*PhD* | Non Executive Director, joined the Board in July 2015. Dr Poli is an accomplished R&D professional with 20 years international experience in large and small pharmaceutical companies. She has broad knowledge of small molecule drug design, optimisation and early clinical development, with expertise which encompasses multiple therapeutic areas. She is the co-inventor of a new anti-emetic medicine, recently included in the National |

| | |
|---|---|
| | Comprehensive Cancer Network Antiemesis Guidelines as a recommended option. Dr Poli has worked within the Swiss Stock Exchange listed companies Hoffman la Roche and Addex Therapeutics Ltd, where she has held leadership and executive positions across various disciplines in drug discovery, pre-clinical development and translational science. She has served as the Chief Scientific Officer at Addex Therapeutics Limited. Dr Poli is a director of Dimerix Bioscience Limited. |
| Mr Evan Cross<br>*B.Bus, CA, FAICD* | Chartered Accountant, joined the Board in March 2012. Mr Cross has extensive corporate finance experience having worked in the investment banking industry in Australia and USA. Mr Cross is an executive director of the private investment firm, Greenday Corporate Pty Ltd. Mr Cross resigned after year end. |
| Mr Peter Webse<br>*B.Bus, FGIA, FCIS, FCPA, MAICD* | Joined the Board in January 2013 in a non-executive capacity. Mr Webse has over 24 years' company secretarial experience and is the managing director of Platinum Corporate Secretariat Pty Ltd, a company specialising in providing company secretarial, corporate governance and corporate advisory services. Mr Webse resigned after year end. |

The above named directors held office during the whole of the financial year and since the end of the financial year except for:

- Dr James Williams – appointed 3 July 2015
- Dr Sonia Poli – appointed 3 July 2015
- Mr Evan Cross – resigned 3 July 2015
- Mr Peter Webse – resigned 3 July 2015

## Directorships of other listed companies

Directorships of other listed companies held by directors in the 3 years immediately before the end of O financial year are as follows:

| Name | Company | Period of directorship |
|---|---|---|
| Anton Uvarov | Actinogen Limited | Since 2013 |
| | Acuvax Limited | 2013-2014 |
| Howard Digby | Cynata Therapeutics Limited | 2012-2014 |
| | Estrella Resources Limited | Since 2015 |
| Evan Cross | ISS Group Limited* | 2013-2014 |
| Peter Webse | Cynata Therapeutics Limited | Since 2012 |
| | Fitzroy Resources Limited | Since 2015 |
| | Blina Minerals NL | 2012-2014 |

** ISS Group Limited was delisted in August 2013 following the merger by scheme of arrangement with P2ES Holdings Inc.*

## Directors' shareholdings

The following table sets out each director's relevant interest in shares, debentures and rights or options in shares or debentures of the Company or a related body corporate as at the date of this report:

| Directors | Fully paid ordinary shares Number | Share options Number | Performance shares Number |
|---|---|---|---|
| James Williams[1] | 24,202,816 | 10,762,183 | 7,258,149* |
| Anton Uvarov | 4,409,810 | - | 764,943** |
| Howard Digby[2] | 3,000,000 | - | - |
| Sonia Poli[1] | - | 2,152,437 | - |

[1] Appointed 3 July 2015

[2] Reverted to non-executive director on 3 July 2015 (previously Executive Chairman)

* 2,419,383 A Performance shares, 2,419,383 B Performance shares and 2,419,383 C Performance shares

** 254,981 A Performance shares, 254,981 B Performance shares and 254,981 C Performance shares

## Share options granted to directors and senior management

During and since the end of the financial year, an aggregate 12,914,620 share options were granted to the following directors pursuant to the acquisition agreement to acquire 100% of Dimerix Bioscience Limited (2014: nil):

| Directors | Number of options granted | Issuing entity | Number of ordinary shares under option |
|---|---|---|---|
| James Williams[1] | 10,762,183 | Sun Biomedical Limited | 10,762,183 |
| Sonia Poli[1] | 2,152,437 | Sun Biomedical Limited | 2,152,437 |

[1] Appointed 3 July 2015

## Company Secretary

**Peter Webse *B.Bus, FGIA, FCIS, FCPA, MAICD***

Mr Webse held the position of company secretary of Sun Biomedical Limited at the end of the financial year. He joined as company secretary on 1 February 2013. Mr Webse is the Managing Director of Platinum Corporate Secretariat Pty Ltd, a company specialising in providing company secretarial, corporate governance and corporate advisory services. Mr Webse acts as Company Secretary for a number of ASX listed resource and biotech companies.

## Dividends

No dividends have been paid or declared since the start of the financial year and the directors have not recommended the payment of a dividend in respect of the financial year.

## Shares under option or issued on exercise of options

Details of unissued shares or interests under option as at the date of this report are:

| Issuing entity | Number of shares under option | Class of shares | Exercise price of option | Expiry date of options |
|---|---|---|---|---|
| Sun Biomedical Limited | 20,857,143 | Ordinary | $0.0076 | 31 Dec 2017 |
| Sun Biomedical Limited | 30,851,594[i] | Ordinary | $0.0200 | 30 Jun 2017 |
| Sun Biomedical Limited | 60,000,000[ii] | Ordinary | $0.0100 | 30 Jun 2017 |
| Sun Biomedical Limited | 75,000,040[iii] | Performance | n/a | 30 Jun 2017 |
| Sun Biomedical Limited | 75,000,040[iii] | Performance | n/a | 30 Jun 2019 |
| Sun Biomedical Limited | 75,000,040[iii] | Performance | n/a | 30 Jun 2019 |

[i] Issued to past and present employees and consultants of Dimerix Bioscience Limited in connection with the acquisition (refer to ASX announcement dated 3 July 2015)

[ii] Issued to nominees of Forrest Capital (refer to ASX announcement dated 3 July 2015)

[iii] Represent Class A, Class B and Class C performance shares respectively which convert to fully paid ordinary shares following achievement of numerous milestones (refer to ASX announcement dated 3 July 2015)

The holders of these options do not have the right, by virtue of the option, to participate in any share issue or interest issue of the Company or of any other body corporate or registered scheme.

No shares were issued during the year or since the end of the financial year as a result of exercise of an option (2014: nil).

## Indemnification of officers and auditors

During the financial year, the Company paid a premium in respect of a contract insuring the directors of the Company (as named above), the company secretary, Mr Peter Webse and all executive officers of the Company and of any related body corporate against a liability incurred as such a director, secretary or executive officer 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.

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

## Directors' meetings

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member). During the financial year, 11 board meetings were held.

| | Board of Directors | |
|---|---|---|
| **Directors** | **Held** | **Attended** |
| Howard Digby | 11 | 11 |
| Anton Uvarov | 11 | 11 |
| Evan Cross | 11 | 10 |
| Peter Webse | 11 | 11 |
| James Williams | n/a | n/a |
| Sonia Poli | n/a | n/a |

## Proceedings on behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or 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 any part of those proceedings.

## Non-audit services

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 26 to the financial statements.

The directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 26 to the financial statements do not compromise the external auditor's independence for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 'Code of Ethics for Professional Accountants' issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

## Auditor's independence declaration

The auditor's independence declaration is included on page 14 of the financial report.

# Operating and financial review

## Principal activities

The Company's principal activity during the course of the financial year was to pursue the commercialisation of new improved versions of its Oraline® hand held multi drug test device and looking to increase its biotechnology investments.

## Operating results

The loss of the Company for the financial year, after providing for income tax expense, amounted to $679,539 (2014: $527,978).

## Review of operations

**Summary**

During the twelve months to 30 June 2015, the Board implemented a strategy to pursue the low cost development of its Oraline® product whilst also looking for new opportunities to add to its biotechnology portfolio. The Board decided to consider the approach of finding partners to take a more active role in the commercialisation of Oraline®. In May 2015, the Company announced its intended acquisition of Dimerix Bioscience Limited, a clinical stage biotechnology company. This was in line with its stated intentions to add to the Company's biotechnology intention.

## Overview of Company strategy

While at the core of the Company's biotechnology business is the development of workplace drug testing solutions, the Board is cognisant that therapeutic products represent a more attractive opportunity for the Company, with less competition, better ability to differentiate, higher margins and significant value inflection as the product moves through the development pipeline. With this in mind, the Company's strategy is to operate a lean, low cost model using outsourcing where possible, for the cost effective development of Oraline®, whilst continuing to do extensive research on therapeutic assets with the intention to acquire or licence.

## Oraline® Development Progress

The following activities took place during the first part of the year:

1. working with current strip supplier to rectify strip performances issues;
2. sourcing of alternative strip suppliers in parallel.

The Company needed to secure reliable strip suppliers in order to move forward and also give the go ahead to prototype and test the new Oraline®6 product. It is also expected that being a 6 drug test with two strips, having 3 test lines on each strips will reduce the change of adverse interaction between the test line reagents. This problem has affected the 4 drug strip needed for Oraline®4.

While the market for oral drug testing continues to grow strongly and the pressures for companies and government agencies to move away from urine testing, the Company holds the view that the opportunity remains compelling. When set against the difficulty in securing a reliable strip supplier of its own, the Board formed the view that working with third parties is a viable strategy with compelling benefits for a potential partner. With this in mind, the Company is in conversation with a number of parties to explore this opportunity.

## Asthma Research Study

The Company is currently funding a study at the Telethon Kids Institute in people with allergies. The objective of this project is to perform a detailed analysis of immune responses to house dust mites in allergic subjects with or without asthma, to determine if there is a specific pattern of immune responses associated with asthma.

Dr Anthony Bosco, an internationally respected expert in the area of immunology and genomics, who has led breakthrough research in the relationship of complex gene networks to Asthma, is leading the study. Dr Bosco's team aims to identify genes, which have potential utility as a diagnostic and/or therapeutic target that are predictive of asthma. This would be a significant step on the way to identifying new treatments and prevention mechanisms. The project is now at culture stage and is proceeding according to plan. The final results from the study are expected by the end of the calendar year.

## Investments during the year

During the financial year, the Company made a strategic investment in an early stage research project within the Telethon Kids Institute in Perth, Western Australia and announced the acquisition of Dimerix Bioscience Limited. The Company also invested in AMCOM UPSTART a Perth based incubator for start-up companies, with a view to source potential investment opportunities in line with its strategy.

## Acquisition of Dimerix Bioscience Limited

In May 2015, the Company announced its intention to acquire Dimerix Bioscience Limited (Dimerix) and raise capital. Subsequently on 30 June 2015, the acquisition and capital raising was approved by shareholders. The acquisition of Dimerix was completed on 3 July 2015.

Dimerix Bioscience Limited is a clinical stage drug discovery and development company based in Melbourne. Dimerix's team has applied its patented GPCR drug discovery technology for its own internal research identifying and developing therapeutic treatments. Dimerix leverages its knowledge of drug target interaction and develops new combination therapies using already marketed compounds for new medical indications. This positions Dimerix's therapies with a fast route to market due to extensive safety data for the selected compounds removing the requirement for Phase I studies and allowing to proceed directly to Phase II efficacy studies.

Dimerix lead therapy known as DMX200 recently commenced a Phase 2 clinical trial in Australia under the Clinical Trial Notification (CTN) pathway for the treatment of patients with chronic kidney disease (CKD). Safety and reduction of the amount of protein leaking into the urine, proteinuria, are endpoints for this study. Initial data from the clinical trial is expected to be available during the first half of 2016 calendar year.

