



Annual Report 30 June 2012

Genera Biosystems Limited
Advanced Molecular Diagnostic Systems

CONTENTS

CORPORATE DIRECTORY	2
DIRECTORS' REPORT	3
AUDITOR'S INDEPENDENCE DECLARATION	16
INDEPENDENT AUDITOR'S REPORT	17
CORPORATE GOVERNANCE STATEMENT	20
STATEMENT OF COMPREHENSIVE INCOME	27
STATEMENT OF FINANCIAL POSITION	28
STATEMENT OF CHANGES IN EQUITY	29
STATEMENT OF CASH FLOWS	30
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012	31
DIRECTORS' DECLARATION	62
ADDITIONAL INFORMATION	63

CORPORATE DIRECTORY

Company

Genera Biosystems Limited
ABN 69 098 663 837

ASX Code: GBI

Registered office and principal place of business

Small Technologies Cluster
1 Dalmore Drive, Scoresby
Victoria, 3179
AUSTRALIA
Ph 03 9763-1287
Fax 03 9763-2817
www.generabiosystems.com

Directors

Mr Lou Panaccio
Mr David Symons
Dr Karl Poetter
Mr Jim Kalokerinos

Company Secretary

Mr Tony Panther

Share Registry

Computershare Investor Services Pty Limited
PO Box 52
MELBOURNE VIC 8060
1300 309 739
www.computershare.com.au

Lawyers

McCullough Robertson
Level 11 Central Plaza Two
66 Eagle Street
BRISBANE QLD 4000
www.mccullough.com.au

Auditor

Grant Thornton Audit Pty Ltd
Level 2, 215 Spring Street
MELBOURNE VIC 3000
www.granthornton.com.au

Patent Attorneys

Davies Collison Cave
1 Nicholson Street
MELBOURNE VIC 3000
www.davies.com.au

DIRECTORS' REPORT

Your Directors submit their report for the year ended 30 June 2012.

1. CORPORATE INFORMATION

Genera Biosystems Limited ("Genera") is a company limited by shares that is incorporated and domiciled in Australia.

2. DIRECTORS

(a) Names, qualifications, experience and special responsibilities

The names and details of the Company's Directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Lou Panaccio	Executive Chairman - appointed Non-executive Director 25 November 2010, appointed Executive Chairman 31 July 2011
Qualifications:	B. Ec., CA
Experience:	Over 30 years management experience in business and healthcare services. He is currently the Executive Chairman of Health Networks Australia, Non-executive director of ASX-listed Sonic Healthcare Limited (appointed June 2005) and Non-executive Chairman of the Inner Eastern Community Health Service in Victoria. He was also the Chief Executive Officer and an executive director of Melbourne Pathology for 10 years to 2001.
Special Responsibilities:	Member of the Audit Committee.
Karl Poetter	Executive Director - appointed 25 September 2007
Qualifications:	BA, PhD
Experience:	Chief Scientific Officer of Genera Biosystems. Formerly, Senior Research Scientist with the joint Australian Genome Research Facility/Walter and Eliza Hall Institute for Medical Research programme for new technology development in genomic science. Scientific Advisory Board member for MycroLab Pty Ltd and the CRC for Diagnostics. Author or joint author of ten patents and fourteen peer-reviewed publications.
Special Responsibilities:	Member of the Nomination Committee.
David Symons	Director (Non-executive) - appointed 15 August 2008
Qualifications:	LLB (Hons), BComm
Experience:	Currently senior advisor with Cato Counsel. Over 15 years experience in private equity, investment banking, corporate management and financial journalism. Previously held executive roles at ABN AMRO Capital, Macquarie Bank, Merrill Lynch and Promina Group. Prior to the IPO of Genera, David sat on the Company's Board from October 2007 through to March 2008.
Special Responsibilities:	Chairman of the Audit Committee; member of the Nomination Committee.
Jim Kalokerinos	Director (Non-executive) - appointed 25 November 2010
Qualifications:	B.SC., E. Econ., FAICD
Experience:	Over 30 years' experience in business development and sales and marketing, for scientific distribution, in-vitro diagnostics and medical devices companies. Held board and senior management positions and has been involved in company merger and acquisitions and capital raisings. Co-founder of Techlab Enterprises, Pacific Diagnostics, and Panbio Ltd. He presently serves on five company boards involved in manufacturing, in-vitro diagnostics, retail, and horticulture and is on the investment committee for a venture capital fund.
Special Responsibilities:	Member of the Audit and Remuneration Committees.

DIRECTORS' REPORT (CONTINUED)

2. DIRECTORS (CONTINUED)

(a) Names, qualifications, experience and special responsibilities (continued)

Fernando Careri	Chairman (Non-executive) - appointed 25 September 2007, resigned 31 July 2011
Qualifications:	Dip. Civ. Eng
Experience:	Chairman and Co-founder Ecotech Group Pty. Ltd., CEO, Infracap Pty Ltd. Previous management roles include CEO Metropolitan Transport Trust (TAS), CEO Ausdoc Integrated Services (VIC), CEO On Demand Printing (VIC), GGM Projects Public Transport Corp (VIC), GM Stonington City Council (VIC), GM Brambles Cleanaway (VIC), Chair Brotherhood of St Laurence Management Review Committee and Member European Australian Centre for Cooperation.
Special Responsibilities:	Was Board Chairman, Chairman of the Remuneration, Nomination and Audit Committees.
William (Bill) Tapp	Director (Non-executive) - appointed August 15 2008, resigned 31 July 2011
Experience:	William Tapp brings over 40 years of entrepreneurial and commercial experience. This has included a key role, as one of four partners, in the establishment of Dovuro Seeds Pty Limited in 1990. Mr Tapp has had significant board experience, and is currently the chairman of Ag-Sun India, a 200-employee seed business headquartered in Mumbai with processing plants in southern India.
Special Responsibilities:	Was member of the Audit, Remuneration and Nomination Committees.

(b) Directors' interests in the shares and options of the Company

At the date of this report, the interests of the directors (including related party interests) in the shares and options of Genera were:

Director	Number of Ordinary Shares	Number of Options over Ordinary Shares
Mr Lou Panaccio	-	1,800,000
Mr David Symons	680,142	625,149
Dr Karl Poetter	950,957	217,686
Mr Jim Kalokerinos	118,948	310,000

(c) Directors' meetings

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director was as follows:

Director	Board of Directors' Meetings		Meetings of Committees					
			Audit		Remuneration		Nomination	
	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend
Mr Lou Panaccio	13	13	3	3	n/a	n/a	n/a	n/a
Mr David Symons	13	13	3	3	n/a	n/a	n/a	n/a
Mr Jim Kalokerinos	13	13	3	3	n/a	n/a	n/a	n/a
Dr Karl Poetter	13	13	n/a	n/a	n/a	n/a	n/a	n/a
Mr Fernando Careri	2	2	n/a	n/a	n/a	n/a	n/a	n/a
Mr Bill Tapp	1	2	n/a	n/a	n/a	n/a	n/a	n/a

DIRECTORS' REPORT (CONTINUED)

3. COMPANY SECRETARY

Tony Panther **Company Secretary**

Qualifications: B Ec, LLB, Grad Dip App. Corp. Gov., CA, ACIS

Experience: Genera Chief Financial Officer since November 2009 and Company Secretary since September 2010.

Mr Panther has over 20 years' financial leadership experience in a number of industries, including biotechnology, IT, utilities, financial services and public accounting, including senior roles with ASX-listed and unlisted public companies. He has qualifications in commerce and law and is a member of the Institute of Chartered Accountants and Chartered Secretaries Australia.

Special Responsibilities: Secretary to the Audit, Remuneration and Nomination Committees.

4. PRINCIPAL ACTIVITIES

The Company'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.

No significant change in the nature of these activities has occurred during the financial year.

5. OPERATING AND FINANCIAL REVIEW

(a) Overview of Operations

During the year ended 30 June 2012 Genera has focussed its efforts on a number of important development projects associated with its multiplexed molecular diagnostics (MDx) test solutions which are based on the company's patented Ampasand silica bead based testing platform.

MDx Product Development

The first products developed by Genera using its proprietary Ampasand platform are PapType, a multiplexed test that genotypes Human Papilloma Virus (HPV), and RTIplex, a multiplexed respiratory pathogens test.

During the year, a new and improved version of the PapType test utilising solid phase technology was developed which reduces the number of handling steps and speeds up processing time and operational efficiency.

Clinical trials for both PapType and RTIplex were successfully completed.

The original version of PapType was TGA registered and CE marked enabling the product's sale in both Australia and Europe. Genera is currently working on TGA, and subsequent CE marking, of the new version of PapType and RTIplex. This is expected to be completed in early 2013.

Automation and QPlots Software

Genera's products are designed to be used by diagnostic pathology laboratories. The company understands that the pathology customers are looking for ease of use and operational efficiency, in addition to best clinical performance.

The clinical studies performed to date confirm the clinical performance of both PapType and RTIplex.

Automation of the testing process is the key to making the Genera tests easier to use and to increase testing throughput. Labour is a significant cost for diagnostic laboratories.

Genera successfully produced an automated platform ('Sirocco') by integrating a number of off the shelf laboratory instruments. The first Sirocco instrument was installed in Genera's laboratory in Scoresby and is being used as a development unit.

The second Sirocco unit was installed at the Clayton, Victoria, laboratory of Healthscope Pathology. Healthscope has had a long association with Genera and has played an important role in the development of both PapType and RTIplex.

The Sirocco instrument is controlled by Genera's proprietary software (QPlots). During the year, QPlots has been extensively modified to facilitate the operation of the Sirocco instrument and allow it to run both PapType and RTIplex tests on the same instrument.

Final testing of QPlots and Sirocco is almost complete.

DIRECTORS' REPORT (CONTINUED)

5. OPERATING AND FINANCIAL REVIEW (CONTINUED)

(a) Overview of Operations (continued)

Partners

The company entered into a commercial evaluation agreement with Salomao & Zoppi Diagnosticos S.A. (SZD), a leading diagnostic pathology laboratory operation in Sao Paulo, Brazil. Genera will place a Sirocco unit at SZD's main laboratory to enable its operational and clinical performance to be validated. It is hoped that the successful completion of the validation trial will lead to negotiation of a commercial agreement for the supply of instruments and test kits for both PapType and RTIplex, together with a new test development agreement.

Genera's strategy is to place a number of Sirocco units in diagnostic laboratories in order to facilitate discussions with potential IVD partners. Significant penetration of the global MDx market, estimated to be worth more than \$4B per annum, requires an extensive sales, marketing and distribution network in addition to the test and product development skills that Genera has.

Once the SZD trial and the expected commercial agreement are finalised, anticipated to be at the end of September 2012, Genera will be able to demonstrate to potential commercial partners that it can develop products to compete in the growing MDx test market and has been able, with limited resources, to develop an automated testing platform and enter into commercial supply agreements with commercial diagnostic pathology laboratories.

As announced in the 2011 annual report, Genera's agreement to develop a modified version of the original PapType test for use on the instrument of a global top 10 IVD company was discontinued in August 2011. This enabled the company to reallocate its resources to the activities outlined above.

(b) Overview of Intellectual Property portfolio

Progress on the Company's ongoing patent applications continued smoothly during the year with new HPV patents being granted in Japan and Mexico and our intellectual property (IP) portfolio continues to underpin the Company's value.

