

1. Company details

| | |
|-------------------|---------------------------------|
| Name of entity: | Genera Biosystems Limited |
| ABN: | 69 098 663 837 |
| Reporting period: | For the year ended 30 June 2018 |
| Previous period: | For the year ended 30 June 2017 |

2. Results for announcement to the market

| | 30 June 2018 \$ | Restated 30 June 2017 \$ | % Increase/ (decrease) |
|---|--------------------|--------------------------------|---------------------------|
| Revenue from ordinary activities | \$889,079 | \$800,935 | 11.0% |
| Net loss from ordinary activities after tax attributable to members | (\$4,481,197) | (\$3,823,810) | 17.19% |
| Net loss for the period attributable to members | (\$4,481,197) | (\$3,823,810) | 17.19% |

Dividends

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

Comments

The loss for the consolidated entity after providing for income tax amounted to \$4,481,197 (Restated 30 June 2017: \$3,823,810).

Revenue from product sales increased by \$88,144 to \$889,079 up 11.0% on the prior year (2017: \$800,935) due to higher respiratory panel kit sales. Revenue growth slowed versus the prior period which was largely due to a late commencement, and less severe 2018 flu season versus that of 2017. Total operating expenses in 2018 increased \$661,025 to \$5,786,709 (2017: \$5,125,684). The material increase in operating expenses was largely due to an 22.21% increase in finance expenses to \$2,370,221. This material increase in this expense related to the compounding effect of outstanding Series B Convertible Notes that accrue non-cash, capitalised interest and also the subordinated Mezzanine Debt.

Net cash used in operating activities in 2018 (\$1,167,626) was higher than the previous year (2017: \$765,591) largely due to \$189,759 higher payments to employees and suppliers and a substantially lower R&D tax incentive rebate receipt received in 2018 of \$421,787 (2017: \$722,358).

Net liabilities have increased by \$2,930,943 to \$6,311,875 (2017: \$3,380,932). Approximately 85% of the increase in Net liabilities was due to increased financial liabilities relating to the Series B Convertible Notes and the subordinated Mezzanine loan facility.

With the May 2018 announcement of the Beckman Coulter Distribution Agreement the company believes it is well positioned to undertake a material restructure and recapitalisation of its balance sheet. Given this the Company has decided not to extend the outstanding Series B Convertible Notes or the subordinated mezzanine loan facility beyond 30 June 2018. As previously announced to the ASX the Company is in the process of lodging a prospectus with ASIC to raise up to \$11.2 million in ordinary equity via a 4 for 5 entitlements issue at \$0.13 per Ordinary Share. A large part of the proceeds from the Entitlements Issue will be applied to largely redeem and repay all outstanding debt. The Company is confident that it is on track to announce the completion of a Series B Restructuring Agreement with all Noteholders in the next few weeks and prior to the proposed Entitlements Issue prospectus lodgement.

3. Net tangible assets

| | Reporting period Cents | Previous period Cents |
|---|------------------------------|-----------------------------|
| Net tangible assets per ordinary security | (8.23) | (6.26) |

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):

This report, and accompanying preliminary financial statements are based upon accounts which are in the process of being audited.

11. Attachments

Details of attachments (if any):

The Preliminary Financial Report of Genera Biosystems Limited for the year ended 30 June 2018 is attached.

12. Signed

Signed _____

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

Mr Lou Panaccio
Chairman

Date: 31 August 2018

Genera Biosystems Limited
Contents
30 June 2018



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Genera Biosystems Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2018



| | 2018 | Restated |
|---|--------------------|--------------------|
| | \$ | 2017 |
| | | \$ |
| Revenue | 889,079 | 800,935 |
| Other income | 416,433 | 500,939 |
| Expenses | | |
| Laboratory expenses | (440,484) | (408,366) |
| Travel and accommodation | (4,743) | (48,788) |
| Employee benefits expense | (1,558,276) | (1,378,706) |
| Depreciation and amortisation expense | (701,046) | (722,902) |
| Licence and royalty expense | (63,544) | (134,908) |
| Professional fees | (332,105) | (158,013) |
| Other expenses | (217,606) | (237,050) |
| Finance costs | (2,370,221) | (1,939,516) |
| Rent expense | (98,684) | (97,435) |
| Loss before income tax expense | (4,481,197) | (3,823,810) |
| Income tax expense | - | - |
| Loss after income tax expense for the year attributable to the Owners of Genera Biosystems Limited | (4,481,197) | (3,823,810) |
| Other comprehensive income for the year, net of tax | - | - |
| Total comprehensive loss for the year attributable to the Owners of Genera Biosystems Limited | <u>(4,481,197)</u> | <u>(3,823,810)</u> |
| | Cents | Cents |
| Basic earnings per share | (4.29) | (3.80) |
| Diluted earnings per share | (4.29) | (3.80) |

