

1. Company details

Name of entity:	Genera Biosystems Limited
ABN:	69 098 663 837
Reporting period:	For the half-year ended 31 December 2017
Previous period:	For the half-year ended 31 December 2016

2. Results for announcement to the market

			\$
Revenues from ordinary activities	up	27.4% to	572,035
Loss from ordinary activities after tax attributable to the Owners of Genera Biosystems Limited	up	21.0% to	(1,886,742)
Loss for the half-year attributable to the Owners of Genera Biosystems Limited	up	21.0% to	(1,886,742)

Dividends

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

Comments

The loss for the Company after providing for income tax amounted to \$1,886,742 (31 December 2016: \$1,559,206).

Revenue

Revenue for the current period from product sales and interest increased to \$572,035 (2016: \$448,862) predominately due to increased demand for RTI-plex. Accrued R&D Tax incentive income refund of \$254,006 was accounted for as at 31 December 2017 (2016: \$292,432) relating to expenditure in the half year to 31 December 2017.

Expenses

Expenses for the half year totalled \$2,645,191 (2016: \$2,312,062). Key expenditure for the period included employee benefits expense of \$858,035 (2016: \$598,004).

The Company's working capital deficiency, being current assets less current liabilities at 31 December 2017 decreased to \$6,021,063 from (30 June 2017: \$5,939,492).

Cash position

The Company finished the half-year period with cash at bank of \$1,009,066 (2016: \$518,326). The net operating cash outflows for the half-year period amounted to \$248,813 (2016: \$230,068).

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>(5.32)</u>	<u>(5.53)</u>

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

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

Previous period

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

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

10. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements were subject to a review by the auditors and the review report is attached as part of the Half-year Financial Report.

11. Attachments

Details of attachments (if any):

The Half-year Financial Report of Genera Biosystems Limited for the half-year ended 31 December 2017 is attached.

12. Signed by Lou Panaccio (Non-Executive Chairman)

Signed _____

A handwritten signature in blue ink, appearing to be "Lou Panaccio", written over a horizontal line.

Date: 28 February 2018

Genera Biosystems Limited

ABN 69 098 663 837

Half-year Financial Report - 31 December 2017

Genera Biosystems Limited
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31 December 2017

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Genera Biosystems Limited
Corporate directory
31 December 2017

Directors

Mr Lou Panaccio (Non-Executive Chairman)
Mr Richard Hannebery (Chief Executive Officer and Executive Director)
Dr Karl Poetter (Chief Scientific Officer and Executive Director)
Mr David Symons (Non-Executive Director)
Mr Jim Kalokerinos (Non-Executive Director)

Company secretary

Ms Melanie Leydin

Registered office

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1 Dalmore Drive, Scoresby
Victoria, 3179
Ph: 03 9763 1287
Fax: 03 9763 2817

Share register

Computershare Investor Services Pty Limited
Yarra Falls, 452 Johnston Street
Abbotsford VIC 3067
Ph: 1300 787 272

Auditor

Grant Thornton Audit Pty Ltd
Collins Square, Tower 1
727 Collins Street
Docklands VIC 3008

Stock exchange listing

Genera Biosystems Limited shares are listed on the Australian Securities Exchange
(ASX code: GBI)

Website

www.generabiosystems.com

Genera Biosystems Limited
Directors' report
31 December 2017

The Directors present their report, together with the financial statements, on the Company for the half-year ended 31 December 2017.

Directors

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

Mr Lou Panaccio (Non-Executive Chairman)
Mr Richard Hannebery (Chief Executive Officer and Executive Director)
Dr Karl Poetter (Chief Scientific Officer and Executive Director)
Mr David Symons (Non-Executive Director)
Mr Jim Kalokerinos (Non-Executive Director)

Principal activities

The consolidated entity's strategic focus is to utilise its platform DNA analysis technologies to exploit the lucrative molecular diagnostics market. Genera is developing a suite of competitive and differentiated molecular diagnostic testing products focussed on high-growth and strategically important areas.

Review of operations

The loss for the Company after providing for income tax amounted to \$1,886,742 (31 December 2016: \$1,559,206).

Revenue

Revenue for the current period from product sales and interest increased to \$572,035 (2016: \$448,862) predominately due to increased demand for RTI-plex. Accrued R&D Tax incentive income refund of \$254,006 was accounted for as at 31 December 2017 (2016: \$292,432) relating to expenditure in the half year to 31 December 2017.

Expenses

Expenses for the half year totalled \$2,645,191 (2016: \$2,312,062). Key expenditure for the period included employee benefits expense of \$858,035 (2016: \$598,004).

The Company's working capital, being current assets less current liabilities was in deficit at 31 December 2017 in the amount of \$6,021,063 (30 June 2017: \$5,939,492).