Upon successful results from the Phase 2 study, Dimerix intends initially to pursue the pathway of registration of a product for an orphan indication, such as Nephrotic Syndrome.

## Financial position (Sun Biomedical Limited)

| | **Year ended 30 June 2015** $ | **Year ended 30 June 2014** $ |
|---|---|---|
| Cash and cash equivalents | 2,931,305 | 1,199,254 |
| Net assets / total equity | 2,777,090 | 1,179,160 |
| Contributed equity | 31,557,822 | 30,286,353 |
| Accumulated losses | (29,944,711) | (29,265,172) |

The increase in cash and cash equivalents was largely the result of the issue of 82,500,000 fully paid ordinary shares at $0.01 each pursuant to a Placement to raise $825,000 (before costs) and to a capital raising of $1,600,000 to sophisticated investors (*refer to note 17 and note 18 for more information*).

The directors believe the Company is in a strong and stable financial position to expand and grow its current operations.

## Significant changes in state of affairs

There were no significant changes in the state of affairs of the Company during the financial year. The board has reaffirmed its commitment to the Company's undertaking as a biotechnology business. During the year, the Company signed an implementation agreement to acquire 100% of Dimerix Bioscience Limited (Dimerix), a public unlisted clinical stage drug discovery and development company, based in Melbourne (*refer to note 27 for more information*).

## Events after the reporting period

There has not been any matter or circumstance, other than that referred to below, that has arisen subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

On 3 July 2015, the Company announced the completion of the transaction to acquire Dimerix Bioscience Limited (Dimerix) as approved by shareholders at the shareholder meeting held on 30 June 2015. As part of the transaction and after approval of shareholders, the Company issued the following securities:

- 750,000,041 fully paid ordinary shares to Vendors to acquire 100% of Dimerix;
- 100,000,000 fully paid ordinary shares at $0.01 each to sophisticated and professional investor clients of Forrest Capital pursuant to a Share Placement;
- 30,851,594 management options exercisable at $0.02 on or before 30 June 2017;
- 60,000,000 adviser options to nominees of Forrest Capital at $0.0001 each and exercisable at $0.010 each on or before 30 June 2017; and
- 75,000,040 Class A, 75,000,040 Class B and 75,000,040 Class C Performance Shares subject to numerous milestones (*refer to ASX announcement dated 13 May 2015*).

## Future developments, prospects and business strategies

With the completion of the acquisition of Dimerix post reporting date, the Company's strategy is focussed on the clinical program and associated opportunities vested in Dimerix, along with the continued review of the Company's existing business programs. Initial results from the Dimerix clinical program are expected in the first half of calendar year 2016, and the Company expects to update the market on the future development plans, prospects and business strategies coincidental to the progress of this clinical program.

## Environmental issues

The Company's operations are not subject to significant environmental regulation under the Australian Commonwealth or State Law.

# Remuneration report (audited)

This remuneration, which forms part of the directors' report, sets out information about the remuneration of Sun Biomedical Limited's key management personnel for the financial year ended 30 June 2015. The term 'key management personnel' refers to those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company. The prescribed details for each person covered by this report are detailed below under the following headings:

- key management personnel
- remuneration policy
- relationship between the remuneration policy and Company performance
- remuneration of key management personnel
- key terms of employment contracts.

**Key management personnel**

The directors and other key management personnel of the Group during the financial year were:

| Non-executive directors | Position |
|---|---|
| Mr Evan Cross (resigned 3 July 2015) | Non-executive director |
| Mr Peter Webse (resigned 3 July 2015) | Non-executive director |

| Executive directors | Position |
|---|---|
| Mr Howard Digby* | Executive Chairman |
| Dr Anton Uvarov | Executive director |

* Mr Howard Digby reverted to a non-executive director role, effective 3 July 2015 (refer to ASX announcement dated 13 May 2015).

Except as noted, the named persons held their current position for the whole of the financial year and since the end of the financial year.

**Remuneration policy**

The board of directors of the Company is currently responsible for determining and reviewing compensation arrangements for key management personnel. The Company does not currently operate a Remuneration Committee. The remuneration policy, which is set out below, is designed to promote superior performance and long-term commitment to the Company.

*Non-executive director remuneration*

Non-executive directors are remunerated by way of fees, in the form of cash, non-cash benefits, superannuation contributions or salary sacrifice into equity and do not normally participate in schemes designed for the remuneration of executives.

Shareholders approval must be obtained in relation to the overall limit set for the non-executive directors' fees. The maximum aggregate remuneration approved by shareholders for non-executive directors is $250,000 per annum. The directors set the individual non-executive director fees within the limit approved by shareholders. Non-executive directors are not provided with retirement benefits.

*Executive director remuneration*

Executive directors receive a base remuneration which is at market rates, and may be entitled to performance based remuneration, which is determined on an annual basis. Overall remuneration policies are subject to the discretion of the board and can be changed to reflect competitive and business conditions where it is in the interests of the Company and shareholders to do so. Executive remuneration and other terms of employment are reviewed annually by the board having regard to the performance, relevant comparative information and expert advice.

The board's remuneration policy reflects its obligation to align executive remuneration with shareholders' interests and to retain appropriately qualified executive talent for the benefit of the Company. The main principles are:

(a) remuneration reflects the competitive market in which the Company operates;
(b) individual remuneration should be linked to performance criteria if appropriate; and
(c) executives should be rewarded for both financial and non-financial performance.

The total remuneration of executives consists of the following:

(a) salary – executives receive a fixed sum payable monthly in cash plus superannuation at 9.5% of salary;
(b) cash at risk component – executives may participate in share and option schemes generally made in accordance with thresholds set in plans approved by shareholders if deemed appropriate. However, the board considers it appropriate to issue shares and options to executives outside of approved schemes in exceptional circumstances; and
(c) other benefits – executives may, if deemed appropriate by the board, be provided with a fully expensed mobile phone and other forms of remuneration.

The board has not formally engaged the services of a remuneration consultant to provide recommendations when setting the remuneration received by directors or other key management personnel during the financial year.

**Relationship between the remuneration policy and company performance**

The board considers that at this time, evaluation of the Company's financial performance using generally accepted measures such as profitability, total shareholder return or per company comparison are not relevant as the Company is at an early stage in the implementation of a corporate strategy that included the identification and acquisition of new business opportunities as outlined in the directors' report.

The table below sets out summary information about the Company's earnings and movements in shareholder wealth for the five years to 30 June 2015:

| | **30 June 2015 $** | **30 June 2014 $** | **30 June 2013 $** | **30 June 2012 $** | **30 June 2011 $** |
|---|---|---|---|---|---|
| Investment income | 31,423 | 40,647 | 97,582 | 160,284 | 127,832 |
| Net profit/(loss) before tax | (679,539) | (527,978) | (517,098) | (386,070) | 5,656 |
| Net profit/(loss) after tax | (679,539) | (527,978) | (517,098) | (386,070) | 5,656 |
| Share price at start of year | 0.007 | 0.004 | 0.010 | 0.010 | 0.010 |
| Share price at end of year | 0.010 | 0.007 | 0.004 | 0.01 | 0.010 |
| Basic and diluted earnings/(loss) per share (cents) | (0.171) | (0.159) | (0.2042) | (0.2332) | 0.0002 |

**Remuneration of key management personnel**

| 2015 | Short-term employee benefits | | Post-employment benefits | Share-based payment | |
|---|---|---|---|---|---|
| | Salary & fees $ | Other $ | Superannuation $ | Options $ | Total $ |
| **Non-executive directors** | | | | | |
| Sonia Poli[1] | - | - | - | - | - |
| Evan Cross[2] | 36,000 | - | - | - | 36,000 |
| Peter Webse[2,3] | 36,000 | 63,750 | - | - | 99,750 |
| **Executive directors** | | | | | |
| James Williams[1] | - | - | - | - | - |
| Howard Digby[4] | 54,795 | - | 5,205 | - | 60,000 |
| Anton Uvarov | 54,795 | - | 5,205 | - | 60,000 |
| **Total** | **181,590** | **63,750** | **10,410** | **-** | **255,750** |

[1] Appointed 3 July 2015

[2] Resigned 3 July 2015

[3] The amount of $63,750 in 'Other' represents company secretarial fees of $4,000 per month and an amount of $7,000 for additional company secretary work outside the scope of the consultancy agreement with Platinum Corporate Secretariat Pty Ltd (Platinum). Also included in 'Other' is an amount of $8,750 accrued as at 30 June 2015 for additional company secretary work. The amount of $8,750 was paid subsequent to year end. Mr Webse is the sole director of Platinum.

[4] Reverted to non-executive director on 3 July 2015

| 2014 | Short-term employee benefits | | Post-employment benefits | Share-based payment | |
|---|---|---|---|---|---|
| | Salary & fees $ | Other $ | Superannuation $ | Options $ | Total $ |
| **Non-executive directors** | | | | | |
| Evan Cross | 36,000 | - | - | - | 36,000 |
| Peter Webse[1] | 36,000 | 48,000 | - | - | 84,000 |
| Terry Cuthbertson[2] | 9,000 | - | - | - | 9,000 |
| **Executive directors** | | | | | |
| Howard Digby[3] | 46,865 | - | 4,335 | - | 51,200 |
| Anton Uvarov[4] | 33,715 | - | 3,119 | - | 36,834 |
| **Total** | **161,580** | **48,000** | **7,454** | **-** | **217,034** |

[1] Amounts in 'Other' represents company secretarial services provided through Platinum Corporate Secretariat Pty Ltd, an entity in which Peter Webse is the sole director. The agreement commenced 1 February 2013

[2] Resigned 19 September 2013

[3] Appointed as Executive Chairman on 11 November 2013, previously Non-Executive Chairman

[4] Appointed 20 November 2013

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

**Bonuses and share-based payments granted as compensation for the current financial year**

*Bonuses*
No bonuses were paid to key management personnel during the financial year (2014: nil).

*Incentive share-based payments arrangements*
During the financial year, the following share-based payment arrangements were in existence:

| Option series | Grant date | Expiry date | Grant date fair value | Vesting date |
|---|---|---|---|---|
| 1 | 22 January 2013 | 31 December 2017 | $0.0076 | Vested at date of grant |

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

No share options were issued to key management personnel during the year (2014: nil) and no share options were exercised by key management personnel during the year (2014: nil).

**Key terms of employment contracts**
On 3 July 2015, Dr James Williams was appointed Executive Chairman and his remuneration and other terms of appointment were formalised in a letter of appointment, the key terms and conditions of which are:

- Term of agreement – 12 months commencing 3 July 2015 (casual basis) and monthly thereafter until terminated by the Company.
- After the initial term of the agreement employment may be terminated by either party giving one month's notice.
- Remuneration will be $109,500 per annum inclusive of statutory superannuation.

On 3 July 2015, Dr Sonia Poli was appointed as Non-Executive Director and her remuneration and other terms of appointment were formalised in a letter of appointment, the key terms and conditions of which are:

- Term of agreement – monthly until termination by the Company.
- No entitlement to any compensation or damage or payment of any further director's fees for any period after termination.
- Remuneration will be $45,000 per annum (plus GST if applicable).