There are a total of 7 Genera patents that have been granted in at least 1 jurisdiction, including 4 patents that have been granted in the USA. These patents cover a broad range of Genera's technology such as microsphere chemistry, test multiplexing, and specific diagnostic applications.

In addition to the IP defined by patents, Genera has IP in trademarks, software copyright, and trade secrets. During the 2012 financial year, the Genera IP package continued to solidify around the core AmpaSand technology in general and the PapType test in particular.

DIRECTORS' REPORT (CONTINUED)

5. OPERATING AND FINANCIAL REVIEW (CONTINUED)
(b) Overview of Intellectual Property portfolio (continued)

The current IP position of the company is as follows:

Number	Details	Filing Date	Country	Status
PCT/AU2004/000894	Methods for detecting aneuploidy using microparticle multiplex detection	July 2004	Au, NZ, EU, USA, J, Ch, Can, HK	Granted Au, NZ, EU, USA, HK, Ch, Jap. Accepted Ch, Japan, Pending Canada. Ch divisional pending. USA continuation pending.
PCT/AU03/00696	A nucleic acid anchoring system comprising covalent linkage of an oligonucleotide to a solid support	June 2003	Au, NZ, USA	Granted Au, NZ, USA. USA Continuation granted
PCT/AU01/00635	A method for determining the likelihood that a test polynucleotide sequence differs from a driver polynucleotide	May 2001	Au, NZ, USA	Granted Au, NZ. Pending (USA)
PCT/AU2005/000991	Method of detecting aneuploidy	July 2005	Au, USA	Granted Au. Pending USA. Continuation Au Granted. Continuation USA pending
PCT/AU2005/001865	Human papilloma virus (HPV) detection using nucleic acid probes, microbeads and fluorescent activated cell sorter (FACS)	December 2005	Au, NZ, USA, EU, J, Can, Mex, Br, Ch, Ind	Granted Au, USA, NZ, Jap. Accepted Ch, Mex. Pending elsewhere
PCT/AU2005/000748	Whispering Gallery Mode detection (QSand 1)	May 2005	Au, NZ, USA, EU, J, Can, Mex, Br, Ch, Ind, HK	Granted Au, NZ. Accepted Mex. Pending elsewhere
PCT/AU2008/000120	Solid Phase PCR system using AmpaSand Beads	February 2008	Au, NZ, USA, EU, J, Can, HK, Mex, Br, Ch,	Accepted NZ; Divisional Accepted NZ. Pending elsewhere
PCT/US2008/004441	HPV-2. Solid Phase PCR detection system for HPV multiplex.	April 2008	Au, NZ, USA, EU, J, Ru, Mex, Br, Ch, Ind	Granted NZ. Accepted EU. Pending elsewhere.
PCT/AU2008/001515	Whispering gallery mode detection (QSand-2)	November 2008	Au, Br, Can, Ch, EU, HK, Jap, Mex, NZ, USA	Accepted NZ. Pending elsewhere.
Australian Provisional	RTIplex system for AmpaSand Beads	October 2011	NA	NA

(c) Financial Review

The loss of the Company for the financial year after providing for income tax amounted to \$2,087,566 compared to a net loss of \$2,934,769 for the previous financial year. This loss is less than last year due mainly to a reduction in operating costs in the current year.

The revenue for the 12 months to 30 June 2012 of \$344,047 consists of interest revenue, revenue from sales of PapType test kits, a Government grant and receipts from a third party in relation to a project undertaken by the Company.

Operating expenses relating to the financial year were \$2,656,018, down from \$3,884,817 in the previous year. The Company's costs were significantly less than last year, due primarily to the restructure referred to elsewhere in this report. As a result of the restructure staff numbers were reduced, with a corresponding reduction in associated costs.

The Company's current asset balance at 30 June 2012 was \$1,577,719 (2011: \$2,975,840), and the current liabilities balance was \$536,751 (2011: \$776,394). The main reason for the reduction in current assets was the net reduction in cash balances, reflecting cash used to finance the company's operations. Current liabilities have reduced from the previous financial year end balance, which had included provisions for staff termination payments which were paid out early in the current year and which are not applicable to the current balance date.

Net assets have fallen to \$5,733,233 from \$6,911,184 last year. The decrease in the net asset position was due to the operating loss, however the effect of this was partially offset by issues of capital during the year, further details of which are set out elsewhere in this report.

DIRECTORS' REPORT (CONTINUED)

5. OPERATING AND FINANCIAL REVIEW (CONTINUED)

(d) Employees

The entity employed 10 members of staff as at 30 June 2012 (2011: 11 members of staff).

6. DIVIDENDS

No dividends in respect of the current or previous financial year have been paid, declared or recommended for payment.

7. SIGNIFICANT CHANGES IN THE COMPANY'S STATE OF AFFAIRS

(a) Restructure

On 4 July 2011 the Company announced to the market that it was undertaking a restructure following a strategic review. The primary objective of the strategic review was to ensure that all organisational activities were tightly focused on maximising value for shareholders and were structured to enhance the prospect of the company's commercialisation negotiations achieving tangible milestones without having to raise additional capital from existing shareholders or the wider market.

The restructure included the following personnel changes: the Chairman, Mr Fernando Careri, and non-executive director Mr Bill Tapp both resigned from the Board with effect from 31 July 2011; the Chief Executive Officer, Dr Allen Bollands, left the Company at the end of July 2011 and Mr Lou Panaccio, an existing non-executive director, was appointed as Executive Chairman with effect from 1 August 2011. In addition, there were reductions in operating staff numbers in July 2011.

(b) Capital raising

During the year the Company undertook a capital raising by way of a fully-underwritten Share Purchase Plan (SPP), in order to provide funds for the Company's continuing research and development activities. Under the SPP the Company issued approximately 5.3 million shares at an issue price of \$0.19 per share and raised the target amount of \$1 million.

With the exception of any matters referred to in this Directors report, or the financial statements and notes of the Company accompanying this report, there were no significant changes in the state of affairs of the Company during the financial year.

8. SIGNIFICANT EVENTS AFTER REPORTING DATE

With the exception of any matters referred to in this Directors report, or the financial statements and notes of the Company accompanying this report, there were no significant events arising after reporting date.

9. LIKELY FUTURE DEVELOPMENTS AND EXPECTED RESULTS

Genera's activities are focussed on:

- the successful operation of the Sirocco instrument located at Healthscope Pathology in Clayton;
- the successful installation and validation of the Sirocco unit to be installed at the SZD laboratory in Sao Paulo, Brazil;
- completion of a commercial agreement with SZD for the supply of Sirocco instrument, Genera tests and new test development;
- TGA and CE mark registration of the new version of PapType and RTIplex, including participating in clinical trials as required;
- demonstrating the Sirocco instrument to potential diagnostic laboratory customers;
- placing additional Sirocco instruments that will have the capability of delivering a positive operating cash flow.

It is the company's expectation that the finalisation of commercial agreements with SZD and Healthscope Pathology laboratories will facilitate discussions with prospective IVD partners.

DIRECTORS' REPORT (CONTINUED)

10. ENVIRONMENTAL REGULATION

The Company's operations are not subject to any significant environmental regulation under a law of the Commonwealth or of a State or of a Territory. However, the board believes that the Company has adequate systems in place for the management of its environmental requirements and is not aware of any breach of these environmental requirements as they apply to the Company.

11. SHARE OPTIONS

(a) Options granted to directors and executives of the Company

During or since the end of the financial year, the Company granted, for no consideration, options over unissued shares in the Company to the following directors as part of their remuneration. There were no issues of options to any other of the five most highly remunerated officers of the Company.

Director	Granted (number)	Value (\$)	Terms & Conditions for each Grant		
			Grant Date	Exercise price per share (\$)	Expiry Date
J Kalokerinos	300,000	4,062	28/11/2011	0.50	28/11/2016
L Panaccio	300,000	4,062	28/11/2011	0.50	28/11/2016
L Panaccio	1,500,000	4,962	28/11/2011	0.33	8/04/2013

(b) Unissued shares under option

As at the date of this report, details of unissued ordinary shares of the Company under option are as follows:

Number of Shares	Exercise Price (\$)	Expiry Date
1,100,000	0.40	7/02/2013
330,000	0.50	7/02/2013
563,108	0.40	25/06/2013
563,109	0.625	25/06/2013
563,108	0.625	28/11/2013
200,000	0.50	1/01/2013
175,000	0.625	12/03/2014
300,000	0.50	10/07/2014
250,000	0.625	10/07/2014
14,390,212	0.33	8/04/2013
600,000	0.50	28/11/2016
19,034,537		

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company.

(c) Shares issued as result of exercise of options

There were no shares issued during or since the end of the financial year as a result of the exercise of an option over unissued shares of the Company.

DIRECTORS' REPORT (CONTINUED)

12. INDEMNIFICATION OF DIRECTORS AND OFFICERS

No indemnities have been given, during or since the end of the financial year, for any person who is or has been an officer or auditor of the Company.

The Company has paid a premium to insure each of the directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the Company, other than conduct involving a wilful breach of duty in relation to the Company. The amount of the premium paid was \$52,836.

13. 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.

The Company was not a party to any such proceedings during the year.

DIRECTORS' REPORT (CONTINUED)

14. REMUNERATION REPORT (AUDITED)

This report details the nature and amount of remuneration for each director of the Company, and for the executives receiving the highest remuneration.

(a) Remuneration Policy

The Board's policy regarding remuneration of the key management personnel of the Company has been designed to align director and executive objectives with shareholder and business objectives by providing both a fixed and variable remuneration component and offering long-term incentives based on key performance areas through the Company Employee Share Option Plan (ESOP). All options are issued under this ESOP. The Board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the Company, as well as create goal congruence between directors, executives, and shareholders.

The Board, through the Remuneration Committee, is responsible for determining the appropriate remuneration package for the Chief Executive Officer (CEO) or Executive Chairman (EC) and the Chief Science Officer, and the CEO/EC is in turn responsible for determining the appropriate remuneration packages for the senior management team.

All executives are eligible to receive a base salary (which is based on factors such as experience and comparable industry information), fringe benefits, options, and performance incentives. The Board reviews the CEO's/EC's remuneration package from the Remuneration Committee recommendations, and the CEO/EC reviews the other senior executives' remuneration packages, annually by reference to the Company's performance, executive performance, and comparable information within the industry.

The performance of executives is measured against criteria agreed annually with each executive and is based predominantly on the overall success of the Company in achieving its broader corporate goals. Bonuses and incentives are linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses, and options, and can require changes to the CEO's/EC's recommendations. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

Directors, executives, staff and approved specialist advisors/contractors who are involved with the business are all entitled to participate in the ESOP.

Any Australian-resident executives or directors serving as an employee receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits.

All remuneration paid to directors and executives is valued at the cost to the Company and expensed. Options are valued using the Black-Scholes methodology.

The Board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment, and responsibilities. The Board as a whole determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties, and accountability. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. The director fee pool size from which annual payments are made is currently set at \$400,000. Fees for non-executive directors are not linked to the performance of the Company but are subject to peer review via the Remuneration Committee. However, to align directors' interests with shareholder interests, the directors participate in the Company ESOP. As from 1 July 2011, the directors agreed to defer the receipt of portions of their fees until such time as the Company achieved a monetisation event. Refer Note 21 of the accompanying financial statements for additional details.