Review of operations

Introduction of new cervical screening regime

On 1 December 2017, Australia formally adopted a new National Cervical Screening Program. The implementation of the program was the most significant change since the introduction of the previous program in 1991 and has seen the traditional pap smear (liquid based cytology) replaced with HPV testing with limited genotyping as the front line screening test.

Main Features of the new National Cervical Screening Program

- Screening to commence at age 25 and finish at age 74;
- Women will be invited to participate and will be reminded to attend for follow-up;
- Primary screening will be a test for oncogenic HPV (human papillomavirus), with partial genotyping, performed on a sample collected from the cervix into LBC (liquid based cytology) medium;
- Samples which test positive for oncogenic HPV will have reflex cytology testing;
- Samples which test positive for HPV types 16/18 or which show changes suggestive of high grade intraepithelial disease or invasive disease on cytology will be referred for colposcopy;
- Comprehensive evidence-based guidelines for clinical management will include recommendations for repeat testing, further investigations and follow-up protocols;

- Guidelines for testing in special circumstances will be available, including recommendations for management of immunocompromised women and those with other special risk factors;
- Women with symptoms or signs suggestive of intraepithelial or invasive disease can be tested at any time; and
- Self-sampling will be permitted in certain circumstances.

How does Genera's PapType® test fit within the new cervical screening environment?

Genera believes that in PapType® it has an extremely competitive test, both clinically and commercially. In developing PapType® Genera believes it was prescient in where the market would head in advanced cervical cancer screening, triage and treatment. Due to PapType's full 'high-risk' simultaneous HPV genotyping capability, to a large extent the test is 'future proofed' within the HPV testing space for the next decade and beyond and the Board of Genera remains excited by the market potential of our lead test.

Genera has developed a go-to-market strategy for PapType® of initially entering the market via 'reflex' testing of women who present with one of the high-risk HPV infections aside from types 16 & 18. Persistent infection with the same high-risk viral type is the primary cause of cervical cancer and Genera believes that the additional genotype information provided by PapType can aide clinicians in monitoring 'at risk' women, particularly those who present with HPV type 31 and 33 infections.

While reflex testing is not currently reimbursed by the MBS, there are clear precedents for consumers being willing to pay 'out-of-pocket' for valuable clinical information in relation to cancer risk. Genera's market research indicates that many women would be willing to pay an amount up to \$75.00 to glean additional clinical information on HPV type specific infection once diagnosed with an '*oncogenic*' HPV infection aside types 16 or 18.

Genera discussions indicate that commercial pathology laboratories are open to providing clinically useful tests that can be well-positioned in the market outside of reliance upon MBS reimbursement.

In addition to the 'reflex testing' opportunity Genera is aiming to position PapType® as fit for purpose as a screening test in accordance with the recently implemented Australian National Cervical Cancer Screening Program. Due to its ability to simultaneously genotype 99% of HPV types that cause cervical cancer PapType may offer prospective pathology laboratory customers multiple revenue stream while performing a single assay off a single patient sample. Genera's flexible proprietary QPlots™ reporting software, which is included on the Australian Register of Therapeutic Goods (ARTG), affords Genera the ability to run various '*flex-pricing*' models with prospective pathology customers. Further, Genera believes that the operator workflow benefits that may be provided by a new automated and integrated instrumentation platform to be supplied by Beckman Coulter can bolster the attractiveness for pathology laboratories utilising PapType® as a high volume screening test.

PapType® Clinical Data

Key to adoption as a screening test is the compilation of clinical data that is compliant with the 'Meijer guidelines'. During the half year Genera developed an updated version of its QPlots™ analytical software. This was used to reanalyse the raw data generated in a large study designed to demonstrate whether PapType® could be fit for purpose as a screening test utilising the Beckman Coulter CytoFLEX™ system. The study involved in excess of 6,500 clinical patient specimens collected in a screening based population and compared the performance of PapType® against all other commercially available assays from global IVD companies.

Tests from major global IVD companies included in the study were: Roche - Cobas®, Abbott - Real-time®, Hologic - Aptima®, Becton Dickinson - Onclarity® and Qiagen - Hybrid Capture® 2.

The data set has recently been delivered to a global Key Opinion Leader (KOL) in cervical cancer screening for analysis and Genera expects to receive confirmation of analysis during March. The Company will respect the rights of the international KOL to publish the data under peer review prior to general public release. In the interim, prior to publication and under confidentiality, Genera will be able to share this data with current and future commercial partners.

Genera Biosystems Limited
Directors' report
31 December 2017

Subject to 'Meijer compliant' clinical performance thresholds being met and independently verified, which the Company expects to achieve, Genera plans to use this additional data as part of a compliance package to demonstrate that PapType® is fit for purpose for laboratories undertaking testing under the recently implemented Australian National Cervical Cancer Screening Program.