On 3 July 2015, Mr Howard Digby reverted to Non-Executive Director (formerly Executive Chairman) and his remuneration and other terms of appointment were formalised in a letter of appointment, the key terms and conditions of which are:

- Term of agreement – monthly until termination by the Company.
- No entitlement to any compensation or damage or payment of any further director's fees for any period after termination.
- Remuneration will be $45,000 per annum (plus GST if applicable).

Dr Anton Uvarov's remuneration and other terms of appointment are formalised in an executive service agreement (dated 20 November 2013), the key terms and conditions of which are:

- Term of agreement – monthly until termination by the Company.
- Payment of termination benefits on early termination by the employer, other than gross misconduct and other specified events, equal to two weeks base salary or two weeks' notice.
- Remuneration will be $60,000 per annum inclusive of statutory superannuation.

On appointment to the board, all non-executive directors are required to sign a letter of appointment with the Company. The letter of appointment summarises the board policies and terms, including compensation relevant to the office or director.

Mr Peter Webse's services as company secretary are provided through Platinum Corporate Secretariat Pty Ltd ("Platinum Corporate"). The agreement with Platinum Corporate commenced 1 February 2013. Platinum Corporate is paid a fee of $4,000 per month (excluding GST) for the provision of company secretarial services. Services, if any, outside the scope of the engagement are charged at a rate of $250 per hour as agreed from time to time. The agreement is subject to two (2) months' notice of termination. Effective 1 July 2015, the fee is $5,000 per month (excluding GST).

**Key management personnel equity holdings**

*Fully paid ordinary shares of Sun Biomedical Limited*

| 2015 | Balance at 1 July | Granted as compensation | Received on exercise of options | Net other change | Balance at 30 June |
|---|---|---|---|---|---|
| | No. | No. | No. | No. | No. |
| Howard Digby | 3,000,000 | - | - | - | 3,000,000 |
| Anton Uvarov | - | - | - | 1,500,000 | 1,500,000 |
| Evan Cross[1] | 27,550,462 | - | - | - | 27,550,462 |
| Peter Webse[1] | 1,450,000 | - | - | - | 1,450,000 |

[1] Resigned on 3 July 2015

| 2014 | Balance at 1 July | Granted as compensation | Received on exercise of options | Net other change | Balance at 30 June |
|---|---|---|---|---|---|
| | No. | No. | No. | No. | No. |
| Howard Digby | 3,000,000 | - | - | - | 3,000,000 |
| Anton Uvarov[1] | - | - | - | - | - |
| Evan Cross | 32,107,144 | - | - | (4,556,682) | 27,550,462 |
| Peter Webse | 1,450,000 | - | - | - | 1,450,000 |
| Terry Cuthbertson[2] | - | - | - | - | - |

[1] Appointed on 20 November 2013

[2] Resigned on 19 September 2013

*Share options of Sun Biomedical Limited*

| 2015 | Balance at 1 July | Granted as compens-ation | Exercised | Balance on resignation | Balance at 30 June | Balance vested at 30 June | Vested and exercisable | Options vested during year |
|---|---|---|---|---|---|---|---|---|
| | No. | No. | No. | No. | No. | No. | No. | No. |
| Howard Digby | - | - | - | - | - | - | - | - |
| Anton Uvarov | - | - | - | - | - | - | - | - |
| Evan Cross[1] | - | - | - | - | - | - | - | - |
| Peter Webse[1] | - | - | - | - | - | - | - | - |

[1] Resigned 3 July 2015

**Key management personnel equity holdings (continued)**
*Share options of Sun Biomedical Limited (continued)*

| 2014 | Balance at 1 July No. | Granted as compens-ation No. | Exerci-sed No. | Balance on resignation No. | Balance at 30 June No. | Balance vested at 30 June No. | Vested and exercisable No. | Options vested during year No. |
|---|---|---|---|---|---|---|---|---|
| Howard Digby | - | - | - | - | - | - | - | - |
| Anton Uvarov[1] | - | - | - | - | - | - | - | - |
| Evan Cross | - | - | - | - | - | - | - | - |
| Peter Webse | - | - | - | - | - | - | - | - |
| Terry Cuthbertson[2] | 1,000,000 | - | - | (1,000,000) | - | - | - | - |

[1] Appointed 20 November 2013
[2] Resigned 19 September 2013

This directors' report, incorporating the remuneration report, is signed in accordance with a resolution made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the directors

Dr James Williams
**Chairman**
Perth, 25 August 2015

Stantons International Audit and Consulting Pty Ltd
trading as
Stantons International
Chartered Accountants and Consultants

PO Box 1908
West Perth WA 6872
Australia

Level 2, 1 Walker Avenue
West Perth WA 6005
Australia

Tel: +61 8 9481 3188
Fax: +61 8 9321 1204

ABN: 84 144 581 519
www.stantons.com.au

25 August 2015

Board of Directors
Sun Biomedical Limited
Level 2, 1 Walker Avenue
WEST PERTH WA 6005

Dear Directors

**RE: SUN BIOMEDICAL LIMITED**

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Sun Biomedical Limited.

As Audit Director for the audit of the financial statements of Sun Biomedical Limited for the year ended 30 June 2015, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely
**STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD**
**(Trading as Stantons International)**
**(An Authorised Audit Company)**

**Samir Tirodkar**
**Director**

Stantons International Audit and Consulting Pty Ltd
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**INDEPENDENT AUDITOR'S REPORT**
**TO THE MEMBERS OF**
**SUN BIOMEDICAL LIMITED**

**Report on the Financial Report**

We have audited the accompanying financial report of Sun Biomedical Limited, which comprises the statement of financial position as at 30 June 2015, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

*Directors' responsibility for the Financial Report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In note 3, the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

*Auditor's Responsibility*

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

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

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

*Independence*

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

*Opinion*

In our opinion:

(a) the financial report of Sun Biomedical Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the company's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

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

(b) the financial report of the Company also complies with International Financial Reporting Standards as disclosed in note 3.

**Report on the Remuneration Report**

We have audited the remuneration report included in pages 8 to 13 of the directors' report for the year ended 30 June 2015. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001.* Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards

*Opinion*
In our opinion the remuneration report of Sun Biomedical Limited for the year ended 30 June 2015 complies with section 300A of the *Corporations Act 2001.*

**STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD**
**(Trading as Stantons International)**
**(An Authorised Audit Company)**

Stantons International Audit and Consulting Pty Ltd

**Samir Tirodkar**
Director

West Perth, Western Australia
25 August 2015

# Directors' declaration

The directors declare that:

(a) in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

(b) in the directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 3 to the financial statements;

(c) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Company; and

(d) the directors have been given the declarations required by s.295A of the Corporations Act 2001.

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

On behalf of the directors

Dr James Williams
**Chairman**
25 August 2015

# Statement of profit or loss and other comprehensive income for the year ended 30 June 2015

| | Note | Company | Consolidated |
|---|---|---|---|
| | | Year ended | |
| | | 30 June 2015 | 30 June 2014 |
| | | $ | $ |
| **Continuing operations** | | | |
| Revenue | 6 | 31,423 | 40,647 |
| Other income | 7 | 68,339 | 21,573 |
| Research and development expenses | | (211,698) | (131,963) |
| Business development expenses | | (66,790) | (76,529) |
| Commercialisation expenses | | (34,747) | (87,390) |
| Provision for impairment of investments | 12 | (100,000) | - |
| Corporate administration expenses | 8 | (366,066) | (294,316) |
| **Loss before income tax** | | **(679,539)** | **(527,978)** |
| Income tax expense | 9 | - | - |
| **Loss for the year from continuing operations** | | **(679,539)** | **(527,978)** |
| **Other comprehensive income, net of income tax** | | | |
| Items that will not be reclassified subsequently to profit or loss | | - | - |
| Items that may be reclassified subsequently to profit or loss | | - | - |
| **Other comprehensive income for the year, net of income tax** | | **-** | **-** |
| **Total comprehensive loss for the year** | | **(679,539)** | **(527,978)** |
| **Loss attributable to:** | | | |
| Owners of Sun Biomedical Limited | | **(679,539)** | **(527,978)** |
| **Total comprehensive loss attributable to:** | | | |
| Owners of Sun Biomedical Limited | | **(679,539)** | **(527,978)** |
| **Loss per share:** | | | |
| Basic and diluted (cents per share) | 10 | (0.1706) | (0.1594) |

Notes to the financial statements are included on pages 22 to 45.

# Statement of financial position as at 30 June 2015

| | Note | Company<br>30 June 2015<br>$ | Consolidated<br>30 June 2014<br>$ |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | 24 | 2,931,305 | 1,199,254 |
| Trade and other receivables | 11 | 32,564 | 14,401 |
| **Total current assets** | | **2,963,869** | **1,213,655** |
| | | | |
| **Non-current assets** | | | |
| Investments | 12 | - | - |
| Property, plant and equipment | 13 | 4,864 | - |
| **Total non-current assets** | | **4,864** | **-** |
| **Total assets** | | **2,968,733** | **1,213,655** |
| | | | |
| **Current liabilities** | | | |
| Trade and other payables | 14 | 175,376 | 28,231 |
| Provisions | 15 | 16,267 | 6,264 |
| **Total current liabilities** | | **191,643** | **34,495** |
| **Total liabilities** | | **191,643** | **34,495** |
| | | | |
| **Net assets** | | **2,777,090** | **1,179,160** |
| | | | |
| **Equity** | | | |
| Issued capital | 17 | 31,557,822 | 30,286,353 |
| Shares and options yet to be issued | 18 | 1,006,000 | - |
| Reserves | 19 | 157,979 | 157,979 |
| Accumulated losses | | (29,944,711) | (29,265,172) |
| **Total equity** | | **2,777,090** | **1,179,160** |

Notes to the financial statements are included on pages 22 to 45.

# Statement of changes in equity for the year ended 30 June 2015

| *Consolidated* | Issued Capital $ | Shares yet to be issued $ | Reserves $ | Accumulated losses $ | Total $ |
|---|---|---|---|---|---|
| **Balance at 1 July 2013** | **30,286,353** | **-** | **157,979** | **(28,737,194)** | **1,707,138** |
| Loss for the year | - | - | - | (527,978) | (527,978) |
| Other comprehensive income | - | - | - | - | - |
| **Total comprehensive loss for the year** | **-** | **-** | **-** | **(527,978)** | **(527,978)** |
| Issue of ordinary shares | - | - | - | - | - |
| Share issue costs | - | - | - | - | - |
| **Balance at 30 June 2014** | **30,286,353** | **-** | **157,979** | **(29,265,172)** | **1,179,160** |
| | | | | | |
| ***Company*** | | | | | |
| **Balance at 1 July 2014** | **30,286,353** | **-** | **157,979** | **(29,265,172)** | **1,179,160** |
| Loss for the year | - | - | - | (679,539) | (679,539) |
| Other comprehensive income | - | - | - | - | - |
| **Total comprehensive loss for the year** | **-** | **-** | **-** | **(679,539)** | **(679,539)** |
| Issue of ordinary shares | 1,425,000 | - | - | - | 1,425,000 |
| Ordinary shares and options yet to be issued (*refer note 18*) | - | 1,006,000 | - | - | 1,006,000 |
| Share issue costs | (153,531) | - | - | - | (153,531) |
| **Balance at 30 June 2015** | **31,557,822** | **1,006,000** | **157,979** | **(29,944,711)** | **2,777,090** |

Notes to the financial statements are included on pages 22 to 45.