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 30 June 2018



| | Note | 2018 \$ | Restated 2017 \$ |
|-----------------------------------|------|--------------------|------------------------|
| Assets | | | |
| Current assets | | | |
| Cash | | 78,018 | 219,967 |
| Trade and other receivables | | 592,995 | 612,062 |
| Inventories | | 1,060 | 19,866 |
| Other | | 50,859 | 57,242 |
| Total current assets | | <u>722,932</u> | <u>909,137</u> |
| Non-current assets | | | |
| Property, plant and equipment | | 464,287 | 386,630 |
| Intangibles | | 2,529,666 | 2,918,150 |
| Total non-current assets | | <u>2,993,953</u> | <u>3,304,780</u> |
| Total assets | | <u>3,716,885</u> | <u>4,213,917</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | | 785,734 | 904,666 |
| Borrowings | 3 | 8,959,961 | 6,442,488 |
| Provisions | | 277,902 | 237,507 |
| Total current liabilities | | <u>10,023,597</u> | <u>7,584,661</u> |
| Non-current liabilities | | | |
| Provisions | | 5,163 | 10,188 |
| Total non-current liabilities | | <u>5,163</u> | <u>10,188</u> |
| Total liabilities | | <u>10,028,760</u> | <u>7,594,849</u> |
| Net liabilities | | <u>(6,311,875)</u> | <u>(3,380,932)</u> |
| Equity | | | |
| Contributed equity | | 27,801,847 | 26,322,747 |
| Reserves | | 1,300,054 | 1,492,400 |
| Accumulated losses | | (35,413,776) | (31,196,079) |
| Total deficiency in equity | | <u>(6,311,875)</u> | <u>(3,380,932)</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 year ended 30 June 2018



| | Contributed equity \$ | 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 year | - | - | (3,823,810) | (3,823,810) |
| Other comprehensive income for the year, net of tax | - | - | - | - |
| Total comprehensive loss for the year | - | - | (3,823,810) | (3,823,810) |
| <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 | - | 116,095 | - | 116,095 |
| Lapsed options | - | (8,124) | 8,124 | - |
| Mezzanine loan options | - | 482,651 | - | 482,651 |
| Balance at 30 June 2017 | <u>26,322,747</u> | <u>1,492,400</u> | <u>(31,196,079)</u> | <u>(3,380,932)</u> |
| | Contributed equity \$ | Share Option Reserve \$ | Accumulated losses \$ | Total deficiency in equity \$ |
| Balance at 1 July 2017 | 26,322,747 | 1,492,400 | (31,196,079) | (3,380,932) |
| Loss after income tax expense for the year | - | - | (4,481,197) | (4,481,197) |
| Other comprehensive income for the year, net of tax | - | - | - | - |
| Total comprehensive loss for the year | - | - | (4,481,197) | (4,481,197) |
| <i>Transactions with owners in their capacity as owners:</i> | | | | |
| Contributions of equity, net of transaction costs | 1,027,000 | - | - | 1,027,000 |
| Mezzanine loan options | - | 46,585 | - | 46,585 |
| Share based payments | - | 476,669 | - | 476,669 |
| Exercise of ESOP Options | 452,100 | (452,100) | - | - |
| Lapsed ESOP options | - | (263,500) | 263,500 | - |
| Balance at 30 June 2018 | <u>27,801,847</u> | <u>1,300,054</u> | <u>(35,413,776)</u> | <u>(6,311,875)</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 year ended 30 June 2018



| | Note | 2018 \$ | 2017 \$ |
|--|------|----------------------|-----------------------|
| Cash flows from operating activities | | | |
| Receipts from customers | | 883,476 | 800,800 |
| R&D tax concession received | | 421,787 | 722,358 |
| Payments to suppliers and employees | | (2,470,495) | (2,280,736) |
| Interest received | | 255 | 135 |
| Interest paid | | <u>(2,649)</u> | <u>(8,148)</u> |
| Net cash used in operating activities | 4 | <u>(1,167,626)</u> | <u>(765,591)</u> |
| Cash flows from investing activities | | | |
| Payments for property, plant and equipment | | (6,618) | (82,500) |
| Payments for purchase of intangibles | | <u>(152,102)</u> | <u>(170,277)</u> |
| Net cash used in investing activities | | <u>(158,720)</u> | <u>(252,777)</u> |
| Cash flows from financing activities | | | |
| Proceeds from issue of shares and options | | 1,027,000 | - |
| Proceeds from issue of convertible notes | | - | 375,000 |
| Proceeds from Mezzanine loan facility | | 160,000 | - |
| Proceeds from short term borrowings | | - | 797,700 |
| Proceeds from borrowings | | 92,500 | - |
| Repayment of borrowings | | <u>(95,103)</u> | <u>-</u> |
| Net cash from financing activities | | <u>1,184,397</u> | <u>1,172,700</u> |
| Net increase/(decrease) in cash and cash equivalents | | (141,949) | 154,332 |
| Cash and cash equivalents at the beginning of the financial year | | <u>219,967</u> | <u>65,635</u> |
| Cash and cash equivalents at the end of the financial year | | <u><u>78,018</u></u> | <u><u>219,967</u></u> |

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

Note 1. General information

The preliminary financial statements cover Genera Biosystems Limited as an individual entity. The preliminary financial statements are presented in Australian dollars, which is Genera Biosystems Limited's functional and presentation currency.