PapType® has robust intellectual property protection

Genera's strong intellectual property position underlying the AmpaSand® multiplexing platform that facilitates PapType's broad genotyping capability and allows high volume test throughput – a key consideration for pathology laboratories running a screening test – provides additional comfort to Genera's commercialisation strategy. Our patent portfolio affords protection for PapType utilising the current solid-phase version of AmpaSand® out to 2028.

Outside of Australia, Genera believes that its comprehensive IP portfolio of granted patents in all major jurisdictions may aide Genera in securing 'buy-in' from well-funded potential partners in undertaking additional clinical studies that may be used in securing marketing approval for PapType in the US market.

PapType® partnering activity for the US market

As soon as confirmation is received that the data is Meijer compliant, Genera plans to progress discussions with a number of large credible potential partners for the commercialisation of PapType® in the US market. The Company, in concert with its US-based boutique investment bank, has identified and engaged with a number of prospective partners to date.

In October 2016, Genera received results from over 2,000 cervical screening specimens collected in a United States-based screening population. The evaluation was undertaken by the University of New Mexico, Health Sciences Center – School of Medicine, Department of Pathology, ('UNMHSC'). This was the first independent clinical study Genera had undertaken with PapType® running on the Beckman Coulter CytoFLEX™ instrument.

In the current half year Genera looks forward to actively pursuing the delivery of a partnership that can support significant registration study clinical trials utilising the updated version of its QPlots™ analytical software so as to best position a successful registration of PapType® with the FDA in the future.

In selecting an appropriate partner, Genera is focussed on parties that have the requisite experience in co-ordinating large multi-centre clinical trials, a successful track record in securing FDA PMA approvals, a close strategic fit for PapType® within their existing portfolio and financial capacity. Further to any agreed milestone payments and royalties on successful commercialisation, Genera will seek a material strategic equity investment from its prospective US partner.

Key to these discussions is the breadth and depth of PapType clinical data generated to date. This data shows reliable and reproducible performance in **both** screening and referral populations involving in excess of 18,000 samples in studies across Australia, the UK and the USA by independent **global** key opinion leaders in cervical cancer screening.

Global IVD Partnership

Following an exhaustive partnering process, in early December the Board was delighted to announce that Genera would enter into a co-marketing partnership with Beckman Coulter Life Sciences, a leader in the fields of automation and flow cytometry (**see Genera ASX announcement of 6 December for further detail of this partnership**).

At the time of this announcement the commercial framework of the partnership had been agreed but, due to the range of local regulatory regimes that would apply to this multi-national agreement, detail of the partnership's operation at a local level in certain jurisdictions required further consideration from the regulatory compliance and legal teams at Beckman Coulter.

Genera Biosystems Limited
Directors' report
31 December 2017

This process is now nearing completion and Genera expects to formally execute the agreement imminently. Genera will announce to the market via the ASX platform as soon as the relevant partnership agreement is executed.

Current Capital Raising

Genera has continued to work closely with its engaged US-based boutique investment bank on its proposed US\$8.0m capital raising program. The Company intends to progress this significant funding tranche after the Beckman Coulter partnership has been formally executed.

Holders of all Series B Convertible Notes on issue again agreed unanimously to further extend the term of the Notes by 3 months to 31 March 2018. Genera has enjoyed a very collegiate relationship with all Noteholders in supporting the current execution plan to deliver an optimal outcome for all stakeholders.

Upon delivery of the proposed Beckman Coulter partnership, and prior to completion of the larger raising, Genera currently intends to undertake a capital raising via an unlisted mandatory convertible issuance to selected institutional investors. Part of the proceeds of the proposed convertible issuance may be applied to the partial redemption of the Series B Convertible Notes currently on issue.

RTIplex™, STIplex™ and other AmpaSand® menu expansion

Genera has enjoyed strong growth in sales of its respiratory panel over the half year with current sales volumes tracking well versus the 2017 previous corresponding period. The introduction of new highly automated instrumentation system under the proposed Beckman Coulter partnership should facilitate demonstrable workflow benefits for operators running Genera's respiratory panel.

While Genera was pursuing its exhaustive partnering process it made the strategic decision to extend the proposed launch date of its 8-plex sexually transmitted infections panel. The benefit of a delayed launch is removing the risk of Genera incurring unnecessary validation work for the instrumentation system running the proposed sexually transmitted infection panel. STIplex is currently anticipated to launch within the current 6 months and will offer unmatched volume throughput for the eight key targets detected by the panel. Amongst other targets the panel will include standard *Chlamydia trachomatis*, *Neisseria gonorrhoeae*, *Trichomonas vaginalis* and *Mycoplasma genitalium* and all relevant macrolide resistance markers.

Genera is of the view that that an initial core menu of 3 high volume panel tests may suffice for a successful initial launch of AmpaSand® test menu running on the Beckman Coulter automated instrumentation system.