(b) Performance Based Remuneration

As part of each executive's remuneration package there is a performance-based component. This is based on the executive meeting their responsibilities under the annual Business Plan related to the financial performance, R&D, operations and regulatory requirements to commercialise the Company's IP. The measurement of the Company's performance is achieved via periodic board assessments of the Company's progress through its business plan, and by reference to its financial position. An individual member of staff's performance assessment is done by reference to their contribution to the Company's overall achievements. The intention of this program is to facilitate goal congruence between executives with that of the business and shareholders. Generally, the executive's performance-based remuneration is tied to the Company's performance as reflected by successful achievement of certain key milestones as they relate to its operating activities, as well as the Company's overall financial position. As the Company has generally been in a development phase it has not been in a position to generate operating profits, therefore remuneration policy has not been linked to such measurements of financial performance.

Further information has not been disclosed as it is commercially confidential.

DIRECTORS' REPORT (CONTINUED)

14. REMUNERATION REPORT (AUDITED) (CONTINUED)

(c) Key Management Personnel Details and Remuneration (continued)

(i) Key management personnel listing

The Company's key management personnel are:

Directors

Mr Lou Panaccio Executive Chairman (appointed as Executive Chairman on 31 July 2011)
 Dr Karl Poetter Executive Director and Chief Science Officer
 Mr David Symons Director (non-executive)
 Mr Jim Kalokerinos Director (non-executive)
 Mr Fernando Careri Chairman (non-executive) (resigned 31 July 2011)
 Mr William Tapp Director (non-executive) (resigned 31 July 2011)

Specified Executives

Dr Allen Bollands Chief Executive Officer (ceased 31 July 2011)
 Mr Tony Panther Chief Financial Officer/Company Secretary

(ii) Key management personnel payments and benefits

Table 1. Director and other Key Management Personnel remuneration for the year ended 30 June 2012

	Short-term employee benefits			Post employment benefits	Termination payments	Share based payments	Total Remuneration	% of performance based remuneration	% of remuneration consisting of options
	Salary & Fees \$	Cash Bonus \$	Non Monetary Benefits \$	Superannuation \$		Options \$	\$	%	%
Non-executive directors									
David Symons	-	-	-	-	-	-	-	-	-
Jim Kalokerinos	35,257	-	-	743	-	4,062	40,062	-	10.1
Fernando Careri (1)	5,000	-	-	-	-	-	5,000	-	-
William Tapp (1)	3,000	-	-	-	-	-	3,000	-	-
Total non-executive directors	43,257	-	-	743	-	4,062	48,062		
Executive directors									
Lou Panaccio (2)	63,303	-	-	5,697	-	9,024	78,024	-	11.6
Dr Karl Poetter	85,500	-	-	7,695	-	-	93,195	-	-
Total executive directors	148,803	-	-	13,392	-	9,024	171,219		
Executives									
Dr Allen Bollands (1)	8,239	-	14,435	10,141	139,230	-	172,045	-	-
Tony Panther (3)	119,259	-	-	10,733	-	-	129,992	-	-
Total executives	127,498	-	14,435	20,874	139,230	-	302,037		
TOTALS	319,558	-	14,435	35,009	139,230	13,086	521,318		

(1) Resigned 31 July 2011.

(2) Appointed Executive Chairman 31 July 2011, previously Non-executive director. All remuneration for the year ended 30 June 2012 is disclosed as a single line item.

(3) Employed on part-time basis from November 2011, previously full-time.

DIRECTORS' REPORT (CONTINUED)

14. REMUNERATION REPORT (AUDITED) (CONTINUED)

(c) Key Management Personnel Details and Remuneration (continued)

(ii) Key management personnel payments and benefits (continued)

Table 2. Director and other Key Management Personnel remuneration for the year ended 30 June 2011

	Short-term employee benefits			Post employment benefits	Termination payments	Share based payments	Total Remuneration	% of performance based remuneration	% of remuneration consisting of options
	Salary & Fees \$	Cash Bonus \$	Non Monetary Benefits \$	Superannuation \$		Options \$	\$	%	%
Non-executive directors									
Fernando Careri	60,000	-	-	-	-	-	60,000	-	-
David Symons	36,000	-	-	-	-	-	36,000	-	-
William Tapp	36,000	-	-	-	-	-	36,000	-	-
Jim Kalokerinos (1)	21,750	-	-	-	-	-	21,750	-	-
Lou Panaccio (1)	19,954	-	-	1,796	-	-	21,750	-	-
Melvyn Bridges (2)	15,000	-	-	-	-	-	15,000	-	-
Total non-executive directors	188,704	-	-	1,796	-	-	190,500		
Executive director									
Dr Karl Poetter	190,000	-	-	17,100	-	-	207,100	-	-
Executives									
Dr Allen Bollands	200,898	-	69,102	24,300	-	-	294,300	-	-
Tony Panther	140,642	-	-	12,658	-	-	153,300	-	-
Total executives	341,540	-	69,102	36,958	-	-	447,600		
TOTALS	720,244	-	69,102	55,854	-	-	845,200		

(1) Appointed 25 November 2010.

(2) Resigned 25 November 2010.

DIRECTORS' REPORT (CONTINUED)

14. REMUNERATION REPORT (AUDITED) (CONTINUED)

(c) Key Management Personnel Details and Remuneration (continued)

(iii) Key management personnel - options issued provided as compensation

The options issued are options over unissued shares of the Company.

Table 3. Director and other Key Management Personnel options issued during the year ended 30 June 2012

Directors	Granted (number)	Vested (number)	Grant Date	Terms & Conditions for each Grant					
				Fair value per Option at Grant Date (\$)	Total value of Options at Grant Date (\$)	Exercise price per share (\$)	Amount paid or payable by recipient	Expiry Date	Date when options may be exercised
J Kalokerinos	300,000	300,000	28/11/2011	0.0135	4,062	0.50	Nil	28/11/2016	When granted
L Panaccio	300,000	300,000	28/11/2011	0.0135	4,062	0.50	Nil	28/11/2016	When granted
L Panaccio	1,500,000	-	28/11/2011	0.0033	4,962	0.33	Nil	8/04/2013	When vested (1)

(1) - These options will vest immediately upon the market capitalisation of the Company, being the number of Shares on issue multiplied by the prevailing Share price, achieving a level equal to or greater than \$25 million.

Table 4. Director and other Key Management Personnel options issued during the year ended 30 June 2011

There were no options issued to the directors or other Key Management Personnel during the year ended 30 June 2011.

(d) Key Management Personnel contract information

Person	Position	Duration of contract	Notice period	Payment in lieu of notice	Other payments upon termination
Mr Lou Panaccio*	Executive Chairman	Rolling – no fixed term	Not specified	None specified	
Dr Karl Poetter	Chief Science Officer	Rolling – no fixed term	6 months***	6 months***	Additional 6 months salary
Tony Panther	Chief Financial Officer/Company Secretary (part time)	Rolling – no fixed term	3 months***	3 months***	
Dr Allen Bollands**	Chief Executive Officer	Rolling – no fixed term	6 months***	6 months***	In case of redundancy, additional 6 months salary

* Mr Panaccio commenced as Executive Chairman on 1 August 2011.

** Dr Bollands ceased employment with the Company on 31 July 2011.

*** The Company may terminate the employment contract without notice or payment in lieu if the employee engages in serious misconduct to other conduct which warrants summary termination.

DIRECTORS' REPORT (CONTINUED)

15. AUDITOR'S INDEPENDENCE DECLARATION

The Directors received the auditor's independence declaration. A copy of this declaration, which forms part of this directors' report, is set out on page 16 of this annual report.

This report has been made in accordance with a resolution of the Directors.



Mr Lou Panaccio
Executive Chairman

Melbourne, Victoria
28 August 2012

Grant Thornton Audit Pty Ltd
ABN 91 130 913 594
ACN 130 913 594

Level 2
215 Spring Street
Melbourne Victoria 3000
GPO Box 4984
Melbourne Victoria 3001

T +61 3 8663 6000
F +61 3 8663 6333
E info.vic@au.gt.com
W www.grantthornton.com.au

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 audit of Genera Biosystems Limited for the year ended 30 June 2012, 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 audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



M. A. Cunningham
Partner - Audit & Assurance

Melbourne, 28 August 2012

Grant Thornton Audit Pty Ltd
ABN 91 130 913 594
ACN 130 913 594

Level 2
215 Spring Street
Melbourne Victoria 3000
GPO Box 4984
Melbourne Victoria 3001

T +61 3 8663 6000
F +61 3 8663 6333
E info.vic@au.gt.com
W www.grantthornton.com.au

Independent Auditor's Report To the Members of Genera Biosystems Limited

Report on the financial report

We have audited the accompanying financial report of Genera Biosystems Limited (the "Company"), which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of changes in equity and 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 of the Company.

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 of the financial report in accordance with Australian Accounting Standards and the Corporations Act 2001. This responsibility includes such internal controls as the Directors determine are necessary to enable the preparation of the financial report to be free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies 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 which require us to 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 and fair presentation of the financial report 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.

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.

Auditor's opinion

In our opinion:

- a the financial report of Genera Biosystems 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 2012 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 also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Significant uncertainty regarding going concern

Without qualification to the audit opinion expressed above, attention is drawn to the following matter. As a result of matters described in Note 1(w) in the financial statements the Company incurred a net loss of \$2,087,566 during the year ended 30 June 2012. This condition, along with other matters as set forth in Note 1(w), indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern and whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial statements.

Report on the remuneration report

We have audited the remuneration report included in pages 11 to 14 of the directors' report for the year ended 30 June 2012. 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.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Genera Biosystems Limited for the year ended 30 June 2012, complies with section 300A of the Corporations Act 2001.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



M.A. Cunningham
Partner - Audit & Assurance

Melbourne, 28 August 2012

CORPORATE GOVERNANCE STATEMENT

The Board of Directors is responsible for the corporate governance framework of the Company and to report its compliance with the ASX "Corporate Governance Principles and Recommendations" 2nd Edition ("Principles").

The Board has reviewed its compliance with these Principles and states that the company is in compliance with them unless otherwise stated as contained therein.

ROLES AND RESPONSIBILITIES

(Principle 1: Lay solid foundations for management and oversight/Best Practice Recommendations 1.1 - 1.3).

(Principle 2: Structure the Board to add value/Best Practice Recommendation 2.4).

The Board is responsible for the corporate governance of the business and has adopted as a guiding principle that it act honestly, conscientiously and fairly, in accordance with the law and in the interests of Genera's shareholders (with a view to building sustainable value for them), employees and other stakeholders. Responsibility for the operational conduct of the Company's business has been delegated to the Chief Executive Officer (CEO) (from 31 July 2011, the Executive Chairman (EC)) who reports to the Board.

The Board's conduct is governed by a Board Charter but its broad functions are:

- Chart strategy and set financial targets for the Company;
- Monitor the implementation and execution of strategy;
- Adopt an annual budget and monitor performance against financial targets;
- Appoint and oversee the performance of executive management; and generally take and fulfill an effective leadership role in relation to the Company.