Genera Biosystems Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

1 Dalmore Drive
 Scoresby, Victoria 3179

Note 2. Significant accounting policies

This preliminary financial report has been prepared in accordance with International Financial Reporting Standards, other authoritative pronouncements and Interpretations of the Australian Standards Board and the Corporations Act 2001.

This preliminary financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2017 and any public announcements made by Genera Biosystems Limited during the reporting period in accordance with the continuous disclosure requirements⁹⁰ of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period

Note 3. Current liabilities - borrowings

| | 2018 | 2017 |
|--------------------------|------------------|------------------|
| | \$ | \$ |
| Convertible note debt | 2,529,575 | 2,529,575 |
| Accrued interest thereon | 4,326,776 | 2,664,827 |
| Insurance funding | 31,728 | 34,465 |
| Mezzanine loan facility | 2,024,382 | 1,205,921 |
| Other short term loans | 47,500 | 7,700 |
| | <u>8,959,961</u> | <u>6,442,488</u> |

(a) Series B Convertible Notes

The consolidated entity has a total of 28,750 Series B Convertible Notes on issue at an issue price of \$100.00 per note ('Notes') with sophisticated investors and professional investors. The notes have an extended maturity date of 30 June 2018 after Variation Agreements were signed during the period. The Notes accrue interest at a rate of 30% per annum on an IRR basis 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.

Note 3. Current liabilities - borrowings (continued)

(b) Mezzanine Loan Facility

During the 2016 financial year, the consolidated entity began raising additional funds under a subordinated 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 \$160,000 was provided under the facility during the 2018 financial year. Funds raised will require repayment including a flat (not annual) 25% interest component. The mezzanine debt was repayable at 30 June 2018 and the company currently intends to repay the loans in cash and/or convert a large proportion of the outstanding amounts to equity at the issue price under the proposed Entitlements Issue capital raise.

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

| | 2018 \$ | 2017 \$ |
|--|--------------------|------------------|
| Loss after income tax expense for the year | (4,481,197) | (3,823,810) |
| Adjustments for: | | |
| Depreciation and amortisation | 701,046 | 765,802 |
| Share-based payments | 186,581 | 116,095 |
| Interest charged on convertible notes | 1,661,949 | 1,575,941 |
| Interest charged on Mezzanine loan | 705,046 | 312,527 |
| Change in operating assets and liabilities: | | |
| Decrease/(increase) in trade and other receivables | (5,348) | 283,714 |
| Decrease/(increase) in inventories | 18,806 | (11,625) |
| Decrease in accrued revenue | 5,354 | - |
| Decrease/(increase) in prepayments | 6,384 | (20,414) |
| Increase/(decrease) in trade and other payables | (1,618) | 28,274 |
| Increase/(Decrease) in employee benefits | 35,371 | 7,905 |
| Net cash used in operating activities | <u>(1,167,626)</u> | <u>(765,591)</u> |

Note 5. Correction of prior period error

During the process of preparing for the Company's Entitlements Issue Prospectus, an error in relation to the interest amounts accrued for the Series B Convertible Notes has been identified. This error relates to the calculation of the interest amounts payable which were previously calculated using an annual interest amount payable of 30% but should have been calculated on an IRR basis.

| Statement of financial position (extract) | 2017 | | 2017 |
|--|-----------------|-------------------|-----------------|
| | Reported | Adjustment | Restated |
| | \$ | \$ | \$ |
| Borrowings | 5,706,456 | 736,032 | 6,442,488 |
| Net liabilities | (2,644,900) | (736,032) | (3,380,932) |
| Total equity | (2,644,900) | (736,032) | (3,380,932) |

| Statement of profit or loss and other comprehensive income (extract) | 2017 | | 2017 |
|--|-----------------|-------------------|-----------------|
| | Reported | Adjustment | Restated |
| | \$ | \$ | \$ |
| Finance costs | (1,203,484) | (736,032) | (1,939,516) |
| Loss before income tax expense | (3,087,778) | (736,032) | (3,823,810) |
| Loss after income tax expense for the year attributable to the Owners of Genera Biosystems Limited | (3,087,778) | (736,032) | (3,823,810) |
| Total comprehensive loss income for the year attributable to the Owners of Genera Biosystems Limited | (3,087,778) | (736,032) | (3,823,810) |
| Basic earnings per share (cents) | (3.07) | (0.73) | (3.80) |
| Diluted earnings per share (cents) | (3.07) | (0.73) | (3.80) |