Target customers for Genera adopting the new Beckman Coulter instrumentation system will be those laboratories running in excess of ~20,000 tests per annum in aggregate between HPV, STI and respiratory panels. Genera's major existing customer currently operates at a run-rate of many multiples of this threshold solely offering Genera's respiratory panel test running on a semi-automated instrumentation platform.

Genera plans to broaden the available test menu out to 6 or more assays based upon *voice-of-customer* feedback from various jurisdictions that it plans to target in concert with the new Beckman Coulter instrumentation system.

Geographical expansion and outreach for AmpaSand® tests

Genera, in concert with its proposed co-marketing partner Beckman Coulter, plans to target a number of additional market geographies over the next 12 months and beyond. Outside of Australia and New Zealand, these geographies include India, South America, Asia and selected parts of Europe. Genera is confident that it can leverage the well-established service and support network of Beckman Coulter in all of these targeted jurisdictions.

Genera Biosystems Limited
Directors' report
31 December 2017

Significant changes in the state of affairs

During the period, the consolidated entity announced that the Series B Convertible Notes redemption date extended twice, the first extension to 30 September 2017 and the second to 31 December 2017 under Variation Agreements. Subsequent to 31 December 2017, the consolidated entity announced that they had extended to 31 March 2018. The Amended Terms provide under certain circumstances that following principal repayment note holders will agree to accept a lower rate of capitalised interest upon redemption. In the event that this is triggered note holders shall receive options to acquire Ordinary Shares in Genera at an exercise price of \$0.25 ('Call Options').

The options associated with the Mezzanine loan funding were issued following the 2017 Annual General Meeting. During the period, the consolidated entity also raised an additional \$125,000 as part of the Mezzanine loan funding.

On 20 November 2017, the consolidated entity announced that it had received its R&D Tax Incentive claim refund in the amount of \$421,787 which was \$67,593 less than the final amount claimed as ATO debits where offset against the receivable.

On 6 December 2017, the consolidated entity announced that it planned to enter into a Co-Marketing Partnership with Beckman Coulter Life Sciences. The commercial partnership will bring together the power and capabilities of high content flow cytometry, liquid handling automation and high multiplex MDx testing in a single streamlined workflow. As part of the agreement, Beckman Coulter will provide integrated flow cytometry based upon CytoFLEX™ technology to its next generation automation system – the Biomek™ i-Series platform. The system will empower scaled up throughput for multiplex AmpaSand® MDx assays supplied by Genera. As of the date of this report the Company has been advised by Beckman Coulter that the Co-Marketing Partnership agreement should be executed imminently. Refer to ASX release dated 16 February 2018 for further details.

On 13 December 2017, the consolidated entity issued a total of 6,846,667 fully paid ordinary shares upon the conversion of unlisted options at an exercise price of \$0.15 (15 cents) per option in accordance with the Company's Employee Share Option Plan.

There were no other significant changes in the state of affairs of the Company during the financial half-year.

Matters subsequent to the end of the financial half-year

In January 2018 the holders of all Series B Convertible notes entered into a variation which amended the terms, extending the redemption date until 31 March 2018.

No other matter or circumstance has arisen since 31 December 2017 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

Auditor's independence declaration

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

This report is made in accordance with a resolution of Directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the Directors

A handwritten signature in blue ink, appearing to read 'Lou Panaccio', written over a horizontal line.

Mr Lou Panaccio
Non-executive Chairman

28 February 2018

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727 Collins Street
Docklands Victoria 3008

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Auditor's Independence Declaration to the Directors of Genera Biosystems Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the half-year review of Genera Biosystems Limited for the half-year ended 31 December 2017, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



M A Cunningham
Partner - Audit & Assurance

Melbourne, 28 February 2018

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Genera Biosystems Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2017

	Note	31 December 2017 \$	31 December 2016 \$
Revenue		572,035	448,862
Other income	3	186,414	303,994
Expenses			
Laboratory expenses		(275,158)	(251,681)
Employee benefits expense		(858,035)	(598,004)
Depreciation and amortisation expense		(341,494)	(362,980)
Licence and royalty expense		(8,372)	(82,905)
Professional fees		(122,463)	(77,071)
Other expenses		(126,560)	(148,460)
Finance costs		(863,351)	(742,061)
Rent expense		(49,758)	(48,900)
Loss before income tax expense		(1,886,742)	(1,559,206)
Income tax expense		-	-
Loss after income tax expense for the half-year attributable to the Owners of Genera Biosystems Limited		(1,886,742)	(1,559,206)
Other comprehensive loss for the half-year, net of tax		-	-
Total comprehensive loss for the half-year attributable to the Owners of Genera Biosystems Limited		<u>(1,886,742)</u>	<u>(1,559,206)</u>
		Cents	Cents
Basic earnings per share	11	(1.86)	(1.55)
Diluted earnings per share		(1.86)	(1.55)