Power and authority in certain areas is specifically reserved to the Board – consistent with its function as outlined above. These areas include:

- Composition of the Board itself including appointment and removal of Directors;
- Oversight of the Company including its control and accountability systems to monitor compliance;
- Appointing and removing the CEO;
- Appointing the Company Secretary and ratifying changes to senior management;
- Reviewing and overseeing systems of risk management and internal compliance and control, codes of conduct, and legal and regulatory compliance;
- Ensuring significant business risks are identified and appropriately managed;
- Monitoring senior management's performance and implementation of strategy;
- Approving and monitoring financial and other reporting;
- Establishing the highest business standards and code for ethical behaviour; and
- Reviewing the performance of both executive and non-executive directors.

There are additional matters requiring Board approval; specifically:

- Material capital expenditure or expenditure outside the ordinary course of business;
- Approval of major elements of strategy (including any significant changes in direction);
- Approval of the interim and final accounts and related reports to the ASX/ASIC;
- Stakeholder communications;
- Proposals for the issue of securities by the Company.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

The Board conducts regular meetings (generally on a monthly basis) to inform the Board of current events and issues relevant to the Company's operations and performance. Board papers include a detailed financial analysis of the company's position, an operations report, and individual papers relating to significant issues broadly covering finance, business risk, IP, compliance, strategy and OH&S that require specific board attention. These will include reviews of the various Board policies. The Board may seek further information on any issue from the executive management of the company.

Whilst at all times the Board retains full responsibility for guiding and monitoring the Company, in discharging its stewardship it makes use of sub-committees. Specialist committees are able to focus on a particular responsibility and provide informed feedback to the Board.

To this end the Board has established the following entities:

- Audit and Risk Committee. The members of this committee are the Non Executive Directors ("NEDs") from the Board and the Committee Chairman is elected annually.
- Remuneration Committee. The members of this committee are 3 of the NEDs; with the Chairman being elected annually.
- Nomination Committee. The members of this Committee are all the Directors with the Board Chairman presiding.

The details of the members of the sub committees are contained in the Directors' Report.

The Board is involved, on an ad hoc basis but at least annually, in strategy development and a meeting is held in conjunction with senior management and advisors. At these times the strategic direction for the Company in the short and longer term is reviewed and agreed.

CURRENT BOARD COMPOSITION

(Principle 2: Structure the Board to add value/Best Practice Recommendations 2.1 - 2.3 and 2.6).

At the date of this statement, the Board comprises two NEDs, and Executive Chairman and one Executive Director (the CSO). The members of the Board and brief resumes are contained in Item 2(a) of the Directors' Report. The Company's Board notes that, at present, only two of the Company's four directors are NEDs, resulting in the Company not being in accordance with Recommendation 2.1, as less than a majority of the Board are independent directors. The Board is of the view that, given the size of the Board and the level of resources available to the Company and its current stage of development, it is reasonable, cost-efficient and in the interests of the Company and its stakeholders to structure the Board in this way.

The Board has resolved that, where practicable, a majority of the members of each Board committee should be NEDs. The Board has approved that, where necessary, NEDs should meet at least twice a year in absence of management and at such other times as they may determine.

The Company acknowledges the importance of having independent directors as determined by objective criteria. As importantly, the Company is committed to having a Board whose members have the capacity to act independently and have the composite skills to optimise the financial performance of the Company and return to shareholders.

The Company recognises that independent directors are important in assuring shareholders that the Board is properly fulfilling its role and is diligent in holding senior management accountable for its performance.

The Company's Board notes that the appointment of a single person to the position of Executive Chairman (EC):

- (i) may not be in accordance with Recommendation 2.2, as the EC, being employed in an executive capacity, may not have independent status; and
- (ii) may not be in accordance with Recommendation 2.3, as the roles of chair and chief executive officer are exercised by the same individual.

However the Board notes that, given the current level of resources available to the Company, and its current stage of development, it is reasonable, cost-efficient and in the interests of the Company and its stakeholders to structure its management in this way. The Company's non-executive directors scrutinise closely the performance of the EC at all times to ensure that he conducts his activities in an appropriate fashion and in such a way that the Company's governance objectives are not compromised.

The Board recognises, and will periodically review, the number of directors it needs to provide a skill base and capability to discharge its responsibilities and to meet the standards espoused in this Directors' Report, and adequately supports the Sub-Committee system.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

The Company's Constitution provides that:

- The minimum number of directors is 3, and there can be a maximum number of 10, unless amended by a resolution at a General Meeting of Shareholders;
- One third of the directors (excluding the managing director and rounded up) must retire from office at the AGM each year; such retiring directors are eligible for re-election;
- The Board is to delegate certain matters to sub committees such as audit and risk, remuneration and nominations, these committees being used to assist the Board in executing its responsibilities;
- Directors appointed to fill casual vacancies must submit to election at the next annual general meeting; and
- The number of directors necessary to constitute a quorum is not less than three of the directors currently in office.

BOARDS CHARTER AND POLICY

(Principle 3: Promote ethical and responsible decision making/Best Practice Recommendation 3.1)

The Board has adopted a Charter (which will be kept under review and amended from time to time as the Board may consider appropriate) to give formal recognition to the matters outlined above and covering other matters that are important for its effective operation including:

- a definition of 'independence';
- a framework for the identification of candidates for appointment to the Board and their selection;
- a framework for individual performance review and evaluation;
- the opportunity for proper training to be made available to Directors both at the time of their appointment and on an on-going basis;
- implementing basic procedures for meetings of the Board and its committees; and
- communications with shareholders and the market.

PROMOTION OF ETHICAL AND RESPONSIBLE DECISION MAKING

(Principle 3: Promote ethical and responsible decision making/Best Practice Recommendations 3.1-3.4)

The Board insists on honest, fair, and diligent conduct of its directors when dealing with staff, shareholders, customers, regulatory authorities, and the community. The practice of the Board and its management should not depart from the ASX Principles in any significant way except where resources allocation makes this difficult.

This ethical and responsible decision making is governed by the Directors' Code of Conduct as follows:-

- A director must act honestly, in good faith and in the best interest of Company as a whole.
- A director has a duty to use due care and diligence in fulfilling the functions of office and exercising the powers attached to that office.
- A director must use the powers of office for a proper purpose, in the best interest of the Company as a whole.
- A director must recognise that the primary responsibility is to the Company's shareholders as a whole but should, where appropriate, have regard for the interests of all stakeholders of the Company.
- A director must not make improper use of information acquired as a director.
- A director must not take improper advantage of the position of director.
- A director must not allow personal interests, or the interests of any associated person, to conflict with the interests of the Company.
- A director has an obligation to be independent in judgment and actions and to take all reasonable steps to be satisfied as to the soundness of all decisions taken by the board.
- Confidential information received by a director in the course of the exercise of directorial duties remains the property of the Company and it is improper to disclose it, or allow it to be disclosed, unless that disclosure has been authorised by the Company, or the person from whom the information is provided, or is required by law.
- A director should not engage in conduct likely to bring discredit upon the Company.
- A director has an obligation, at all times, to comply with the spirit, as well as the letter of the law and with the principles of this Code.
- A director should not engage in related party transactions with the Company unless approved by law.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

The Company has an ASX Listing Rule-compliant policy on securities trading by key management personnel (comprising directors and senior managers) that is applied and reviewed regularly. The policy generally provides for 3 security trading windows per year for 1 month after the dates of the announcements of the half and full year accounts and the conduct of the Annual General Meeting. There are procedures for the key management personnel to seek approval from the Board Chairman and Audit and Risk Committee Chairman to trade securities outside these trading windows where there are "exceptional circumstances". A policy also exists for directors to notify the Company within 3 working days of their security trading activities for subsequent notification to the ASX. These disciplines are enforced upon all employees and contractors of the Company.

Board members who have or may have a conflict of interest in any activity of the Company or with regard to any decision before the Board, must notify the Board of such, and a decision will be made as to whether the Board member concerned is to be excluded from making decisions that relates to the particular matter. The Company's Constitution allows a director to enter into any contract with the Company other than that of auditor for the Company, subject to the law.

To encourage coherent and responsible decision making, the Company's Board Charter also accepts that directors are able to seek independent professional advice for Company related matters at the Company's expense, subject to the instruction and estimated cost being approved by the chairman in advance as being respectively necessary and reasonable.

The Company has established a policy concerning diversity, a copy of which is available on the Company's website. This diversity policy sets out the requirements for the Board to develop establish appropriate objectives for achieving gender diversity, and to annually assess both the objectives and the progress in achieving those objectives.

The Board notes that the absence from this Annual Report of disclosure of measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them may not be in accordance with Recommendation 3.3. At present the Board has yet to establish specific measurable objectives for achieving gender diversity ("diversity objectives") in accordance with that policy, therefore it is not possible to disclose such objectives, nor the progress in achieving them, in this Annual Report. Specific measurable objectives for achieving gender diversity have not yet been established as the Board's view is that, due to:

- the small size of the Company; and
- the Company's need to prioritise the achievement of urgent operational and scientific developmental objectives in the short term over longer term diversity-related objectives;

it is in the best interests of the Company and its stakeholders to defer the establishment of diversity objectives until such time as the Company has achieved operational and financial stability.

The Board recognises the benefits of establishing diversity objectives and shall continue to review the Company's position with a view to establishing such objectives as soon as practicable.

The proportion of women employees in the whole organisation, women in senior executive positions and women on the board as at the date of this report is as follows:

	Whole organisation	Senior executive positions	Board
No of women	3	2	0
% women	30%	33%	0%

AUDIT AND RISK COMMITTEE – INTEGRITY OF FINANCIAL REPORTING

(Principle 4: Safeguard integrity in financial reporting/Best Practice Recommendations 4.1 - 4.4)

The Audit Committee meets at the direction of the Board 2 to 3 times per year. Until July 2011 the Committee comprised all the Company's NEDs and had a quorum of 3. From November 2010 to July 2011 the Committee was chaired by the Board's independent Chairman. The Company's Board notes that this was not in accordance with Recommendation 4.2, however the Board was of the view that, in light of the relatively small size of the Genera Board, the nature of its skill base and the Board Chairman's experience with Genera, he was the most appropriate person to fill this role.

Since July 2011 the Committee has had an independent chair that is not chair of the Board and has been comprised of the Company's two non-executive directors and the Executive Chairman. The Company's Board notes that this is not in accordance with Recommendation 4.2, as the Committee includes an executive director. However the Board notes that, without the inclusion of the Executive Chairman and in the absence of any other non-executive directors, the Committee's size would be less than three, as required

by Recommendation 4.2 and that it is reasonable, and facilitates the operation of the Committee, for the Committee to be constituted in its current form.

Details of the meeting attendance are contained in Item 2(c) of the Directors' report.

The main objective of the Audit Committee is to assist the Board in reviewing any matters of significance affecting financial reporting and compliance of the company as per the Audit Committee charter including:

- Exercising oversight of the accuracy and completeness of the financial statements;
- Making informed decisions regarding accounting and compliance policies, practices, and disclosures;
- Reviewing the scope and results of operational risk reviews, compliance reviews, and external audits; and
- Assessing the adequacy of the company's internal control framework including accounting, compliance, and operational risk management controls based on information provided or obtained.

"Compliance" refers to compliance with laws and regulations, internal compliance guidelines, policies and procedures, and other prescribed internal standards of behaviour.

The Committee has the power to conduct or authorise investigations into, or consult independent experts on, any matters within the Committee's scope of responsibility. The Company will require that the external audit engagement partner and review partner be rotated every five years.