# Statement of cash flows for the year ended 30 June 2015

| | Note | Company | Consolidated |
|---|---|---|---|
| | | Year ended | |
| | | 30 June 2015 $ | 30 June 2014 $ |
| **Cash flows from operating activities** | | | |
| Payments to suppliers and employees | | (322,122) | (315,810) |
| Research and development costs paid | | (313,235) | (295,882) |
| Interest received | | 31,500 | 42,810 |
| Research and development rebate received | | 55,870 | - |
| Net cash used in operating activities | 24.1 | (547,987) | (568,882) |
| **Cash flows from investing activities** | | | |
| Net proceeds from sale of equity investments | | 12,452 | 115,625 |
| Proceeds from redemption of loan investments | | - | 500,000 |
| Payments for property, plant and equipment | 13 | (5,882) | - |
| Payments for other investments | 12 | (100,000) | - |
| Net cash (used in)/provided by investing activities | | (93,430) | 615,625 |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of equity instruments of the Company | | 1,425,000 | - |
| Proceeds from equity instruments yet to be issued | | 1,006,000 | - |
| Payment for share issue costs | | (57,532) | - |
| Net cash provided by financing activities | | 2,373,468 | - |
| **Net increase in cash and cash equivalents** | | **1,732,051** | **46,743** |
| Cash and cash equivalents at the beginning of the year | | 1,199,254 | 1,152,511 |
| **Cash and cash equivalents at the end of the year** | 24 | **2,931,305** | **1,199,254** |

Notes to the financial statements are included on pages 22 to 45.

# Notes to the financial statements for the year ended 30 June 2015

## 1. General information

Sun Biomedical Limited ("the Company") is a listed public company incorporated in Australia. The address of its registered office and principal place of business is disclosed in the corporate directory to the annual report.

The principal activities of the Company are described in the directors' report.

## 2. Application of new and revised Accounting Standards

### *2.1 Amendments to AASBs and the new Interpretation that are mandatorily effective for the current year*

In the current year, the Company has applied a number of amendments to AASBs and a new Interpretation issued by the Australian Accounting Standards Board (AASB) that are mandatorily effective for an accounting period that begins on or after 1 July 2014, and therefore relevant for the current year end.

| | |
|---|---|
| AASB 2014-1 'Amendments to Australian Accounting Standards' (Part B: Defined Benefit Plans: Employee Contributions Amendments to AASB 119) | The amendments to AASB 119 clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.<br>For contributions that are independent of the number of years of service, the entity may either recognise the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees' period of service using the projected unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' period of service.<br>The application of these amendments to AASB 119 does not have any material impact on the disclosures or on the amount recognised in the Company's financial statements. |
| AASB 1031 'Materiality', AASB 2013-9 'Amendments to Australian Accounting Standards' – Conceptual Framework, Materiality and Financial Instruments (Part B: Materiality), AASB 2014-1 'Amendments to Australian Accounting Standards' (Part C: Materiality) | The revised AASB 1031 is an interim standard that cross-references to other Standards and the 'Framework for the Preparation and Presentation of Financial Statements' (issued December 2013) that contain guidance on materiality. The AASB is progressively removing references to AASB 1031 in all Standards and Interpretations. Once all of these references have been removed, AASB 1031 will be withdrawn. The adoption of AASB 1031, AASB 2013-9 (Part B) and AASB 2014-1 (Part C) does not have any material impact on the disclosures or the amounts recognised in the Company's financial statements. |

## 2. Application of new and revised Accounting Standards (cont'd)

### *2.2 Standards and Interpretations in issue not yet adopted*

At the date of authorisation of the financial statements, the Standards and Interpretations that were issued but not yet effective are listed below.

| Standard/Interpretation | Effective for annual reporting periods beginning on or after | Expected to be initially applied in the financial year ending |
|---|---|---|
| AASB 9 'Financial Instruments', and the relevant amending standards[1] | 1 January 2018 | 30 June 2019 |
| AASB 15 'Revenue from Contracts with Customers' and AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15' | 1 January 2017 | 30 June 2018 |
| AASB 2014-4 'Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation' | 1 January 2016 | 30 June 2017 |
| AASB 2014-9 'Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements' | 1 January 2016 | 30 June 2017 |
| AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101' | 1 January 2016 | 30 June 2017 |
| AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality' | 1 July 2015 | 30 June 2016 |
| AASB 2015-5 'Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception' | 1 January 2016 | 30 June 2017 |

[1] The AASB has issued the following versions of AASB 9 and the relevant amending standards;
- AASB 9 'Financial Instruments' (December 2009) and the relevant amending standards;
- AASB 9 'Financial Instruments' (December 2010) and the relevant amending standards;
- AASB 2013-9 'Amendment to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments', Part C – Financial Instruments;
- AASB 9 'Financial Instruments' (December 2014) and the relevant amending standards.

All the standards have an effective date of annual reporting periods beginning on or after 1 January 2018. Either AASB 9 (December 2009) or AASB 9 (December 2010) can be early adopted if the initial application date is before 1 February 2015. After this date only AASB 9 (December 2014) can be early adopted.

## 3. Significant accounting policies

### *3.1 Statement of compliance*

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations and comply with other requirements of the law.

The financial statements comprise the financial statements of the Company. For the purposes of preparing the financial statements, the Company is a for-profit entity.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Company comply with International Financial Reporting Standards ("IFRS").

The financial statements were authorised for issue by the directors on 25 August 2015.

### *3.2 Basis of preparation*

The financial statements have been prepared on the basis of historical cost, except for certain financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair values of the consideration given in exchange for goods and services. The financial statements have been prepared on a going concern basis. All amounts are presented in Australian dollars, unless otherwise noted.

Fair value is 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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Company takes into account the characteristics of the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2, leasing transactions that are within the scope of AASB 117, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 2 or value in use in AASB 136.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

### *3.3 Business combinations*

Acquisitions of business are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred by the Company, liabilities incurred by the Company to the former owners of the acquiree and the equity instruments issued by the Company in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with AASB 112 'Income Taxes' and AASB 119 'Employee Benefits' respectively.
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Company entered into to replace share-based payment arrangements of the acquiree are measured in accordance with AASB 2 'Share-based Payment' at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations' are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Where the consideration transferred by the Company in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates in accordance with AASB 139, or AASB 137 'Provisions, Contingent Liabilities and Contingent Assets', as appropriate, with the corresponding gain or loss being recognised in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

### 3.4 *Going concern basis*

The financial statements have been prepared on the going concern basis which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

For the year ended 30 June 2015, the Company incurred a loss after tax of $679,539 (2014: $527,978) and a net cash outflow from operations of $547,987 (2014: $568,882). At 30 June 2015, the Company had net current assets of $2,772,226 (2014: $1,179,160), current liabilities of $191,643 (2014: $34,495) and current cash holding was $2,931,305. The Company does not have any forthcoming material expenditure commitments in the relevant period.

The directors have reviewed the business outlook and cash flow forecasts and are of the opinion that the use of the going concern basis of accounting is appropriate as they believe the Company will continue to raise further funds and meet its expenditure commitments as required.

Should the Company be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of liabilities that may be necessary should the Company be unable to continue as a going concern.

### 3.5 *Goodwill*

Goodwill arising on an acquisition of a business is carried at cost as established at the date of the acquisition of the business (see 3.3 above) less accumulated impairment losses, if any. For the purposes of impairment testing, goodwill is allocated to each of the Company's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

### 3.6 *Revenue recognition*

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

<u>Interest income</u>

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts though the expected life of the financial asset to that asset's net carrying amount on initial recognition.

### 3.7 *Borrowing costs*

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### *3.8 Government grants*

Government grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Company recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised in profit or loss in the period in which they become receivable.

### *3.9 Employee benefits*

Short-term and long-term employee benefits

A liability is recognised for benefits accrued to employees in respect of wages and salaries and annual leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of short-term employee benefits are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Company in respect of services provided by employees up to reporting date.

### *3.10 Share-based payments arrangements*

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 21.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

### *3.11 Taxation*

Income tax expense represents the sum of the tax currently payable and deferred tax.

3.11.1 Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's current tax is calculated using the tax rates that have been enacted or substantively enacted by the end of the reporting period.

3.11.2 Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same authority and the Company intends to settle its current tax assets and liabilities on a net basis.

3.11.3 Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

### *3.12 Property, plant and equipment*

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

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit and loss.

### *3.13 Intangible assets*

3.13.1 Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

3.13.2 Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognised in profit or loss when the asset is derecognised.

### *3.14 Impairment of tangible and intangible assets other than goodwill*

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less cost of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

### *3.15 Provisions*

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

### *3.16 Financial instruments*

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

### *3.16.1 Financial assets*

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

3.16.1.1 Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and AASB 139 'Financial Instruments: Recognition and Measurement' permits the entire combined contract to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item.

3.16.1.2 Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

3.16.1.3 Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets that are carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial asset that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve.

3.16.1.4 Derecognition of financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Company retains an option to repurchase part of a transferred asset), the Company allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

### *3.16.2 Financial liabilities and equity instruments*

3.16.2.1 Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

3.16.2.2 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group of entity are recognised at the proceeds received, net of direct issue costs.

3.16.2.3 Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

3.16.2.4 Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and AASB 139 'Financial Instruments: Recognition and Measurement' permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item.

3.16.2.5 Other financial liabilities

Other financial liabilities, including borrowings and trade and other payables, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

3.16.2.6 Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

### *3.17 Goods and services tax*

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
ii. for receivables and payables which are recognised inclusive of GST.

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

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

### *3.18 Comparative amounts*

When current period balances have been classified differently within current period disclosures when compared to prior periods, comparative disclosures have been restated to ensure consistency of presentation between periods.

## 4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

## 5. Segment information

The Company operates in one business segment and one geographical segment, namely the maintenance of patents relating to drug detection devices in Australia only. AASB 8 'Operating Segments' states that similar operating segments can be aggregated to form one reportable segment. However, none of the operating segments currently meet any of the prescribed quantitative thresholds, and as such do not have to be reported separately. The Company has therefore decided to aggregate all its reporting segments into one reportable operating segment.

The revenue and results of this segment are those of the Company as a whole and are set out in the statement of profit or loss and other comprehensive income. The segment assets and liabilities are those of the Company and set out in the statement of financial position.