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

Genera Biosystems Limited
Statement of financial position
As at 31 December 2017

	31 December	30 June 2017
Note	2017	2017
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	1,009,066	219,967
Trade and other receivables	4 299,956	612,062
Inventories	12,714	19,866
Other	30,996	57,242
Total current assets	<u>1,352,732</u>	<u>909,137</u>
Non-current assets		
Property, plant and equipment	320,520	386,630
Intangibles	5 2,723,888	2,918,150
Total non-current assets	<u>3,044,408</u>	<u>3,304,780</u>
Total assets	<u>4,397,140</u>	<u>4,213,917</u>
Liabilities		
Current liabilities		
Trade and other payables	501,725	904,666
Borrowings	6 6,620,631	5,706,456
Provisions	251,439	237,507
Total current liabilities	<u>7,373,795</u>	<u>6,848,629</u>
Non-current liabilities		
Provisions	11,975	10,188
Total non-current liabilities	<u>11,975</u>	<u>10,188</u>
Total liabilities	<u>7,385,770</u>	<u>6,858,817</u>
Net liabilities	<u>(2,988,630)</u>	<u>(2,644,900)</u>
Equity		
Issued capital	7 27,801,847	26,322,747
Reserves	8 1,292,812	1,492,400
Accumulated losses	(32,083,289)	(30,460,047)
Total deficiency in equity	<u>(2,988,630)</u>	<u>(2,644,900)</u>

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

Genera Biosystems Limited
Statement of changes in equity
For the half-year ended 31 December 2017

	Issued capital \$	Share Option Reserve \$	Accumulated losses \$	Total deficiency in equity \$
Balance at 1 July 2016	26,277,747	901,778	(27,380,393)	(200,868)
Loss after income tax expense for the half-year	-	-	(1,559,206)	(1,559,206)
Other comprehensive loss for the half-year, net of tax	-	-	-	-
Total comprehensive loss for the half-year	-	-	(1,559,206)	(1,559,206)
<i>Transactions with Owners in their capacity as Owners:</i>				
Issue of Series B Convertible Notes (Equity component)	45,000	-	-	45,000
Share based payments	-	90,422	-	90,422
Lapsed ESOP Options	-	(8,124)	8,124	-
Balance at 31 December 2016	<u>26,322,747</u>	<u>984,076</u>	<u>(28,931,475)</u>	<u>(1,624,652)</u>
	Issued capital \$	Share Option Reserve \$	Accumulated losses \$	Total deficiency in equity \$
Balance at 1 July 2017	26,322,747	1,492,400	(30,460,047)	(2,644,900)
Loss after income tax expense for the half-year	-	-	(1,886,742)	(1,886,742)
Other comprehensive loss for the half-year, net of tax	-	-	-	-
Total comprehensive loss for the half-year	-	-	(1,886,742)	(1,886,742)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 7)	1,027,000	-	-	1,027,000
Mezzanine loan options	-	39,343	-	39,343
Share based payments	-	476,669	-	476,669
Exercise of ESOP Options	452,100	(452,100)	-	-
Lapsed ESOP Options	-	(263,500)	263,500	-
Balance at 31 December 2017	<u>27,801,847</u>	<u>1,292,812</u>	<u>(32,083,289)</u>	<u>(2,988,630)</u>

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

Genera Biosystems Limited
Statement of cash flows
For the half-year ended 31 December 2017

	31 December 2017	31 December 2016
Note	\$	\$
Cash flows from operating activities		
R&D tax concession received	421,787	722,356
Receipts from customers	624,756	468,160
Payments to supplier and employees	(1,293,501)	(1,418,299)
Interest received	11	-
Interest and other finance costs paid	(1,866)	(2,285)
Net cash used in operating activities	<u>(248,813)</u>	<u>(230,068)</u>
Cash flows from investing activities		
Payments for property, plant and equipment	(6,618)	(83,921)
Payments for purchase of intangibles	(74,502)	(58,320)
Net cash used in investing activities	<u>(81,120)</u>	<u>(142,241)</u>
Cash flows from financing activities		
Proceeds from issue of shares and options	7 1,027,000	-
Proceeds from issue of convertible notes	-	375,000
Proceeds from Mezzanine loan facility	125,000	450,000
Proceeds from borrowings	45,000	-
Repayment of borrowings	(77,968)	-
Net cash from financing activities	<u>1,119,032</u>	<u>825,000</u>
Net increase in cash and cash equivalents	789,099	452,691
Cash and cash equivalents at the beginning of the financial half-year	<u>219,967</u>	<u>65,635</u>
Cash and cash equivalents at the end of the financial half-year	<u><u>1,009,066</u></u>	<u><u>518,326</u></u>

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

Genera Biosystems Limited
Notes to the financial statements
31 December 2017

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2017 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2017 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. The same accounting policies and methods of computation are followed in the half-year financial report as compared with the Company's most recent annual financial report, for the financial year ended 30 June 2017.