TIMELY AND BALANCED DISCLOSURE

(Principle 5: Make timely and balanced disclosure/Best Practice Recommendations 5.1 - 5.2)

The Board is committed to inform all of the stakeholders and market of any major events that influence the Company particularly its share price, in a timely and conscientious manner. The Board is responsible for ensuring that the Company complies with ASX Listing Rules in particular Listing Rule 3.1 for Continuous Disclosure. Directors and senior executives are aware of, and periodically reminded of, their accountability for compliance. Given the relatively small size of the organisation, this is regarded as a reasonable approach.

Any market sensitive information is reviewed and discussed by the Board before it is approved to be released to the market.

The Company's procedure is to lodge the information with the ASX and make it available on its website, www.generabiosystems.com.

COMMUNICATION WITH SHAREHOLDERS

(Principle 6: Respect the right of shareholders/Best Practice Recommendations 6.1 - 6.2)

The Board ensures that the shareholders are fully informed of matters likely to be of interest to them. The Company provides all obligatory information such as annual reports, half yearly reports, company announcements as ASX releases and other ASX required reports in accordance with the law and regulations. The Company places all relevant announcements to the ASX on its website. The Company does not use webcasting or teleconferencing for media briefings due to the size of the company but monitors the trends and stakeholder demands to determine its future use of these technologies.

Notices of shareholders meetings, annual and extraordinary, are distributed in a timely manner in accordance with ASX and ASIC regulations and are accompanied by explanatory memorandums that set out all the information that the Company has obtained. The Company uses e-communication with its shareholders via its share registry services where possible.

The Company is always available to be contacted by shareholders for any query that the shareholders may have. The queries can be submitted by telephone, email or fax to the Company's office; the contact details are available on the Company's website.

The Chairman encourages questions and comments at the AGM ensuring that shareholders have a chance to obtain direct response from the EC/CEO and other appropriate Board members.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

RISK MANAGEMENT AND INTERNAL CONTROL

(Principle 7: Encourage enhanced performance/Best Practice Recommendations 7.1 - 7.4)

The Company recognises the need for risk management and internal control. The Board supports the ASX Principles in relation to this matter. All Board members are responsible for reviewing the risk profile of the Company in the areas of market, liquidity, equity, credit, operational, and regulatory compliance risks and reviewing the Company's risk management framework and any variations to it. Due to the nature and size of the Company, it has established a formal risk management procedure for capture and assessment of business risks. This procedure includes a mechanism for review of risks as they arise and for a periodic review and discussion of them at regular Board meetings.

Given their specific skill and roles, the EC/CEO and CSO are responsible for raising awareness of all operational risks, including research and projects to the Board members. Their roles include providing intelligent recommendations to the Board members to make an informed decision in relation to these risks.

Other non-operational risks are handled by appropriate directors according to their ability and area of expertise and reported/recommended in the Board meetings for discussion and approval. As the Company grows and increases in its complexity, a Risk Management Committee may be formed to assist the Board in assessing risks and making recommendations; in the interim, these matters will be reviewed by the Board risk assessment process and can be referred to the Audit Committee as needed. Where appropriate or desirable, such committee review will seek external advice from experts.

BOARD MANAGEMENT AND PERFORMANCE ASSESSMENTS

(Principle 1: Lay solid foundations for management and oversight/Best Practice Recommendation 1.2)

(Principle 2: Structure the Board to add value/Best Practice Recommendation 2.5)

The Board performs an annual review of individual performance of its members. One third of the number of directors is required to stand for re-election at the AGM. This is normally achieved by voluntary termination by the longest serving directors.

The Chairman conducts reviews on the performance of the NEDs, the committees and the overall effectiveness of the Board with the use of external facilitators. The review references the Board policies in the Board Charter and Directors' Code of Conduct and covers the following matters:

- The Board's effectiveness in the development of the Company's business and operations, and the functionality of each committee in performing its duties;
- Interaction between Board members and between Board members and the management team;
- Board functionality – to monitor and control operations, compliance, and management; and
- The standard of conduct of Board members.

This review is then summarized and reported at the scheduled Board meeting to improve the effectiveness of the Board.

The performances of key executives are reviewed formally by the NEDs as part of the Remuneration review. The assessment covers:

- the Company's economic performance;
- commercial achievements;
- IP achievements and direction;
- achievements against targets;
- project management;
- budget comparison;
- insurances;
- personnel management including OH & S and personal and ethical conduct; and
- feedback from staff, shareholders, and customers.

The CEO/Executive Chairman reviews the management team periodically and provides reports as needed to Board members.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

DIRECTOR AND EXECUTIVE REMUNERATION – REMUNERATION COMMITTEE

(Principle 8: Remunerate fairly and responsibly/Best Practice Recommendations 8.1 - 8.3)

The Remuneration Committee assists the Board in ensuring that the company's remuneration levels are appropriate in the markets in which it operates and are applied, and seen to be applied, fairly. The Committee operated with 3 NEDs until July 2011 and now comprises the Executive Chair and the 2 NEDs. Details of the composition and the meeting attendance are contained in Item 2(c) of the Directors' report.

The Committee has the responsibility to:

- Review and approve, on behalf of the Board, annual remuneration budgets which include recommendations for annual CEO remuneration and his performance against agreed objectives, as well as option allocations made under the Company's ESOP.
- Review remuneration arrangements relating to individuals or groups of individuals (including directors) in appropriately material circumstances; such circumstances may include but are not limited to:
 - a) Recommendations of the Board relating to the cessation of employment of senior executives; and
 - b) Recommendations of the Board involving significant exceptions to policy. The Committee may approve such arrangements unless they are significant, in which case the Committee will make a recommendation to the Board.
- Review and recommend to the Board:
 - a) Proposals for changes to remuneration levels which are referred to the Board by the Chairman or CEO; and
 - b) Remuneration recommendations relating to the CEO.

The Committee meetings have been held separately from the main board meetings as needed. The Committee has access to senior management of the Company and may consult independent experts where the Committee considers it necessary to carry out its duties.

Currently, the Company pays salaries to the CE and the executive director, and directors' fees to the NEDs. As stated in the Directors' Report, businesses associated with directors may receive fees for professional services provided to the Company.

STAKEHOLDER CODE OF CONDUCT

The Board is cognisant of ASX and ASIC guidelines on Corporate Governance and regularly reviews its own governance process to ensure continuous compliance with ASX, ASIC and all other regulatory bodies having relevant authority over any of the Company's activities.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2012

	Notes	2012 \$	2011 \$
Revenue	4	344,047	824,147
Employee benefits expense		(939,725)	(1,700,289)
Depreciation and amortisation	5	(662,084)	(591,262)
Professional fees		(30,927)	(189,128)
Rent		(225,080)	(219,412)
Corporate expenses		(125,258)	(306,310)
Travel and accommodation		(43,932)	(114,999)
Laboratory expenses – other		(513,687)	(530,062)
Other expenses		(115,325)	(233,355)
Profit/(loss) before income tax		(2,311,971)	(3,060,670)
Income tax (expense)/benefit	6	224,405	125,901
Net profit/(loss) for the year		(2,087,566)	(2,934,769)
Other comprehensive income/(loss) for the year net of tax		-	-
Total comprehensive income/(loss) for the year		(2,087,566)	(2,934,769)
Earnings per share for profit from continuing operations:		Cents	Cents
Basic earnings per share	25	(2.9724)	(4.5569)
Diluted earnings per share	25	(2.9724)	(4.5569)

This statement is to be read in conjunction with the accompanying notes to the financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2012

	Notes	2012 \$	2011 \$
ASSETS			
Current assets			
Cash and cash equivalents	7	1,185,891	2,745,253
Short term deposits	7	152,876	-
Trade and other receivables	8	49,512	65,622
Inventories	9	49,088	77,624
Other current assets	10	140,352	87,341
Total current assets		1,577,719	2,975,840
Non-current assets			
Plant and equipment	11	545,610	282,530
Development costs	12	2,393,637	2,655,525
Intangible assets	13	1,763,798	1,777,554
Deferred tax assets	6	527,576	542,634
Total non-current assets		5,230,621	5,258,243
Total assets		6,808,340	8,234,083
LIABILITIES			
Current liabilities			
Trade and other payables	14	302,039	357,837
Provisions	15	156,692	348,112
Borrowings	16	78,020	70,445
Total current liabilities		536,751	776,394
Non-current liabilities			
Deferred tax liabilities	6	527,576	542,634
Provisions	15	10,780	3,871
Total non-current liabilities		538,356	546,505
Total Liabilities		1,075,107	1,322,899
Net assets		5,733,233	6,911,184
EQUITY			
Issued capital	17	22,543,716	21,647,187
Retained losses	18(a)	(17,604,688)	(15,517,122)
Share option reserve	18(b)	794,205	781,119
Total equity		5,733,233	6,911,184

This statement is to be read in conjunction with the accompanying notes to the financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2012

	Notes	Share Capital \$	Accumulated Losses \$	Share Option Reserve \$	Total \$
Balance at 1 July 2011	17	21,647,187	(15,517,122)	781,119	6,911,184
Loss for the year		-	(2,087,566)	-	(2,087,566)
Other comprehensive income/(loss)		-	-	-	-
Total comprehensive income/(loss) for the year		-	(2,087,566)	-	(2,087,566)
Transactions with owners of the Company recognised directly in equity:					
Issue of shares	17	1,005,575	-	-	1,005,575
Capital raising expenses	17	(109,046)	-	-	(109,046)
Issue of options	18	-	-	13,086	13,086
Transfer of expired options	18	-	-	-	-
Total transactions with owners of the Company		896,529	-	13,086	909,615
Balance 30 June 2012	17	22,543,716	(17,604,688)	794,205	5,733,233

	Notes	Share Capital \$	Accumulated Losses \$	Share Option Reserve \$	Total \$
Balance at 1 July 2010	17	19,353,856	(12,641,453)	836,948	7,549,351
Loss for the year		-	(2,934,769)	-	(2,934,769)
Other comprehensive income/(loss)		-	-	-	-
Total comprehensive income/(loss) for the year		-	(2,934,769)	-	(2,934,769)
Transactions with owners of the Company recognised directly in equity:					
Issue of shares	17	2,487,551	-	-	2,487,551
Capital raising expenses	17	(194,220)	-	-	(194,220)
Issue of options	18	-	-	3,271	3,271
Transfer of expired options	18	-	59,100	(59,100)	-
Total transactions with owners of the Company		2,293,331	59,100	(55,829)	2,296,602
Balance 30 June 2011	17	21,647,187	(15,517,122)	781,119	6,911,184

This statement is to be read in conjunction with the accompanying notes to the financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2012

	Notes	2012 \$	2011 \$
Cash flows from operating activities			
Receipts from customers		53,160	55,489
R & D Tax concession received		224,405	789,281
Government grants received		-	125,311
R & D collaboration contributions received		150,000	615,000
Payments to suppliers and employees		(2,218,476)	(3,467,424)
Net GST recovered from ATO		145,165	179,544
Interest paid		(5,404)	(4,843)
Other receipts		6,198	-
Net cash outflow from operating activities	24	(1,644,952)	(1,707,642)
Cash flows from investing activities			
Payments for purchase of intangibles		(240,463)	(331,570)
Payments for purchase of plant and equipment		(511,354)	(89,656)
Proceeds from disposal of plant and equipment		76,431	-
Interest received		62,989	58,536
Net cash outflow from investing activities		(612,397)	(362,690)
Cash flows from financing activities			
Proceeds from issue of shares and options		952,500	2,367,551
Proceeds from proposed directors' options issue		-	3,075
Capital raising costs		(14,230)	(66,175)
Payment of insurance premium funding facility		(87,407)	(90,590)
Net cash inflow from financing activities		850,863	2,213,861
Net increase(decrease) in cash and cash equivalents		(1,406,486)	143,529
Cash and cash equivalents at beginning of the financial year		2,745,253	2,601,724
Cash and cash equivalents at end of year	7, 24(a)	1,338,767	2,745,253

Refer to non-cash financing activities at Note 24(c).