## 6. Revenue

| | Company | Consolidated |
|---|---|---|
| | 2015 | 2014 |
| | $ | $ |
| Interest received | 31,423 | 40,647 |

## 7. Other income

| | Company | Consolidated |
|---|---|---|
| | 2015 | 2014 |
| | $ | $ |
| Research and development rebate | 55,870 | - |
| Gain on disposal of equity investments | 12,452 | 21,573 |
| Miscellaneous income | 17 | - |
| | 68,339 | 21,573 |

## 8. Loss for the year

| ***Loss for the year has been arrived at after charging the following items of expenses:*** | Company 2015 $ | Consolidated 2014 $ |
|---|---|---|
| *Corporate administration expenses* | | |
| Company secretary fees | (63,750) | (48,000) |
| Directors fees | (72,000) | (81,000) |
| Legal and professional fees | (61,972) | (5,108) |
| Share registry fees | (5,570) | (17,403) |
| Insurance expenses | (13,923) | (18,481) |
| Other administration expenses | (148,851) | (124,324) |
| | (366,066) | (294,316) |

## 9. Income taxes relating to continuing operations

| ***9.1 Income tax recognised in profit or loss*** | Company 2015 $ | Consolidated 2014 $ |
|---|---|---|
| Current tax | - | - |
| Deferred tax | - | - |
| | - | - |

The income tax expense for the year can be reconciled to the accounting loss as follows:

| | Company | Consolidated |
|---|---|---|
| | 2015 | 2014 |
| | $ | $ |
| Loss before tax from continuing operations | (679,539) | (527,978) |
| Income tax expense calculated at 30% (2014: 30%) | (203,862) | (158,393) |
| Effect of items that are not assessable/deductible in determining taxable loss | 11,560 | (22,482) |
| Effect of unused tax losses not recognised as deferred tax assets | 192,302 | 180,875 |
| | - | - |

The tax rate used for the 2015 and 2014 reconciliations above is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law.

| 9.2 *Income tax recognised directly in equity* | Company 2015 $ | Consolidated 2014 $ |
|---|---|---|
| ***Current tax*** | | |
| Share issue costs | - | - |
| ***Deferred tax*** | | |
| Share issue costs deductible over 5 years | - | - |
| | - | - |

| 9.3 *Unrecognised deferred tax assets* | Company 2015 $ | Consolidated 2014 $ |
|---|---|---|
| Unused tax losses (revenue) for which no deferred tax assets have been recognised | 6,255,779 | 5,614,772 |
| Potential tax benefit at 30% | 1,876,734 | 1,684,432 |
| Net temporary differences | 41,994 | 11,920 |

All unused tax losses were incurred by Australian entities.

This benefit for tax losses will only be obtained if the specific entity carrying forward the tax losses derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised, and the Company complies with the conditions for deductibility imposed by tax legislation.

## 10. Loss per share

| | Company 2015 | Consolidated 2014 |
|---|---|---|
| Basic and diluted loss per share (cents per share) | (0.1706) | (0.1594) |

### 10.1 Basic and diluted loss per share

The loss and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

| | Company 2015 $ | Consolidated 2014 $ |
|---|---|---|
| Loss for the year attributable to owners of the Company | (679,539) | (527,978) |

| | 2015 No. | 2014 No. |
|---|---|---|
| Weighted average number of ordinary shares for the purposes of basic and diluted loss per share | 398,249,597 | 331,140,008 |

## 11. Trade and other receivables

| | Company 2015 $ | Consolidated 2014 $ |
|---|---|---|
| Other receivables | 21,139 | 3,386 |
| Prepayments | 11,425 | 11,015 |
| | 32,564 | 14,401 |

At the reporting date, none of the receivables are past due.

## 12. Investments

| | Company | Consolidated |
|---|---|---|
| | 2015 | 2014 |
| | $ | $ |
| Investment in technology venture (i) | 100,000 | - |
| Provision for impairment (ii) | (100,000) | - |
| | - | - |

(i) This represents an investment in a technology venture accelerator/incubator program out of Western Australia. The technology incubator was established to support, grow and capitalise on the thriving start-up ecosystem that is emerging in Western Australia and will be managed by experienced tech entrepreneurs.
(ii) A provision for impairment was made for the investment in absence of any value indications as at 30 June 2015 (2014: nil).

## 13. Property, plant and equipment

| | Company | Consolidated |
|---|---|---|
| | 2015 | 2014 |
| ***Carrying amounts of:*** | $ | $ |
| Furniture and fixtures | 4,864 | - |

| ***Cost or valuation*** | Furniture and fixtures | Furniture and fixtures |
|---|---|---|
| Balance at 1 July 2014 | - | - |
| Additions | 5,882 | - |
| Balance at 30 June 2015 | 5,882 | - |
| ***Accumulated depreciation*** | | |
| Balance at 1 July 2014 | - | - |
| Depreciation expense | 1,018 | - |
| Balance at 30 June 2015 | 1,018 | - |
| | | |
| **Net book value** | **4,864** | **-** |

## 14. Trade and other payables

| | Company | Consolidated |
|---|---|---|
| | 2015 | 2014 |
| | $ | $ |
| Trade creditors | 135,909 | 2,146 |
| Accruals and other payables | 39,467 | 26,085 |
| | 175,376 | 28,231 |

## 15. Provisions

| | Company | Consolidated |
|---|---|---|
| | 2015 | 2014 |
| | $ | $ |
| Annual leave | 16,267 | 6,264 |

## 16. Subsidiaries

| Name of subsidiary | Place of incorporation and operation | Proportion of ownership interest and voting power held by the Group | |
|---|---|---|---|
| | | 2015 | 2014 |
| Sun Biomedical Australia Pty Ltd* | Australia | - | 100% |
| MDM Technologies Pty Ltd* | Australia | - | 100% |
| Sun Biomedical Laboratories Inc.* | USA | - | 100% |

* Effective 1 July 2014, the board decided to de-consolidate its subsidiaries on the basis that these subsidiaries were dormant. The dormant Australian subsidiaries were de-registered on 22 October 2014. As at the date of this report, the Company does not have any subsidiaries. The registration of Sun Biomedical Laboratories Inc. was permanently revoked in 2011.

## 17. Issued capital

| | 2015<br>$ | 2014<br>$ |
|---|---|---|
| 473,640,008 fully paid ordinary shares (2014: 331,140,008 shares) | 31,557,822 | 30,286,353 |

| ***Fully paid ordinary shares*** | 2015 | | 2014 | |
|---|---|---|---|---|
| | No. | $ | No. | $ |
| Balance at beginning of year | 331,140,008 | 30,286,353 | 331,140,008 | 30,286,353 |
| Share Placement (i) | 82,500,000 | 825,000 | - | - |
| Issue of shares (ii) | 60,000,000 | 600,000 | | |
| Share issue costs | - | (153,531) | - | - |
| Balance at end of year | 473,640,008 | 31,557,822 | 331,140,008 | 30,286,353 |

(i) On 18 September 2014, the Company raised $825,000 via the issue of 82,500,000 fully paid ordinary shares at $0.01 each pursuant to a Placement to institutional and sophisticated investors.
(ii) On 16 June 2015, the Company issued 60,000,000 fully paid ordinary shares following the execution of the acquisition agreement by all Dimerix Bioscience Limited's shareholders (refer to ASX announcement dated 13 May 2015)

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

## 18. Shares and options yet to be issued

As at 30 June 2015, 100,000,000 fully paid ordinary shares at $0.01 each and 60,000,000 adviser options at $0.0001 each were yet to be issued. The shares were part of a placement to sophisticated and professional investors of Forrest Capital to fund the acquisition and expenditure on the assets owned by Dimerix Bioscience Limited. Cash had been received prior to balance date. The 60,000,000 options to be issued to the nominees of Forrest Capital, are exercisable at $0.010 each on or before 30 June 2017. The shares and options were issued on 3 July 2015.

## 19. Reserves

| | Company | Consolidated |
|---|---|---|
| | 2015 | 2014 |
| ***Share-based payments*** | $ | $ |
| Balance at beginning of year | 157,979 | 157,979 |
| Arising on share-based payments | - | - |
| Balance at end of year | 157,979 | 157,979 |

Further information about share-based payments is set out in note 21.

## 20. Financial instruments

### *20.1 Capital management*

The Company manages its capital to ensure entities in the Company will be able to continue as going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Company's overall strategy remains unchanged from 2014.

The Company is not subject to any externally imposed capital requirements.

Given the nature of the business, the Company monitors capital on the basis of current business operations and cash flow requirements.

### *20.2 Categories of financial instruments*

| | Company | Consolidated |
|---|---|---|
| | **2015** | **2014** |
| **Financial assets** | $ | $ |
| Cash and cash equivalents | 2,931,305 | 1,199,254 |
| Trade and other receivables | 21,139 | 3,386 |
| | 2,952,444 | 1,202,640 |
| **Financial liabilities** | | |
| Trade and other payables | 175,376 | 28,231 |
| | 175,376 | 28,231 |

The fair value of the above financial instruments approximates their carrying values.

### *20.3 Financial risk management objectives*

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of those risks is presented throughout these financial statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

The board has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function.

The Company's risk management policies and objectives are therefore designed to minimise the potential impacts of these risks on the Company where such impacts may be material. The board receives monthly financial reports through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The overall objective of the board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility.

### *20.4 Market risk*

Market risk for the Company arises from the use of interest bearing financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rate (see 20.5 below).

### *20.5 Interest rate risk management*

Interest rate risk arises on cash and cash equivalents and receivables from related parties. The Company does not enter into any derivative instruments to mitigate this risk. As this is not considered a significant risk for the Company, no policies are in place to formally mitigate this risk.

*Interest rate sensitivity analysis*

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end on the reporting period.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Company's loss for the year ended 30 June 2015 would increase/decrease by $29,313 (2014: $11,993)

### *20.6 Credit risk management*

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Company uses other publicly available financial information and its own trading records to rate its major customers. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

### *20.7 Liquidity risk management*

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Company's short-, medium- and long-term funding and liquidity management requirements. The Company manages liquidity by maintaining adequate banking facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

| | | Contractual cash flows | | | | |
|---|---|---|---|---|---|---|
| | **Carrying Amount** | **Less than 1 month** | **1-3 months** | **3-12 months** | **1 year to 5 years** | **Total contractual cash flows** |
| | **$** | **$** | **$** | **$** | **$** | **$** |
| **2015** | | | | | | |
| Trade and other payables | 175,376 | 175,376 | - | - | - | 175,376 |
| **2014** | | | | | | |
| Trade and other payables | 28,231 | - | 28,231 | - | - | 28,231 |

## 21. Share-based payments

### *21.1 Employee share option plan*

Options may be issued to external consultants or non-related parties without shareholders' approval, where the annual 15% capacity pursuant to ASX Listing Rule 7.1 has not been exceeded. Options cannot be offered to a director or an associate except where approval is given by shareholders at a general meeting.

No options were issued to employees during the financial year (2014: nil).

Each option issued converts into one ordinary share of Sun Biomedical Limited on exercise. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The following share-based payment arrangements were in existence during and prior reporting periods:

| Option series | Number | Grant date | Grant date fair value $ | Exercise price $ | Expiry date | Vesting date |
|---|---|---|---|---|---|---|
| 1 | 20,857,143 | 22 January 2013 | 0.0076 | 0.007 | 31 December 2017 | At grant date |

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

### *21.2 Fair value of share options granted in the year*

No options were granted to employees during the year (2014: nil).

### *21.3 Movements in shares options during the year*

The following reconciles the share options outstanding at the beginning and end of the year:

| | 2015 | | 2014 | |
|---|---|---|---|---|
| | Number of options No. | Weighted average exercise price $ | Number of options No. | Weighted average exercise price $ |
| Balance at beginning of the year | 20,857,143 | 0.0076 | 20,857,143 | 0.0076 |
| Granted during the year | - | - | - | - |
| Forfeited during the year | - | - | - | - |
| Exercised during the year | - | - | - | - |
| Expired during the year | - | - | - | - |
| Balance at end of year | **20,857,143** | **0.0076** | **20,857,143** | **0.0076** |
| Exercisable at end of year | **20,857,143** | **0.0076** | **20,857,143** | **0.0076** |

### *21.4 Shares options exercised during the year*

No share options were exercised during the year (2014: nil).