New or amended Accounting Standards and Interpretations adopted

There were no new, revised or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB'), that are mandatory for the current reporting period, that affect the financial position or performance of the company.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Going concern

It is noted that during the half year ended 31 December 2017, the consolidated entity incurred a loss from continuing operations after income tax of \$1,886,742 (2016: \$1,559,206) and consolidated net operational cash outflows of \$248,813 (2016: \$230,068). The consolidated entity also reported a closing cash balance of \$1,009,066 (30 June 2017: \$219,967) and a net current asset deficiency of \$6,021,063 (30 June 2017: \$5,939,492). At present, the consolidated entity does not have a confirmed source of income that is sufficient to covering its operational costs, and as at the date of the financial report, the consolidated entity anticipates this trend will continue. These conditions indicate a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern.

Should the consolidated entity not be able to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the consolidated entity not continue as a going concern.

Genera Biosystems Limited
Notes to the financial statements
31 December 2017

Note 1. Significant accounting policies (continued)

The financial statements have been prepared on the basis that the consolidated entity is a going concern, which contemplates normal business activity, realisation of assets and the settlement of liabilities in the normal course of business for the following reasons:

- The consolidated entity has appointed a US based investment bank to undertake a capital raising of up to US\$8.0 million via the issuance of Series C Convertible Preferred Shares with a conversion price into Ordinary Shares of \$0.25 and a 2 year term. The consolidated entity currently anticipates that the agreed rate of capitalised interest payable on the proposed issuance of Series C Convertible Preferred Shares may be materially lower than that payable on the existing Series B Convertible Note issue.
- During the half year, the consolidated entity recognised sales of \$572,035 which is an increase from 31 December 2016 (\$448,862);
- The Board is confident, given current circumstances, that existing cash reserves will provide Genera adequate time to undertake the formal commercialisation process and also to raise further capital to enable the consolidated entity to conclude a significant commercial agreement or achieve a monetisation event;
- The consolidated entity raised an additional \$125,000 as part of the mezzanine loan funding and is confident it will be able to raise additional funds as required; and
- The Board considers the AmpaSand platform technology and associated product suite to have significant commercial potential with a robust intellectual property position encompassing a range of granted patents both in the US and other jurisdictions.

The consolidated entity continues to closely monitor expenditure, and the Board is confident that it will be able to manage its cash resources appropriately without negatively impacting upon planned activities.

In light of the matters referred to above, the Directors are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recognised in the financial report as at 31 December 2017. Accordingly, no adjustments have been made to the financial report relating to the recoverability and classification of the asset carrying amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

Note 2. Operating segments

Management has determined, based on the reports reviewed by the chief operating decision maker, the CEO, that are used to make strategic decisions, that Genera Biosystems Limited operates in one business and geographical segment being the development and commercialisation of a portfolio of molecular diagnostic test technologies in Australia.

Note 3. Other income

	31 December 2017	31 December 2016
	\$	\$
R&D tax incentive income	186,414	303,994

Note 4. Current assets - trade and other receivables

	31 December 2017	30 June 2017
	\$	\$
Trade receivables	38,720	116,160
R&D tax incentive receivable	254,006	489,380
GST receivable	7,230	6,522
	<u>299,956</u>	<u>612,062</u>

Genera Biosystems Limited
Notes to the financial statements
31 December 2017

Note 5. Non-current assets - intangibles

	31 December	30 June 2017
	2017	2017
	\$	\$
Development - at cost	3,143,360	3,143,360
Less: Accumulated amortisation	<u>(2,189,658)</u>	<u>(2,058,688)</u>
	<u>953,702</u>	<u>1,084,672</u>
Patents and trademarks - at cost	3,778,036	3,703,534
Less: Accumulated amortisation	<u>(2,109,891)</u>	<u>(1,988,347)</u>
	<u>1,668,145</u>	<u>1,715,187</u>
Software - at cost	390,021	390,021
Less: Accumulated amortisation	<u>(287,980)</u>	<u>(271,730)</u>
	<u>102,041</u>	<u>118,291</u>
	<u><u>2,723,888</u></u>	<u><u>2,918,150</u></u>

Note 6. Current liabilities - borrowings

	31 December	30 June 2017
	2017	2017
	\$	\$
Convertible Note Debt	2,529,575	2,529,575
Accrued Interest Thereon	2,363,590	1,928,795
Insurance Funding	9,198	34,465
Mezzanine loan facility	1,718,268	1,205,921
Payables to shareholders	<u>-</u>	<u>7,700</u>
	<u><u>6,620,631</u></u>	<u><u>5,706,456</u></u>

Genera Biosystems Limited
Notes to the financial statements
31 December 2017

Note 6. Current liabilities - borrowings (continued)

(a) Series B Convertible Notes

During the 2015 financial year, the consolidated entity successfully placed 25,000 Series B Convertible Notes at an issue price of A\$100.00 per note ('Notes') with sophisticated investors and professional investors.