This statement is to be read in conjunction with the accompanying notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below.

These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

This financial report is a general purpose financial report which complies with Australian Accounting Standards (including Australian Accounting Interpretations), as issued by the Australian Accounting Standards Board, and the *Corporations Act 2001*. The financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board. The Company is a for-profit entity for the purpose of preparing the financial statements.

These financial statements were authorised for issue on 28 August 2012 by the Board of Directors of the Company.

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified, where applicable, by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property and plant and equipment.

Critical accounting estimates- Accrual basis

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

(b) Segment reporting

Identification and measurement of segments – The Company uses the “management approach” to the identification, measurement and disclosure of operating segments. The “management approach” requires that operating segments be identified on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker (comprising the Board of Directors and senior management), for the purpose of allocating resources and assessing performance.

(c) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Company's activities as described below.

Revenue is recognised for the major business activities as follows:

(i) Sale of goods

Revenue from the sale of goods is recognised when there is persuasive evidence, usually in the form of an executed sales agreement, or other written confirmation, at the time of delivery of the goods to customer, indicating that there has been a transfer of significant risks and rewards to the customer, no further work or processing is required, the quantity and quality of the goods has been determined, the price is fixed and generally title has passed.

(ii) Services rendered

Revenue from the rendering of a service is recognised upon delivery of the service to the customer.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Revenue recognition (continued)

(iii) Research and development contributions

Revenue comprising contributions by third parties collaborating with the Company in research and development projects is recognised:

- Where applicable, by reference to the achievement of specified milestones by the Company, as provided for in the relevant contract agreement; or
- Where the relevant contract does not specify that revenue is payable by reference to milestones, by reference to the estimated percentage of completion by the Company of the total services or works to be carried out by the Company pursuant to the contract.

(iv) Government grants

Grants from the government are recognised as revenue at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the Statement of Comprehensive Income over the period necessary to match them on a systematic basis with the costs that they are intended to compensate.

Government grants whose primary condition is for the Company to purchase property, plant and equipment are included in non-current liabilities as deferred income and are credited to the Statement of Comprehensive Income on a straight line basis over the expected lives of the related assets.

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs are recognised in the Statement of Comprehensive Income of the period in which it becomes receivable.

Government grant monies received and held by the Company before they can be recognised as revenue are recorded as liabilities in the Company's financial statements.

(v) Interest income

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

(d) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects either accounting or taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Australian dollars, which is Genera Biosystems Limited's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Translation differences on financial assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss.

Translation differences on non-monetary financial assets such as equities classified as available-for-sale financial assets are included in the fair value reserve in equity.

(f) Leases

Leases of property, plant and equipment where the Company, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the leases' inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the Statement of Comprehensive Income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

(g) Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(h) Cash and cash equivalents; short term deposits

For Statement of Cash Flows presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Trade receivables

Trade receivables are recognised initially at fair value less provision for impairment. Trade receivables are generally due for settlement within 30 days.

The amount of the impairment loss is recognised in the Statement of Comprehensive Income within other expenses.

(j) Inventories

Inventories including raw materials, work in progress and finished goods are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Raw materials – purchase cost on a first-in, first-out basis. The cost of purchase comprises the purchase price including import duties and other taxes (other than those subsequently recoverable by the entity from the taxing authorities), transport, handling and other costs directly attributable to the acquisition of raw materials. Volume discounts and rebates are included in determining the cost of purchase.

Finished goods and work-in-progress – cost of direct materials and labour and a proportion of variable and fixed manufacturing overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(k) Investments and other financial assets

Classification

The Company classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in trade and other receivables (Note 8) in the Statement of Financial Position.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. If the Company were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

(iv) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not capable of being classified in any other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Investments and other financial assets (continued)

Recognition and derecognition

Purchases and sales of financial assets are recognised on trade-date - the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the Statement of Comprehensive Income. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the Statement of Comprehensive Income as gains and losses from investment securities.

Subsequent measurement

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the Statement of Comprehensive Income within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit and loss is recognised in the Statement of Comprehensive Income as part of revenue from continuing operations when the Company's right to receive payments is established.

Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

Impairment

The Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in the Statement of Comprehensive Income. Impairment losses recognised in the Statement of Comprehensive Income on equity instruments classified as available-for-sale is not reversed through the Statement of Comprehensive Income.

(l) Plant and equipment

Plant and equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The costs of fixed assets constructed include the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Plant and equipment (continued)

Depreciation

The depreciable amount of all fixed assets including capitalised lease assets is depreciated on a straight line basis over their useful lives to the Company commencing from the time the asset is held ready for use. Leasehold improvements are amortised over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

<i>Class of Fixed Asset</i>	<i>Depreciation Rate</i>
Plant and equipment	37% reducing balance

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the Statement of Comprehensive Income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(m) Intangible assets

(i) Licenses, patents, trademarks and software

Licenses, patents, trademarks and software are recognised at cost of acquisition. Licenses, patents, trademarks and software have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Licenses, patents and trademarks are amortised over their useful life of fifteen years on a straight line basis. Software is amortised over its useful life of twelve years on a straight line basis.

(ii) Research and development

Expenditure during the research phase of a project is recognised as an expense when incurred.

Development costs are capitalised only when technical feasibility studies identify that the project will develop an intangible asset that will be completed and available for use or sale, that there are adequate technical, financial and other resources to complete the development, that it will deliver future economic benefits and these benefits can be measured reliably.

Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project. The useful life has been determined to be twelve years and amortisation is over that period on a straight line basis.

(n) Financial liabilities

Financial liabilities, which include trade and other payables and financial liabilities are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights and obligations exist.

Subsequent to initial recognition, non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

(o) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(p) Provisions

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Employee benefits

(i) Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and expected to be settled within 12 months of the reporting date are recognised in provisions in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Share-based payments

Share-based compensation benefits are provided to employees via the Company ESOP. Information relating to the ESOP is set out in Note 26.

The fair value of options granted under the Company 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 fair value of the options granted is adjusted to reflect market vesting conditions, but excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each reporting date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

The impact of the revision to original estimates, if any, is recognised in the Statement of Comprehensive Income with a corresponding adjustment to equity.

Under the ESOP, options may be issued to employees after a qualifying period of two years or such time considered by the Remuneration Committee. When granted they vest two years after the grant date unless otherwise specified by the Remuneration Committee.

(r) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

(s) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at reporting date.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Earnings per share

(i) Basic earnings per share

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

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(u) Goods and Services Tax (GST)

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

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the Statement of Financial Position.

Cash flows are presented on a gross basis.

(v) New accounting standards and interpretations

(i) Changes in accounting policy and disclosures

The Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current reporting year.

The adoption of all the new and revised Standards and Interpretations has not resulted in any changes to the Company's accounting policies and has no effect on the amounts reported for the current or prior periods. The new and revised Standards and Interpretations have not had a material impact and not resulted in changes to the Company's presentation of, or disclosure in, its annual financial statements.

(ii) New Australian Accounting Standards issued but not yet effective

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Company.

Management anticipates that all of the relevant pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's financial statements is provided below.

AASB 9 Financial Instruments (effective from 1 January 2013) 4

The AASB aims to replace AASB 139 *Financial Instruments: Recognition and Measurement* in its entirety. The replacement standard (AASB 9) is being issued in phases, with chapters issued to date to be effective for annual periods beginning 1 January 2013. Management have yet to assess the impact that this amendment is likely to have on the financial statements of the Company. However, they do not expect to implement the amendments until all chapters of AASB 9 have been published and they can comprehensively assess the impact of all changes.

AASB 13 Fair Value Measurement (AASB 13)

AASB 13 does not affect which items are required to be fair-valued, but clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It is applicable for annual periods beginning on or after 1 January 2013. Management have yet to assess the impact of this new standard.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) New accounting standards and interpretations (continued)

AASB 2011-9 Amendments to Australian Accounting Standards Presentation of Items of Other Comprehensive Income s (AASB 101 Amendments)

The AASB 101 Amendments require an entity to group items presented in other comprehensive income into those that, in accordance with other IFRSs: (a) will not be reclassified subsequently to profit or loss and (b) will be reclassified subsequently to profit or loss when specific conditions are met. It is applicable for annual periods beginning on or after 1 July 2012. Management expects this will change the current presentation of items in other comprehensive income; however, it will not affect the measurement or recognition of such items.

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements (AASB 124 Amendments)

AASB 2011-4 makes amendments to AASB 124 Related Party Disclosures to remove individual key management personnel disclosure requirements, to achieve consistency with the international equivalent (which includes requirements to disclose aggregate (rather than individual) amounts of KMP compensation), and remove duplication with the Corporations Act 2011. The amendments are applicable for annual periods beginning on or after 1 July 2013. Management have yet to assess the impact of these amendments.

Amendments to IAS 32 Financial Instruments: Presentation and IFRS 7 Financial Instruments: Disclosures

The amendments to IAS 32 add application guidance to address inconsistencies in applying IAS 32's criteria for offsetting financial assets and financial liabilities. Qualitative and quantitative disclosures have been added to IFRS 7 relating to gross and net amounts of recognised financial instruments that are (a) set off in the statement of financial position and (b) subject to enforceable master netting arrangements and similar agreements, even if not set off in the statement of financial position. The amendments are applicable for annual periods beginning on or after 1 January 2014. Management have yet to assess the impact of these amendments.

AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities

This Standard amends the required disclosures in AASB 7 to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position. The amendments are applicable for annual periods beginning on or after 1 January 2013. Management have yet to assess the impact of these amendments.

Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Company's financial statements.

(w) Going Concern

The financial report has been prepared on a going concern basis. This contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business even though the Company has experienced operating losses of \$2,087,566 during the financial year ended 30 June 2012 (2011 - \$2,934,769). Cash reserves were \$1,338,767 at 30 June 2012 (2011 - \$2,745,253).

The Genera board continues to believe that the company's Ampasand platform technology together with the products developed to date have considerable commercial value. This is supported by a robust intellectual property position and the results of clinical trials.

The board is confident, given current circumstances and the expected positive conclusion of commercial agreements with Salomao & Zoppi Diagnosticos S.A. in Brazil together with existing agreements with Healthscope pathology, that additional capital will be able to be sourced either from existing Genera shareholders or from external sources as and when required.

At this time, 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 30 June 2012. 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 Company not continue as a going concern.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

2 FINANCIAL RISK MANAGEMENT

The Company's principal financial instrument is cash and cash equivalents.

The main purpose of these financial instruments is to finance the Company's operations. The Company has various other financial assets and liabilities such as receivables and trade payables, which arise directly from its operations. It is, and has been throughout the entire period, the Company's policy that no trading in financial instruments shall be undertaken. The main risk arising from the Company's financial instruments is interest rate risk. Other minor risks are summarised below. The Board reviews and agrees policies for managing each of these risks.