### *21.5 Share options outstanding at the end of the year*

The share options outstanding at the end of the year had a weighted average exercise price of $0.0076 and a weighted average remaining contractual life of 915 days (2014: 1,280 days).

## 22. Key management personnel

The aggregate compensation made to directors and other members of key management personnel of the Company is set out below:

| | 2015<br>$ | 2014<br>$ |
|---|---|---|
| Short-term employee benefits | 245,340 | 209,580 |
| Post-employment benefits | 10,410 | 7,454 |
| Share-based payments | - | - |
| | 255,750 | 217,034 |

**Short term employee benefits**

These amounts include fees paid to non-executive directors as well as salary and paid leave benefits awarded to executive directors. It also includes an amount of $8,750 accrued as at 30 June 2015 representing additional company secretary work performed by Mr Peter Webse. The amount of $8,750 was paid subsequent to year end.

**Post-employment benefits**

These amounts are superannuation contributions made during the year.

Further information in relation to key management personnel remuneration can be found in the remuneration report contained in the directors' report.

## 23. Related party transactions

### *23.1 Entities under the control of the Group*

As at the date of this report, the Company did not have any subsidiaries. Refer to note 16 for further information.

### *23.2 Key management personnel*

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity, are considered key management personnel.

For details of disclosures relating to key management personnel, refer to the remuneration report contained in the directors' report and note 22.

### *23.3 Other related party transactions*

Mr Webse's services were provided by Platinum Corporate Secretariat Pty Ltd (Platinum). Mr Webse is the sole director of Platinum. Company secretarial fees paid to Platinum are disclosed in the remuneration report. Mr Webse resigned as a non-executive director on 3 July 2015.

All transactions between the Company and related parties are on an arms-length basis.

## 24. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include cash on hand and in banks, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position as follows:

| | Company<br>2015<br>$ | Consolidated<br>2014<br>$ |
|---|---|---|
| Cash and bank balances | 2,931,305 | 1,199,254 |

## 24. Cash and cash equivalents (cont'd)

### *24.1 Reconciliation of loss for the year to net cash flows from operating activities*

| | Company | Consolidated |
|---|---|---|
| | 2015 | 2014 |
| | $ | $ |
| **Cash flow from operating activities** | | |
| Loss for the year | (679,539) | (527,978) |
| Adjustments for: | | |
| Profit from disposal of equity investments | (12,452) | (21,573) |
| Depreciation | 1,018 | - |
| Provision for impairment of investments | 100,000 | - |
| Movements in working capital | | |
| (Increase)/decrease in other receivables | (17,753) | 3,344 |
| Increase in prepayments | (410) | (10,862) |
| Increase/(decrease) in trade and other payables | 51,146 | (18,077) |
| Increase in provisions | 10,003 | 6,264 |
| **Net cash outflows from operating activities** | (547,987) | (568,882) |

There were no non-cash financing or investing activities during the year.

## 25. Commitments and contingencies

There are no significant commitments and contingencies at balance date in the current or prior reporting periods.

## 26. Remuneration of auditors

***Auditor of the parent entity***

| | Company | Consolidated |
|---|---|---|
| | 2015 | 2014 |
| | $ | $ |
| Audit or review of the financial statements | 20,976 | 21,111 |
| Other non-audit services | 3,000 | - |
| | 23,976 | 21,111 |

The auditors of Sun Biomedical Limited are Stantons International Audit and Consulting Pty Ltd.

## 27. Events after the reporting period

**Acquisitions subsequent to year end**

On 3 July 2015, the Company announced the completion of the transaction and the issue of securities to acquire Dimerix Bioscience Limited (Dimerix) as approved by shareholders at the shareholder meeting held on 30 June 2015. As part of the transaction and after approval of shareholders, the Company issued the following securities:

- 750,000,041 fully paid ordinary shares to Vendors to acquire 100% of Dimerix;
- 100,000,000 fully paid ordinary shares at $0.01 each to sophisticated and professional investor clients of Forrest Capital pursuant to a Share Placement;
- 30,851,594 management options exercisable at $0.02 on or before 30 June 2017;
- 60,000,000 adviser options to the nominees of Forrest Capital at $0.0001 each and exercisable at $0.010 each on or before 30 June 2017; and
- 75,000,040 Class A, 75,000,040 Class B and 75,000,040 Class C Performance Shares subject to numerous milestones (refer to ASX announcement dated 13 May 2015).

## 27. Events after the reporting period (cont'd)

Dimerix's lead clinical program is a Phase 2 study in patients with Chronic Kidney Disease, using its novel combination therapy, DMX200. The acquisition will transform Sun Biomedical Limited into an advanced clinical stage company with an asset that has the potential to make a considerable impact in the treatment of Chronic Kidney Disease.

The deemed acquisition date is 3 July 2015, the date on which the securities were issued and the transaction completed.

Business combinations occur when an entity, referred to as the acquirer, obtains control over one or more businesses (the acquiree). This is typically achieved through the acquisition of in excess of 50% of the voting rights of the acquiree. The acquisition of Dimerix is considered a reverse acquisition, with Dimerix being considered the acquirer for accounting purposes and the business combination being accounted for under this standard.

The summary of the acquisition of Dimerix is as follows:

**Purchase consideration**

| | Dimerix Bioscience Limited<br>$ |
|---|---|
| Non-cash – issue of shares (i) | 5,486,400 |

(i) This amount is made up of the following

(a) fair value of Sun Biomedical Limited as at 30 June 2015 (being 473,640,008 ordinary shares at $0.01 each) totalling $4,736,400.

(b) value of Performance Shares A, B and C with a probability of occurrence of 50%, 25% and 25% respectively totalling $750,000.

**Assets acquired and liabilities assumed**

The fair values of the identifiable assets and liabilities of Sun Biomedical Limited and Dimerix Bioscience Limited as at 30 June 2015 were:

| | Sun Biomedical Limited<br>$ | Dimerix Bioscience Limited (unaudited)<br>$ |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | 2,931,305 | 486,864 |
| Trade receivables | 32,564 | 196,866 |
| Other assets | - | 10,950 |
| Property, plant and equipment | 4,864 | 1,847 |
| Intangibles – Intellectual property | - | - |
| **Total assets** | **2,968,733** | **696,527** |
| **Liabilities** | | |
| Trade and other payables | 175,376 | 38,013 |
| Provisions | 16,267 | 9,230 |
| **Total liabilities** | **191,643** | **47,243** |
| **Net assets** | **2,777,090** | **649,284** |

The fair values of assets acquired and liabilities assumed approximate their carrying value. The assets and liabilities of Dimerix Bioscience Limited have not yet been audited at the time of this report.

**Fair value attributable to intangibles arising on acquisition**

| | Dimerix Bioscience Limited $ |
|---|---|
| Purchase consideration | 5,486,400 |
| Less: fair value of identifiable net assets acquired | (2,777,090) |
| Intangibles – Intellectual Property (i) | 2,709,310 |

(i) The difference between the purchase consideration and the fair value of identifiable net assets acquired of Sun Biomedical Limited amounting to $2,709,310 has been allocated to intangible assets – Intellectual Property.

## 28. Parent entity information

The 2015 figures shown below are those of the Company. Effective 1 July 2014, the board decided to deconsolidate its subsidiaries on the basis that the subsidiaries were dormant (*refer to note 16 for further information*). The accounting policies of the parent entity, which have been applied in determining the 2015 financial information shown below, are the same as those applied in the financial statements. Refer to note 3 for a summary of significant accounting policies relating to the Company.

***Financial position***

| | 2015 $ | 2014 $ |
|---|---|---|
| **Assets** | | |
| Current assets | 2,963,869 | 1,213,655 |
| Non-current assets | 4,864 | - |
| Total assets | 2,968,733 | 1,213,655 |
| **Liabilities** | | |
| Current liabilities | 175,376 | 28,231 |
| Provisions | 16,267 | 6,264 |
| Total liabilities | 191,643 | 34,495 |
| Net assets | 2,777,090 | 1,179,160 |
| **Equity** | | |
| Issued capital | 31,557,822 | 30,286,353 |
| Shares and options yet to be issued | 1,006,000 | - |
| Reserves | 157,979 | 157,979 |
| Accumulated losses | (29,944,711) | (29,265,172) |
| Total equity | 2,777,090 | 1,179,160 |
| ***Financial performance*** | | |
| Loss for the year | (679,539) | (527,978) |

**Commitments and contingencies**

There were no material commitments and contingencies at the reporting date for the parent company.

## 29. Approval of financial statements

The financial statements were approved by the board of directors and authorised for issue on 25 August 2015.

# Corporate Governance Statement

This Corporate Governance Statement ("Statement") outlines the key aspects of Sun Biomedical Limited's ('Sun Biomedical' or 'the Company') governance framework and main governance practices. The Company's charters, policies, and procedures are regularly reviewed and updated to comply with law and best practice. These charters and policies can be viewed on Sun Biomedical's website located at www.sunbiomed.com.au.

This Statement is structured with reference to the Australian Securities Exchange Corporate Governance Council's ("the Council's") "Principles of Good Corporate Governance and Best Practice Recommendations 3rd Edition" ("the Recommendations").

The Board of Directors has adopted the Recommendations to the extent that is deemed appropriate considering current the size and operations of the Company. Therefore, considering the size and financial position of the Company, where the Board considers that the cost of implementing a recommendation outweighs any potential benefits, those recommendations have not been adopted.

This Statement was approved by the Board of Directors and is current as at 25 August 2015.

## *Principle 1: Lay solid foundations for management and oversight*

### *Roles of the Board & Management*

The Board is responsible for evaluating and setting the strategic direction for the Company, establishing goals for management and monitoring the achievement of these goals. The Company does not currently have a Managing Director and until such time as one is appointed the Executive Chairman is responsible to the Board for the day-to-day management of the Company.

The principal functions and responsibilities of the Board include, but are not limited to, the following:

- Appointment, evaluation and, if necessary, removal of the Executive Chairman, Managing Director (where appointed, any other executive directors, the Company Secretary and the Chief Financial Officer (if applicable) and approval of their remuneration;
- Determining, in conjunction with management, corporate strategy, objectives, operations, plans and approving and appropriately monitoring plans, new investments, major capital and operating expenditures, capital management, acquisitions, divestitures and major funding activities;
- Establishing appropriate levels of delegation to the Executive Chairman or Managing Director (where appointed) to allow the business to be managed efficiently;
- Approval of remuneration methodologies and systems;
- Monitoring actual performance against planned performance expectations and reviewing operating information at a requisite level to understand at all times the financial and operating conditions of the Company;
- Monitoring the performance of senior management, including the implementation of strategy and ensuring appropriate resources are available;
- Overseeing the management of business risks, safety, occupational health and environmental issues;
- Satisfying itself that the financial statements of the Company fairly and accurately set out the financial position and financial performance of the Company for the period under review;
- Satisfying itself that there are appropriate reporting systems and controls in place to assure the Board that proper operational, financial, compliance, risk management and internal control processes are in place and functioning appropriately;
- Assuring itself that appropriate audit arrangements are in place in relation to the Company's financial affairs;
- Authorising the issue of any shares, options, equity instruments or other securities within the constraints of the Corporations Act and the ASX Listing Rules; and
- Ensuring that the Company acts legally and responsibly on all matters and assuring itself that the Company has adopted, and that its practice is consistent with, a number of guidelines including:
  - Code of Conduct;
  - Continuous Disclosure Policy;
  - Diversity Policy;
  - Performance Evaluation Policy;
  - Procedures for Selection and Appointment of Directors;
  - Remuneration Policy;
  - Risk Management and Internal Compliance and Control Policy.
  - Securities Trading Policy; and
  - Shareholder Communications Policy.