During the 2017 financial year, the consolidated entity placed an additional 3,750 Series B Convertible Notes at an issue price of A\$100.00 per note. The notes had an extended maturity date of 31 December 2017 under a Variation Agreement signed subsequent to year end, and accrue interest at a rate of 30% per annum in the event of redemption, however, the amended terms provide that under certain circumstances note holders will agree to accept a lower rate of capitalised interest. In the case that a lower rate of interest receivable is applicable, the note holder will receive call options to acquire ordinary shares at an exercise price of \$0.25 per option.

The notes can be early converted to shares at the election of the note holder at a conversion price of \$0.30 per share. Each note has a mixture of debt and equity features and as such a component of this funding has been recognised in Issued Capital. The notes are not listed on the ASX and are secured by a general security deed over all the assets and undertakings of the consolidated entity and the note conversion terms shall be adjusted for any bonus issues or capital reconstructions. Noteholders are not entitled to vote in respect of the Notes until converted into Shares.

(b) Mezzanine Loan Facility

During the 2016 financial year, the consolidated entity began raising additional funds under a mezzanine debt facility. Under the terms of this facility, \$550,000 was raised during the 2016 financial year, \$790,000 in the 2017 financial year, and \$125,000 was provided under the facility during the December 2017 half year. Funds raised will require repayment including a flat (not annual) 25% interest component, repayable at 31 March 2018 under a Variation Agreement.

The consolidated entity obtained shareholder approval at the consolidated entity's 2016 AGM for the proposed issuance of call options to lenders under the terms of the facility. Options that may be issued to mezzanine debt will have a \$0.25 exercise price and 30 June 2019 expiry. The consolidated entity again obtained shareholder approval at the consolidated entity's 2017 AGM for the proposed issuance.

Accounting policy for borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method. Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

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

Note 7. Equity - Issued capital

	31 December 2017 Shares	30 June 2017 Shares	31 December 2017 \$	30 June 2017 \$
Ordinary shares - fully paid	<u>107,466,239</u>	<u>100,619,572</u>	<u>27,801,847</u>	<u>26,322,747</u>

Genera Biosystems Limited
Notes to the financial statements
31 December 2017

Note 7. Equity - Issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2017	100,619,572		26,322,747
Exercise of options	13 December 2017	6,846,667	\$0.15	1,027,000
Transfer from share based payments reserve on exercise of options	13 December 2017	-		452,100
Balance	31 December 2017	<u>107,466,239</u>		<u>27,801,847</u>

Ordinary shares

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

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

Share buy-back

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

Note 8. Equity - reserves

	31 December 2017 \$	30 June 2017 \$
Options reserve	<u>1,292,812</u>	<u>1,492,400</u>

Movements in reserves

Movements in each class of reserve during the current financial half-year are set out below:

	Total \$
Balance at 1 July 2017	1,492,400
Share based payments	378,680
Mezzanine loan options	39,343
Performance Rights	97,989
Exercise of options	(452,100)
Lapsed Options	<u>(263,500)</u>
Balance at 31 December 2017	<u>1,292,812</u>

Note 9. Contingent liabilities

For the period 30 June 2011 to 15 August 2013, certain directors of the consolidated entity agreed to forgo part of their fees until such time as the consolidated entity achieves a "monetisation event", being a commercial agreement with a third party that delivers material revenue to consolidated entity, including, but not limited to, a licensing or sales agreement relating to the consolidated entity's products. The total amount of directors' fees forgone as at 31 December 2017 was \$350,000 (30 June 2017: \$350,000). This amount has not been provided for in the consolidated entity's accounts as at 31 December 2017 as it will become payable only in the event that a monetisation event occurs.

Genera Biosystems Limited
Notes to the financial statements
31 December 2017

Note 10. Events after the reporting period

In January 2018 the holders of all Series B Convertible notes entered into a variation which amended the terms, extending the redemption date until 31 March 2018.

No other matter or circumstance has arisen since 31 December 2017 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

Note 11. Earnings per share

	31 December 2017 \$	31 December 2016 \$
Loss after income tax attributable to the Owners of Genera Biosystems Limited	<u>(1,886,742)</u>	<u>(1,559,206)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>101,289,355</u>	<u>100,619,572</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>101,289,355</u>	<u>100,619,572</u>
	Cents	Cents
Basic earnings per share	(1.86)	(1.55)
Diluted earnings per share	(1.86)	(1.55)

Note 12. Share-based payments

The consolidated entity may, from time to time, issue shares to third parties as consideration for goods and/or services provided to the consolidated entity by those parties.