(a) Interest rate risk

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's cash deposits with floating interest rates. These financial assets with variable rates expose the Company to interest rate risk. The short term finance facility used to fund the Company's insurance premiums has a fixed interest rate. All other financial assets and liabilities in the form of receivables and payables are non-interest bearing. The company does not engage in any hedging or derivative transactions to manage interest rate risk.

In regard to its interest rate risk, the Company continuously analyses its exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative investments and the mix of fixed and variable interest rates.

The following tables set out the Company's financial instruments and its exposure to the type of interest rate risk and the effective weighted average interest rate for each class of these financial instruments. Also included is the effect on profit and equity after tax if interest rates at that date had been 10% higher or lower with all other variables held constant as a sensitivity analysis.

	Floating Interest Rate		Fixed Interest Rate		Non-Interest Bearing		Total Carrying Amount		Interest Rate Risk Sensitivity			
									Effect on Net Profit			
	2012	2011	2012	2011	2012	2011	2012	2011	+10% of current rate	-10% of current rate	2012	2011
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Financial Assets												
Cash at bank & on hand	1,185,891	2,745,253	-	-	-	-	1,185,891	2,745,253	3,620	12,936	(3,620)	(12,936)
Short term deposits	-	-	152,876	-	-	-	152,876	-	-	-	-	-
Trade and other Receivables	-	-	-	-	49,512	65,622	49,512	65,622	-	-	-	-
Total	1,185,891	2,745,253	152,876	-	49,512	65,622	1,388,279	2,810,875	3,620	12,936	(3,620)	(12,936)
Weighted average interest rate	3.05%	4.71%	5.20%	-	-	-	-	-	-	-	-	-
Financial Liabilities												
Trade and other payables	-	-	-	-	302,039	357,837	302,039	357,837	-	-	-	-
Borrowings	-	-	78,020	70,445	-	-	78,020	70,445	-	-	-	-
Total	-	-	78,020	70,445	302,039	357,837	380,059	428,282	-	-	-	-
Interest rate	-	-	5.69%	5.57%	-	-	-	-	-	-	-	-
Net Financial assets (liabilities)	1,185,891	2,745,253	74,856	(70,445)	(252,527)	(292,215)	1,008,220	2,382,593	3,620	12,936	(3,620)	(12,936)

A sensitivity of 10% of current prevailing interest rates has been selected as this is considered conservative and reasonable given the current level of both short term and long term Australian interest rates. A 10% sensitivity would move short term rates from 3.50% to approximately 3.85% representing a 35 basis points shift. This would represent 1 - 2 interest rate increases, which are reasonably possible in the current environment.

Based on the sensitivity analysis only interest revenue from variable rate deposits and cash balances is impacted resulting in a decrease or increase in overall income.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

2. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk

The company manages liquidity risk by maintaining sufficient cash reserves and through the continuous monitoring of budgeted and actual cash flows.

(i) Financial Assets

The following table details the Company's expected maturity for its non-derivative financial assets.

	2012	2011
	\$	\$
Contracted maturities of financial assets:		
less than 1 month	1,196,671	2,756,033
1-3 months	191,608	54,842
3 months to 1 year	-	-
1-5 years	-	-
Total	1,388,279	2,810,875

(ii) Financial Liabilities

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities.

	2012	2011
	\$	\$
Contracted maturities of financial liabilities:		
less than 1 month	310,708	365,664
1-3 months	17,338	15,654
3 months to 1 year	52,013	46,964
1-5 years	-	-
Total	380,059	428,282

(c) Foreign Exchange Risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The entity's foreign transactions are immaterial and it is not exposed to foreign currency risk.

(d) Credit Risk

Credit risk arises from cash and cash equivalents and outstanding trade and other receivables. The cash balances are held in financial institutions with high ratings and the trade and other receivables relate to:

- (i) amounts receivable from a substantial trade debtor with a strong credit standing; and
- (ii) goods and services tax owed from the Australian Tax Office (ATO).

The Company has assessed that there is minimal risk that the cash and trade and other receivables balances are impaired.

(e) Net Fair Values

For financial assets and liabilities, the net fair value approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form. The Company has no financial assets where carrying amount exceeds net fair values at reporting date.

The entity's receivables at reporting date are detailed in this note and comprise trade receivables and GST input tax credits refundable by the ATO. The credit risk on financial assets of the Company which have been recognised on the Statement of Financial Position is generally the carrying amount.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

2. FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Capital Risk Management

The company's objectives when managing capital are to ensure that the Company has sufficient funds to be a going concern. This is achieved by ensuring that the Board is focussed on cash flow management through periodic Board reporting. Management reviews financial accounts on a monthly basis and reviews actual expenditure against budget on a monthly basis.

The company could also raise additional capital if necessary by issuing new shares so as to fund the commercialisation of its key products. The total capital is shown as the equity in the Statement of Financial Position. There is expected to be no debt in the next 12 months other than the existing short-term insurance premium funding facility and there are no external restrictive agreements on the Company for the use of its capital.

Management also maintains a capital structure that ensures the lowest cost of capital available to the entity.

The Company does not have a defined share buy-back plan.

No dividends were paid in 2012 and no dividends are expected to be paid in 2013.

There is no current intention to incur debt funding on behalf of the Company as on-going development expenditure is expected to be funded via equity or partnerships with other companies.

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

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

Key estimates - impairment

The Company assesses impairment at each reporting date by evaluating conditions specific to the Company that may lead to impairment of assets. Where an impairment indicator exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

No impairment has been recognised in respect of licenses, patents and trademarks, development costs, prepayments or fixed assets for the year ended 30 June 2012.

Key estimates - useful lives of non-current assets

The Company's estimates of the useful lives of its plant and equipment, and intangible assets including capitalised development costs, are referred to in Notes 1(l) and (m).

Key estimates - share-based payment transactions

The Company measures the cost of share-based payments at fair value at the grant date using the Black-Scholes formula, taking into account the terms and conditions upon which the instruments were granted, as discussed in Note 26.

Key judgements - tax losses

Given the Company's history of recent losses, the Company has not recognised a deferred tax asset other than those disclosed to offset the deferred tax liability, with regard to unused tax losses and other temporary differences, as it has not been determined whether the Company will generate sufficient taxable income against which the unused tax losses and other temporary differences can be utilised.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

4 REVENUE

	2012 \$	2011 \$
Sales of diagnostic kits	33,600	55,300
Research and development collaboration contributions	150,000	585,000
Government grants	49,610	125,311
Interest	62,989	58,536
Other	47,848	-
	<u>344,047</u>	<u>824,147</u>

Government grants have been previously received for assistance in marketing the Company's products to export markets. There are no unfulfilled conditions and contingencies attaching to these grants.

5 EXPENSES

	2012 \$	2011 \$
Loss before income tax includes the following expenses:		
Depreciation and amortisation		
Plant and equipment	178,021	123,809
Patents, licenses and trademarks	189,673	173,063
Development costs	261,888	261,889
Software Development costs	32,502	32,501
Total depreciation and amortisation expense	<u>662,084</u>	<u>591,262</u>
Cost of sales	27,229	47,030
Minimum operating lease payments	225,080	219,412
Superannuation expense for defined contribution funds	83,219	125,071
Research and development expenditure	524,741	903,440

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

6 TAXATION

	2012 \$	2011 \$
(a) Income tax expense/(benefit)		
Current Tax	(224,405)	-
Deferred Tax	-	-
Under/(over) provision of prior year tax	-	(125,901)
	<u>(224,405)</u>	<u>(125,901)</u>
Income tax expense/(benefit) is attributable to:		
Profit from continuing operations	(224,405)	(125,901)
	<u>(224,405)</u>	<u>(125,901)</u>
Deferred income tax(revenue)/expense included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets	15,058	(84,686)
(Decrease)/increase in deferred tax liabilities	(15,058)	84,686
	<u>-</u>	<u>-</u>
Represented by:		
Decrease/(increase) in deferred tax assets		
<i>Amounts recognised in profit or loss</i>		
Lab Equipment	4,900	1,337
Provision - leave entitlements	55,354	(37,517)
Superannuation payable	5,911	(382)
Other	(14,175)	30,918
Tax losses recognition	(72,043)	(120,744)
	<u>(20,053)</u>	<u>(126,388)</u>
<i>Amounts recognised in equity</i>		
Capital raising costs	35,111	41,702
	<u>15,058</u>	<u>(84,686)</u>
(Decrease)/increase in deferred tax liabilities		
<i>Amounts recognised in profit or loss</i>		
Research and development	(32,631)	47,634
Software	17,573	37,052
	<u>(15,058)</u>	<u>84,686</u>
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Loss from continuing operations before income tax expense	(2,311,971)	(3,060,670)
Tax at the applicable Australian domestic tax rate of 30% (2011 - 30%)	(693,591)	(918,201)
Tax effect of amounts which are not deductible/(taxable) in calculating income tax:		
Tax losses not brought to account	462,098	890,193
Non-deductible share option expense	3,926	981
Non-deductible R&D expenses for current year R&D tax incentive	209,918	-
R&D tax offset received in current financial year	(224,405)	-
Other non-deductible expenses	17,649	27,027
	<u>(224,405)</u>	<u>-</u>
Under/(over) provision in prior years	-	(125,901)
Income tax expense/(benefit)	<u>(224,405)</u>	<u>(125,901)</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

6 TAXATION (CONTINUED)

	2012 \$	2011 \$
(c) Tax losses & temporary differences		
Unused tax losses for which a deferred tax asset has been recognised	1,352,050	1,111,907
Potential tax benefit @ 30%	405,615	333,572
Unused tax losses and temporary differences for which no deferred tax asset has been recognised	16,234,475	15,396,530
Potential tax benefit @ 30%	4,870,343	4,618,959

Deferred income tax benefits

Deferred tax assets arising from tax losses are, to the extent noted above, not recognised at reporting date as realisation of the benefit is not regarded as probable.

This deferred income tax benefit, including the amounts in Note 6(d) below, will only be obtained if:

- (a) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- (b) the conditions for deductibility imposed by tax legislation continue to be complied with, including Continuity of Ownership and/or Same Business Tests; and
- (c) no changes in tax legislation adversely affect the Company in realising the benefit.

(d) Non Current Assets - Deferred Tax Assets

The balance comprises temporary differences attributable to:

Amounts recognised in profit or loss

Lab equipment	-	4,900
Provision - leave entitlements	50,241	105,595
Superannuation payable	5,313	11,224
Other	22,725	8,550
	78,279	130,269

Amounts recognised in equity

Capital raising costs	43,682	78,793
-----------------------	--------	--------

Recognised deferred tax assets in respect of tax losses

Total deferred tax assets	527,576	542,634
---------------------------	---------	---------

(e) Non Current Liabilities - Deferred Tax Liabilities

The balance comprises temporary differences attributable to:

Amounts recognised in profit or loss

Research and development	447,258	479,889
Software	80,318	62,745

Total deferred tax liabilities	527,576	542,634
--------------------------------	---------	---------

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

7 CURRENT ASSETS - CASH AND CASH EQUIVALENTS; SHORT TERM DEPOSITS

	2012 \$	2011 \$
Cash at bank and in hand	1,185,891	2,745,253
Short term deposits	152,876	-

8 CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	2012 \$	2011 \$
Trade receivables	10,780	10,780
GST receivable	38,732	54,842
	<u>49,512</u>	<u>65,622</u>

Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

As no receivables item was impaired or past due as at 30 June 2012, no provision for impairment was required as at that date (2011 – Nil).