Subject to the specific authorities reserved to the Board under the Board Charter, the Board has delegated to the Executive Chairman (Managing Director where appointed) responsibility for the management and operation of Sun Biomedical. The Executive Chairman (Managing Director where appointed) is responsible for the day-to-day operations, financial performance and administration of Sun Biomedical within the powers authorised to him from time-to-time by the Board. The Executive Chairman (Managing Director where appointed) may make further delegation within the delegations specified by the Board and is accountable to the Board for the exercise of those delegated powers.

Further details of Board responsibilities, objectives and structure are set out in the Board Charter on the Sun Biomedical Website.

***Board Committees***

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the formation of separate committees at this time including audit, risk, remuneration or nomination committees, preferring at this stage of the Company's development, to manage the Company through the full Board of Directors. The Board assumes the responsibilities normally delegated to the Audit, Risk, Remuneration and Nomination Committees.

If the Company's activities increase, in size, scope and nature, the appointment of separate committees will be reviewed by the Board and implemented if appropriate.

***Board Appointments***

The Company undertakes comprehensive reference checks prior to appointing a director, or putting that person forward as a candidate to ensure that person is competent, experienced, and would not be impaired in any way from undertaking the duties of director. The Company provides relevant information to shareholders for their consideration about the attributes of candidates together with whether the Board supports the appointment or re-election.

The terms of the appointment of a non-executive director, executive directors and senior executives are agreed upon and set out in writing at the time of appointment.

***The Company Secretary***

The Company Secretary is accountable directly to the Board, through the Executive Chairman, on all matters to do with the proper functioning of the Board, including agendas, Board papers and minutes, advising the Board and its Committees (as applicable) on governance matters, monitoring that the Board and Committee policies and procedures are followed, communication with regulatory bodies and the ASX and statutory and other filings.

***Diversity***

The Company has adopted a formal Diversity Policy and is committed to workplace diversity, with a particular focus on supporting the representation of women at the senior level of the Company and on the Company Board.

The Company is currently in an early stage of its development and given that it currently has a limited number of employees, the application of measurable objectives in relation to gender diversity, at various levels of the Company's business, is not considered to be appropriate nor practical.

The Board will review this position on an annual basis and will implement measurable objectives as and when they deem the Company to require them.

The proportion of women in the consolidated entity as at 25 August 2015 is as follows:
Women on the board: 1 of 4 (25%)
Women in senior executive positions: 2 of 4 (50%)
Women in the organisation: 3 of 6 (50%)

The Company's Diversity Policy is available on its website.

***Board & Management Performance Review***

On an annual basis, the Board conducts a review of its structure, composition and performance

The annual review includes consideration of the following measures:

- comparing the performance of the Board against the requirements of its Charter;
- assessing the performance of the Board over the previous 12 months having regard to the corporate strategies, operating plans and the annual budget;
- reviewing the Board's interaction with management;
- reviewing the type and timing of information provided to the Board by management;
- reviewing management's performance in assisting the Board to meet its objectives; and
- identifying any necessary or desirable improvements to the Board Charter.

The method and scope of the performance evaluation will be set by the Board and may include a Board self-assessment checklist to be completed by each Director. The Board may also use an independent adviser to assist in the review.

The Executive Chairman has primary responsibility for conducting performance appraisals of Non-Executive Directors, in conjunction with them, having particular regard to:

- contribution to Board discussion and function;
- degree of independence including relevance of any conflicts of interest;
- availability for and attendance at Board meetings and other relevant events;
- contribution to Company strategy;
- membership of and contribution to any Board committees; and
- suitability to Board structure and composition.

The Board usually conducts an annual performance assessment of the Executive Chairman and Managing Director (where appointed) against agreed key performance indicators. However, Board and management performance reviews were not conducted during the financial year in accordance with the above processes due to a substantial change in the composition of the Board proposed as part of the acquisition of Dimerix Bioscience Limited, which was declared unconditional on 30 June 2015 and implemented on 3 July 2015.

***Independent Advice***

Directors have a right of access to all Company information and executives. Directors are entitled, in fulfilling their duties and responsibilities, to obtain independent professional advice on any matter connected with the discharge of their responsibilities, with prior notice to the Chairman, at Sun Biomedical's expense.

## Principle 2: Structure the board to add value

***Board Composition***

During the financial year and to the date of this report the Board was comprised of the following members:

| | |
|---|---|
| Dr James Williams | Executive Chairman (appointed 3 July 2015); |
| Dr Sonia Poli | Non-Executive Director (appointed 3 July 2015); |
| Mr Howard Digby | Non-Executive Director (appointed 22 January 2013, Executive Chairman until 3 July 2015); |
| Dr Anton Uvarov | Executive Director (appointed 20 November 2013); |
| Mr Evan Cross | Non-Executive Director (appointed 1 March 2012, resigned 3 July 2015); |
| Mr Peter Webse | Non-Executive Director (appointed 22 January 2013, resigned 3 July 2015). |

The Board currently consists of two Executive Directors being the Chairman and Dr Anton Uvarov, and two Non-Executive Directors.

Sun Biomedical has adopted a definition of 'independence' for Directors that is consistent with the Recommendations.

The Company's Executive Chairman, Dr James Williams, is not an independent director and neither was the former Executive Chairman, Mr Howard Digby. The Board believes it is important to have the Chairman engaged in an executive capacity at this critical stage of the Company's development. The Board values the insight and advice provided by Dr Williams (and prior to him, Mr Howard Digby) and considers that the materiality of his relationship is such that it does not interfere with his capacity to bring an independent judgement on issues before the Board and to act in the best interests of Sun Biomedical and its security holders generally.

The Board does not consist of a majority of independent directors; Dr Sonia Poli is the only current director considered to be independent. Mr Howard Digby is not considered to be independent as he was the former Executive Chairman of the Company. Given the size of the Board and the nature and scale of the Company's current operations the Board believes the presence of one independent director on the Board is sufficient.

The Company does not currently have a Managing Director and until such time as one is appointed, the Executive Chairman is responsible to the Board for the day to day management of the Company.

***Board Selection Process***

The Board considers that a diverse range of skills, backgrounds, knowledge and experience is required in order to effectively govern the Sun Biomedical. The Board believes that orderly succession and renewal contributes to strong corporate governance and is achieved by careful planning and continual review.

The Board is responsible for the nomination and selection of directors. The Board reviews the size and composition of the Board regularly and at least once a year as part of the Board evaluation process. The Board has a skills matrix covering the competencies and experience of each member. When the need for a new director is identified, the required experience and competencies of the new director are defined in the context of this matrix and any gaps that may exist.

Generally a list of potential candidates is identified based on these skills required and other issues such as geographic location and diversity criteria. Candidates are assessed against the required skills and on their qualifications, backgrounds and personal qualities. In addition, candidates are sought who have a proven track record in creating security holder value and the required time to commit to the position.

***Induction of New Directors and Ongoing Development***

New Directors are issued with a formal Letter of Appointment that sets out the key terms and conditions of their appointment, including Director's duties, rights and responsibilities, the time commitment envisaged, and the Board's expectations regarding involvement with any Committee work.

An induction program is in place and new Directors are encouraged to engage in professional development activities to develop and maintain the skills and knowledge needed to perform their role as Directors effectively.

## Principle 3: Act ethically and responsibly

The Company has implemented a Code of Conduct, which provides guidelines aimed at maintaining high ethical standards, corporate behaviour and accountability within the Company.

All employees and Directors are expected to:

- respect the law and act in accordance with it;
- maintain high levels of professional conduct;
- respect confidentiality and not misuse Company information, assets or facilities;
- avoid real or perceived conflicts of interest;
- act in the best interests of shareholders;
- by their actions contribute to the Company's reputation as a good corporate citizen which seeks the respect of the community and environment in which it operates;
- perform their duties in ways that minimise environmental impacts and maximise workplace safety;
- exercise fairness, courtesy, respect, consideration and sensitivity in all dealings within their workplace and with customers, suppliers and the public generally; and
- act with honesty, integrity, decency and responsibility at all times.

An employee that breaches the Code of Conduct may face disciplinary action including, in the cases of serious breaches, dismissal. If an employee suspects that a breach of the Code of Conduct has occurred or will occur, he or she must report that breach to the Company Secretary. No employee will be disadvantaged or prejudiced if he or she reports in good faith a suspected breach. All reports will be acted upon and kept confidential.

## Principle 4: Safeguard integrity in corporate reporting

The Board as a whole fulfils to the functions normally delegated to the Audit Committee as detailed in the Audit Committee Charter.

The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises. Candidates for the position of external auditor must demonstrate complete independence from the Company through the engagement period. The Board may otherwise select an external auditor based on criteria relevant to the Company's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the Board.

The Board receives regular reports from management and from external auditors. It also meets with the external auditors as and when required.

The external auditors attend Sun Biomedical's AGM and are available to answer questions from security holders relevant to the audit.

Prior approval of the Board must be gained for non-audit work to be performed by the external auditor. There are qualitative limits on this non-audit work to ensure that the independence of the auditor is maintained.

There is also a requirement that the audit partner responsible for the audit not perform in that role for more than five years.

***CEO and CFO (Equivalent) Certifications***

The Board has received certifications from the Executive Chairman and CFO (Equivalent) in connection with the financial statements for the Sun Biomedical for the Reporting Period. The certifications state that the declaration provided in accordance with Section 295A of the Corporations Act as to the integrity of the financial statements is founded on a sound system of risk management and internal control which is operating effectively.

## Principle 5: Make timely and balanced disclosure

The Company has a Disclosure Policy which outlines the disclosure obligations of the Company as required under the ASX Listing Rules and Corporations Act. The policy is designed to ensure that procedures are in place so that the market is properly informed of matters which may have a material impact on the price at which Company securities are traded.

The Board considers whether there are any matters requiring disclosure in respect of each and every item of business that it considers in its meetings. Individual Directors are required to make such a consideration when they become aware of any information in the course of their duties as a Director of the Company.

The Company is committed to ensuring all investors have equal and timely access to material information concerning the Company.

The Board has designated the Company Secretary as the person responsible for communicating with the ASX. The Executive Chairman, Managing Director (where appointed) and the Company Secretary are responsible for ensuring that:

a) Company announcements are made in a timely manner, that announcements are factual and do not omit any material information required to be disclosed under the ASX Listing Rules and Corporations Act; and
b) Company announcements are expressed in a clear and objective manner that allows investors to assess the impact of the information when making investment decisions.

## Principle 6: Respect the rights of security holders

The Company recognises the value of providing current and relevant information to its shareholders.

The Company respects the rights of its shareholders and to facilitate the effective exercise of those rights the Company is committed to:

- communicating effectively with shareholders through releases to the market via ASX, the company website, information mailed to shareholders and the general meetings of the Company;
- giving shareholders ready access to clear and understandable information about the Company; and
- making it easy for shareholders to participate in general meetings of the Company.