The consolidated entity may, from time to time, issue Directors and employees with unlisted options to acquire shares in the consolidated entity at a fixed price. Each option when exercised will then entitle the option holder to one share in Genera Biosystems Limited. All options are exercisable on or before an expiry date, do not carry any voting or dividend rights and are not transferable except on death of the option holder.

During the half year 6,846,667 unlisted options were converted into fully paid ordinary shares, while 2,003,333 unlisted options expired. A further 1,250,000 unlisted options were issued to employees during the half year.

The consolidated entity also issued 1,000,000 performance rights to Mr Richard Hannebery, following shareholder approval received at the consolidated entity's 2016 Annual General Meeting in relation to his overall executive remuneration package put in place on his appointed as CEO.

A total of 2,000,000 performance rights were issued to Mr Richard Hannebery at 30 June 2016. 1,000,000 of the performance rights have vested as at 31 December 2017. Under the Mezzanine loan facility, the consolidated entity to issued 7,325,000 options at an exercise price of \$0.25 (25 cents), expiring on 30 June 2019. Of these 625,000 were granted under the Mezzanine loan funding agreement drawn during the half year.

A share option plan has been established by the Company and approved by shareholders at a general meeting, whereby the Company may, at the discretion of the Nomination and Remuneration Committee, grant options over ordinary shares in the Company to certain key management personnel of the Company. The options are issued for nil consideration and are granted in accordance with performance guidelines established by the Nomination and Remuneration Committee.

Genera Biosystems Limited
Notes to the financial statements
31 December 2017

Note 12. Share-based payments (continued)

Set out below are summaries of options granted under the plan:

31 December
2017

Grant date	Expiry date	Exercise price	Balance at the start of the half-year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the half-year
03/12/2013	02/12/2017	\$0.15	6,850,000	-	(6,846,667)	(3,333)	-
09/02/2015	31/12/2017	\$0.27	2,000,000	-	-	(2,000,000)	-
29/12/2015	24/12/2019	\$0.30	1,000,000	-	-	-	1,000,000
29/12/2015	30/09/2019	\$0.30	300,000	-	-	-	300,000
08/04/2016	30/06/2019	\$0.25	6,700,000	-	-	-	6,700,000
27/07/2017	30/06/2019	\$0.25	-	250,000	-	-	250,000
10/10/2017	30/06/2019	\$0.25	-	250,000	-	-	250,000
01/11/2017	30/06/2019	\$0.25	-	125,000	-	-	125,000
24/11/2017	31/12/2020	\$0.25	-	1,250,000	-	-	1,250,000
27/11/2017	25/12/2020	\$0.25	-	5,038,759	-	-	5,038,759
			<u>16,850,000</u>	<u>6,913,759</u>	<u>(6,846,667)</u>	<u>(2,003,333)</u>	<u>14,913,759</u>

31 December
2016

Grant date	Expiry date	Exercise price	Balance at the start of the half-year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the half-year
28/11/2011	28/11/2016	\$0.50	600,000	-	-	(600,000)	-
03/12/2013	02/12/2017	\$0.15	6,850,000	-	-	-	6,850,000
09/02/2015	31/12/2017	\$0.27	2,000,000	-	-	-	2,000,000
29/12/2015	24/12/2019	\$0.30	1,000,000	-	-	-	1,000,000
29/12/2015	30/09/2019	\$0.30	300,000	-	-	-	300,000
08/04/2016	30/06/2019	\$0.25	2,291,712	4,408,288	-	-	6,700,000
			<u>13,041,712</u>	<u>4,408,288</u>	<u>-</u>	<u>(600,000)</u>	<u>16,850,000</u>

Accounting policy for share-based payments

Share-based compensation benefits are provided to employees via the consolidated entity's ESOP.

The fair value of options granted under the consolidated entity's ESOP is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The impact of the revision to original estimates, if any, is recognised in the profit or loss with a corresponding adjustment to equity.

Genera Biosystems Limited
Directors' declaration
31 December 2017

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Company's financial position as at 31 December 2017 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of Directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the Directors

A handwritten signature in blue ink, appearing to read "Lou Panaccio", positioned above a horizontal line.

Mr Lou Panaccio
Non-executive Chairman

28 February 2018

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Independent Auditor's Review Report to the Members of Genera Biosystems Limited

Report on the review of the half-year financial report

We have reviewed the half-year financial report of Genera Biosystems Limited (the Company) which comprises the statement of financial position as at 31 December 2017, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Company is not in accordance with the *Corporations Act 2001*, including:

- a Giving a true and fair view of the Company's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
- b Complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the Company incurred a net loss of \$1,886,742 during the half-year ended 31 December 2017, and as of that date, the Company's current liabilities exceeded its total assets by \$6,021,063. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast doubt on the Company's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

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Responsibilities of the Directors' for the half-year Financial Report

The Directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the half-year financial report, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2017 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Genera Biosystems Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



M A Cunningham
Partner – Audit & Assurance

Melbourne, 28 February 2018