The Company also makes available a telephone number and email address for shareholders to make enquiries of the Company. These contact details are available on the "contact us" page of the Company's website.

Shareholders may elect to, and are encouraged to, receive communications from Sun Biomedical and Sun Biomedical's securities registry electronically.

The Company maintains information in relation to its Constitution, governance documents, Directors and senior executives, Board and committee charters, annual reports and ASX announcements on the Company's website.

## Principle 7: Recognise and manage risk

The Board is committed to the identification, assessment and management of risk throughout Sun Biomedical's business activities.

The Board is responsible for the oversight of the Company's risk management and internal compliance and control framework. Responsibility for control and risk management is delegated to the appropriate level of management within the Company with the Executive Chairman (Managing Director where appointed) having ultimate responsibility to the Board for the risk management and internal compliance and control framework. Sun Biomedical has established policies for the oversight and management of material business risks.

Sun Biomedical's Risk Management and Internal Compliance and Control Policy recognises that risk management is an essential element of good corporate governance and fundamental in achieving its strategic and operational objectives. Risk management improves decision making, defines opportunities and mitigates material events that may impact security holder value.

Sun Biomedical believes that explicit and effective risk management is a source of insight and competitive advantage. To this end, Sun Biomedical is committed to the ongoing development of a strategic and consistent enterprise wide risk management program, underpinned by a risk conscious culture.

Sun Biomedical accepts that risk is a part of doing business. Therefore, the Company's Risk Management and Internal Compliance and Control Policy is not designed to promote risk avoidance. Rather Sun Biomedical's approach is to create a risk conscious culture that encourages the systematic identification, management and control of risks whilst ensuring we do not enter into unnecessary risks or enter into risks unknowingly.

Sun Biomedical assesses its risks on a residual basis; that is it evaluates the level of risk remaining and considering all the mitigation practices and controls. Depending on the materiality of the risks, Sun Biomedical applies varying levels of management plans.

The Board has required management to design and implement a risk management and internal compliance and control system to manage Sun Biomedical's material business risks. It receives regular reports on specific business areas where there may exist significant business risk or exposure. The Company faces risks inherent to its business, including economic risks, which may materially impact the Company's ability to create or preserve value for security holders over the short, medium or long term. The Company has in place policies and procedures, including a risk management framework (as described in the Company's Risk Management and Internal Compliance and Control Policy), which is developed and updated to help manage these risks. The Board does not consider that the Company currently has any material exposure to environmental or social sustainability risks.

The Company's process of risk management and internal compliance and control includes:

- identifying and measuring risks that might impact upon the achievement of the Company's goals and objectives, and monitoring the environment for emerging factors and trends that affect those risks.
- formulating risk management strategies to manage identified risks, and designing and implementing appropriate risk management policies and internal controls.
- monitoring the performance of, and improving the effectiveness of, risk management systems and internal compliance and controls, including regular assessment of the effectiveness of risk management and internal compliance and control.

The Board review's the Company's risk management framework at least annually to ensure that it continues to effectively manage risk.

Management reports to the Board as to the effectiveness of Sun Biomedical's management of its material business risks on at each meeting.

## Principle 8: Remunerate fairly and responsibly

Sun Biomedical's Remuneration Policy was designed to recognise the competitive environment within which Sun Biomedical operates and also emphasise the requirement to attract and retain high calibre talent in order to achieve sustained improvement in Sun Biomedical's performance. The overriding objective of the Remuneration Policy is to ensure that an individual's remuneration package accurately reflects their experience, level of responsibility, individual performance and the performance of Sun Biomedical.

The key principles are to:

- link executive reward with strategic goals and sustainable performance of Sun Biomedical
- apply challenging corporate and individual key performance indicators that focus on both short-term and long-term outcomes
- motivate and recognise superior performers with fair, consistent and competitive rewards
- remunerate fairly and competitively in order to attract and retain top talent
- recognise capabilities and promote opportunities for career and professional development
- through employee ownership of Sun Biomedical shares, foster a partnership between employees and other security holders

The Board determines the Company's remuneration policies and practices and assesses the necessary and desirable competencies of Board members. The Board is responsible for evaluating Board performance, reviewing Board and management succession plans and determines remuneration packages for the CEO, Non-Executive Directors and senior management based on an annual review.

Sun Biomedical's executive remuneration policies and structures and details of remuneration paid to directors and senior managers are set out in the Remuneration Report.

Non-Executive Directors receive fees (including statutory superannuation where applicable) for their services, the reimbursement of reasonable expenses and, in certain circumstances options. They do not receive any termination or retirement benefits, other than statutory superannuation.

The maximum aggregate remuneration approved by shareholders for Non-Executive Directors is $250,000 per annum. The Directors set the individual Non-Executive Directors fees within the limit approved by shareholders.

The total fees paid to Non-Executive Directors during the reporting period were $72,000.

Executive directors and other senior executives are remunerated using combinations of fixed and performance based remuneration. Fees and salaries and set at levels reflecting market rates and performance based remuneration is linked directly to specific performance targets that are aligned to both short and long term objectives.

In accordance with the Company's share trading policy, participants in an equity based incentive scheme are prohibited from entering into any transaction that would have the effect of hedging or otherwise transferring the risk of any fluctuation in the value of any unvested entitlement in the Company's securities to any other person.

Further details in relation to the company's remuneration policies are contained in the Remuneration Report, within the Directors' report.

# ASX Additional Information as at 9 October 2015

**Ordinary share capital**

1,323,640,049 fully paid ordinary shares are held by 1,676 individual shareholders.

Each ordinary share is entitled to vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

**Options**

- 20,857,143 unlisted $0.007 options expiring 31 December 2017 are held by 7 individual option holders. Unlisted option holders holding more than 20% of the above options – Celtic Capital Pty Ltd <The Celtic Capital A/C> who holds 8,928,573 options representing 42.81% of the options on issue.
- 60,000,000 unlisted $0.01 expiring 30 June 2017 are held by three individual option holders. Unlisted option holders holding more than 20% of the above options are:

| | | |
|---|---|---|
| JK Nominees Pty Ltd <The JK Fund A/C> | 20,000,000 | 33.33% |
| Tisia Nominees Pty Ltd <The Henderson Family A/C> | 20,000,000 | 33.33% |
| Oaktone Nominees Pty Ltd <Grist Investment A/C> | 20,000,000 | 33.33% |

- 30,851,594 unlisted $0.02 expiring 30 June 2017 are held by eight individual option holders. Unlisted option holders holding more than 20% of the above options are:

| | | |
|---|---|---|
| Dr James Williams | 10,762,182 | 34.88% |
| Toroha Pty Ltd <White Family A/C> | 8,609,748 | 27.91% |

Options do not carry a right to vote.

**Performance Shares**

- 75,000,040 Class A Performance Shares are held by 77 individual holders. Class A Performance Shares holders holding more than 20% of the above Class A Performance Shares – Mr Peter Meurs who holds 26,423,688 Class A Performance Shares representing 35.23% of the Class A Performance Shares on issue.
- 75,000,040 Class B Performance Shares are held by 77 individual holders. Class B Performance Shares holders holding more than 20% of the above Class B Performance Shares – Mr Peter Meurs who holds 26,423,688 Class B Performance Shares representing 35.23% of the Class B Performance Shares on issue.
- 75,000,040 Class C Performance Shares are held by 77 individual holders. Class C Performance Shares holders holding more than 20% of the above Class C Performance Shares – Mr Peter Meurs who holds 26,423,688 Class C Performance Shares representing 35.23% of the Class CA Performance Shares on issue.

Class A, B and C Performance Shares do not carry a right to vote.

**Distribution of holdings**

| Category (size of holding) | Number of Holders | Ordinary Shares | % of Issued Capital |
|---|---|---|---|
| 1 – 1,000 | 277 | 99,468 | 0.01 |
| 1,001 – 5,000 | 330 | 844,160 | 0.06 |
| 5,001 – 10,000 | 165 | 1,196,318 | 0.09 |
| 10,001 – 100,000 | 472 | 18,910,537 | 1.43 |
| 100,001 and over | 432 | 1,302,589,566 | 98.41 |
| | **1,676** | **1,323,640,049** | **100.00** |

**Unmarketable parcels**

There are 1,151 shareholdings held with less than a marketable parcel.

**Substantial shareholders**

| | Number of shares | % holding |
|---|---|---|
| 1. Mr Peter Meurs | 264,236,879 | 19.96 |
| 2. SRV Custodians PtyLtd <SRV Tech Trust> | 81,574,778 | 6.16 |
| 3. Yodambao Pty Ltd | 77,886,197 | 5.88 |

**Restricted securities**

The Company has 146,450,995 ordinary fully paid shares subject to voluntary escrow until 3 January 2016 and 246,917,395 ordinary fully paid shares subject to voluntary escrow until 3 July 2016.

**On-Market buy-back**

There is no current on-market buy-back.

**Twenty (20) largest shareholders of quoted equity securities**

| | | Fully paid ordinary shares | |
|---|---|---|---|
| | **Ordinary shareholders** | **Number of Shares Held** | **% of Issued Capital** |
| 1. | Mr Peter Meurs | 189,177,526 | 14.29 |
| 2. | SRV Custodians Pty Ltd | 81,574,778 | 6.16 |
| 3. | Mr Peter Fletcher Meurs | 75,059,353 | 5.67 |
| 3. | Yodambao Pty Ltd | 54,907,974 | 4.15 |
| 4. | Mr Jason Peterson & Mrs Lisa Peterson <J&L Peterson S/F A/C> | 48,757,209 | 3.68 |
| 5. | Mr Paul White & Ms Elizabeth McCall <White Family A/C> | 33,658,272 | 2.54 |
| 6. | Nullaki Services Pty Ltd <Anvil Bay A/C> | 27,408,245 | 2.07 |
| 7. | Mrs Gwen Murray Pfleger <Pfleger Family A/C> | 25,989,536 | 1.96 |
| 8. | Jampaso Pty Ltd <Williams Family A/C> | 23,099,002 | 1.75 |
| 9. | Yodambao Pty Ltd <Yodambao Investment A/C> | 22,978,223 | 1.74 |
| 10. | JGC Super Pty Ltd <JGC Family Super Fund A/C> | 21,440,000 | 1.62 |
| 11. | Mrs Wishny Sritharan Krishnarajah | 20,124,452 | 1.52 |
| 12. | Aviemore Capital Pty Ltd | 20,000,000 | 1.51 |
| 13. | Starpharma Holdings Limited | 16,271,417 | 1.23 |
| 14. | Fullerton Private Capital Pty Limited | 15,747,901 | 1.19 |
| 15. | Tisia Nominees Pty Ltd < The Henderson Family A/C> | 15,000,000 | 1.13 |
| 16. | Nullaki Services Pty Ltd <Anvil Bay A/C> | 14,620,676 | 1.10 |
| 17. | Janaka Pty Ltd <Aitken Family A/C> | 13,954,060 | 1.05 |
| 18. | Ethan Allen Investments Pty Ltd | 13,949,446 | 1.05 |
| 19. | Roberts SF Pty Ltd <RGR Superannuation Fund A/C> | 13,797,671 | 1.04 |
| | | **747,515,741** | **56.47** |