9 CURRENT ASSETS – INVENTORIES

	2012 \$	2011 \$
Raw materials (at cost)	36,902	37,941
Finished goods (at lower of cost and net realisable value)	12,186	39,683
	<u>49,088</u>	<u>77,624</u>

Inventories recognised as an expense for the year ended 30 June 2012 totalled \$47,030 (2011 – \$37,941). This expense has been included in the "Laboratory expenses – other" item in the Statement of Comprehensive Income.

10 CURRENT ASSETS – OTHER CURRENT ASSETS

	2012 \$	2011 \$
Prepayments – Other	140,352	87,341

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

11 NON-CURRENT ASSETS – PLANT AND EQUIPMENT

	2012 \$	2011 \$
Plant and equipment		
At cost	989,933	794,065
Accumulated depreciation	(444,323)	(511,535)
Total plant and equipment	545,610	282,530

Movements in Carrying Amounts

	2012 \$	2011 \$
Balance at the beginning of year	282,530	273,258
Additions	480,024	133,226
Disposals	(38,923)	(145)
Depreciation expense	(178,021)	(123,809)
Carrying amount at the end of year	545,610	282,530

12 NON-CURRENT ASSETS – DEVELOPMENT COSTS

	2012 \$	2011 \$
Development costs		
Paptype development costs	3,142,660	3,142,660
Accumulated amortisation	(749,023)	(487,135)
	2,393,637	2,655,525

Reconciliation of development costs

	2012 \$	2011 \$
Balance at beginning of year	2,655,525	2,917,414
- Amortisation charge	(261,888)	(261,889)
Closing carrying value at 30 June	2,393,637	2,655,525

Development costs have a remaining amortisation period of eight years.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

13 NON-CURRENT ASSETS – INTANGIBLES

	2012 \$	2011 \$
Patents, trademarks, licences at cost	2,453,921	2,245,503
Accumulated amortisation	(970,923)	(781,251)
	1,482,998	1,464,252
Software	390,021	390,021
Accumulated amortisation	(109,221)	(76,719)
	280,800	313,302
	1,763,798	1,777,554

Reconciliation of intangible assets

	Patents and trademarks \$	Software \$	Total \$
Balance at 1 July 2011	1,464,252	313,302	1,777,554
- Additions	208,419	-	208,419
- Amortisation charge	(189,673)	(32,502)	(222,175)
Closing carrying value at 30 June 2012	1,482,998	280,800	1,763,798
Balance at 1 July 2010	1,293,042	345,803	1,638,845
- Additions	344,273	-	344,273
- Amortisation charge	(173,063)	(32,501)	(205,564)
Closing carrying value at 30 June 2011	1,464,252	313,302	1,777,554

14 CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	2012 \$	2011 \$
<i>Unsecured</i>		
Trade payables	192,007	206,418
Sundry creditors and accrued expenses	110,032	151,419
	302,039	357,837

Sundry creditors and accrued expenses includes liabilities totalling \$Nil in relation to the Company's directors (2011: \$3,075). Refer Note 19(b)(i) for details.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

15 PROVISIONS FOR EMPLOYEE BENEFITS

	2012 \$	2011 \$
Employee benefits		
Current	156,692	348,112
Non current	10,780	3,871
	167,472	351,983

Employee benefits provision

A provision has been recognised for employee benefits relating to annual and long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on accepted practice in the industry. The measurement and recognition criteria relating to employee benefits have been included in Note 1 to this report.

As at 30 June 2011, the above provision contained a provision for termination payments totalling \$138,055. There was no such provision required as at 30 June 2012.

16 CURRENT LIABILITIES – BORROWINGS

	2012 \$	2011 \$
<i>Unsecured</i>		
Short term insurance premium funding facility	78,020	70,445

Refer also Note 24(c)(i).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

17 CONTRIBUTED EQUITY

(a) Share capital

	2012 \$	2011 \$
Ordinary shares – issued and fully paid	22,543,716	21,647,187

All issued shares are fully paid.

All holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

The Company does not have authorised capital or par value in respect of its issued shares.

(b) Movement in ordinary shares on issue

	Number	Issue price per share \$	Total capital \$
Balance at 1 July 2010	62,670,279		19,353,856
Rights issue – April 2011	7,024,562	0.33	2,318,106
Issue as payment for services – April 2011	363,636	0.33	120,000
Issue to sophisticated and professional investors of 4,944,512 unlisted options at issue price of \$0.01 per option – May-June 2011			49,445
Gross proceeds from issues			2,487,551
Share issue costs for above items			(194,220)
Balance at 30 June 2011	<u>70,058,477</u>		<u>21,647,187</u>
Balance at 1 July 2011	70,058,477		21,647,187
Share Purchase Plan issue – June 2012	5,263,186	0.19	1,000,000
Issue to sophisticated and professional investors of 557,502 unlisted options at issue price of \$0.01 per option – July & November 2011			5,575
Gross proceeds from issues			1,005,575
Share issue costs for above items			(109,046)
Balance at 30 June 2012	<u>75,321,663</u>		<u>22,543,716</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

18 ACCUMULATED LOSSES AND RESERVES

(a) Accumulated losses

	2012 \$	2011 \$
Balance 1 July	(15,517,122)	(12,641,453)
Net loss for the year	(2,087,566)	(2,934,769)
Transfer in from share option reserve	-	59,100
Balance 30 June	<u>(17,604,688)</u>	<u>(15,517,122)</u>

(b) Reserves

	2012 \$	2011 \$
Share option reserve	<u>794,205</u>	<u>781,119</u>

Movements in Share option reserve

	2012 \$	2011 \$
Balance 1 July	781,119	836,948
Employee benefits expense	13,086	3,271
Transfer to accumulated losses	-	(59,100)
Balance 30 June	<u>794,205</u>	<u>781,119</u>

The share option reserve is used to recognise the fair value of options issued in connection with share-based payments but not exercised. As options are exercised:

- the reserve is reduced and the fair value of the exercised options is transferred to the Accumulated Losses/Retained Profits account; and
- the proceeds received in relation to the shares issued upon the exercise of options are recognised in issued share capital.

19 RELATED PARTY DISCLOSURES

(a) Key management personnel compensation

	2012 \$	2011 \$
Short-term employee benefits	333,993	789,346
Post-employment benefits	35,009	55,854
Long-term benefits	-	-
Termination benefits	139,230	-
Share-based payments	13,086	-
	<u>521,318</u>	<u>845,200</u>

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Company's key management personnel for the year ended 30 June 2012.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

19 RELATED PARTY DISCLOSURES (CONTINUED)

(b) Transactions with related parties

(i) Details of transactions

(A) Outstanding director-related liabilities

(I) As at 30 June 2012

There were no outstanding director-related liabilities as at 30 June 2012.

(II) As at 30 June 2011

As at 30 June 2011, the Sundry creditors and accrued expenses balance of \$151,419 disclosed in Note 14 above included a liability of \$3,075 for options application monies, received from Company directors, which were still held as at year end.

These directors applied for unquoted options in accordance with the offer made in May 2011 by the Company to shareholders who participated in the Company's rights issue in April 2011. As part of these applications, the directors paid options application monies to the Company.

However, as the Company could not issue the relevant options to the directors until after 30 June 2011, following shareholder approval at the subsequent Annual General Meeting, the directors' application monies were recorded as liabilities of the Company as at that date.

Details of the director-related liabilities were as follows:

Director	No. of options applied for	Application price per option (\$)	Application monies received by Company (\$)
Fernando Careri	42,144	0.01	421.44
Dr Karl Poetter	108,843	0.01	1,088.43
William Tapp	151,515	0.01	1,515.15
Jim Kalokerinos	5,000	0.01	50.00
Total Liability			3,075.02

(ii) Terms and conditions of related party transactions

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

19 RELATED PARTY DISCLOSURES (CONTINUED)

(c) Option holdings of key management personnel

	Held at start of period 1 July 11	Granted as compensation	Options Exercised	Net other changes (1)	Held at end of period 30 June 12	Vested at 30 June 2012			
						Total	Subject to Escrow	Exercisable	Not Exercisable
Directors									
Fernando Careri	542,144	-	-	(542,144)	-	-	-	-	-
Dr Karl Poetter	108,843	-	-	108,843	217,686	217,686	-	217,686	-
David Symons	625,149	-	-	-	625,149	625,149	-	625,149	-
William Tapp	151,515	-	-	(151,515)	-	-	-	-	-
Jim Kalokerinos	5,000	300,000	-	5,000	310,000	310,000	-	310,000	-
Lou Panaccio	-	1,800,000	-	-	1,800,000	300,000	-	300,000	-
Sub-total Directors	1,432,651	2,100,000	-	(579,816)	2,952,835	1,452,835	-	1,452,835	-
Executives									
Dr Allen Bollands	1,689,325	-	-	(1,689,325)	-	-	-	-	-
Total	3,121,976	2,100,000	-	(2,269,141)	2,952,835	1,452,835	-	1,452,835	-

	Held at start of period 1 July 10	Granted as compensation	Options Exercised	Net other changes (1)	Held at end of period 30 June 11	Vested at 30 June 2011			
						Total	Subject to Escrow	Exercisable	Not Exercisable
Directors									
Fernando Careri	500,000	-	-	42,144	542,144	542,144	-	542,144	-
Dr Karl Poetter	-	-	-	108,843	108,843	108,843	-	108,843	-
David Symons	550,000	-	-	75,149	625,149	625,149	-	625,149	-
William Tapp	-	-	-	151,515	151,515	151,515	-	151,515	-
Jim Kalokerinos	-	-	-	5,000	5,000	5,000	-	5,000	-
Melvyn Bridges	300,000	-	-	(300,000)	-	-	-	-	-
Sub-total Directors	1,350,000	-	-	82,651	1,432,651	1,432,651	-	1,432,651	-
Executives									
Dr Allen Bollands	1,689,325	-	-	-	1,689,325	1,689,325	-	1,689,325	-
Total	3,039,325	-	-	82,651	3,121,976	3,121,976	-	3,121,976	-

(1) Net other changes refers to: issues of new options other than as compensation; initial and final holdings upon appointment or cessation of directorship or employment.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

19 RELATED PARTY DISCLOSURES (CONTINUED)

(d) Shareholdings of key management personnel

	Held at start of period 1 July 11	Granted as compensation	Received on exercise of options	Net other changes (1)	Held at end of period 30 June 12
Directors					
Fernando Careri	337,144	-	-	(337,144)	-
Dr Karl Poetter	924,641	-	-	26,316	950,957
David Symons	601,194	-	-	78,948	680,142
William Tapp	2,513,305	-	-	(2,513,305)	-
Jim Kalokerinos	40,000	-	-	78,948	118,948
Sub-total Directors	4,416,284	-	-	(2,666,237)	1,750,047
Executives					
Dr Allen Bollands	30,000	-	-	(30,000)	-
Total	4,446,284	-	-	(2,696,237)	1,750,047

	Held at start of period 1 July 10	Granted as compensation	Received on exercise of options	Net other changes (1)	Held at end of period 30 June 11
Directors					
Fernando Careri	295,000	-	-	42,144	337,144
Dr Karl Poetter	815,798	-	-	108,843	924,641
David Symons	526,045	-	-	75,149	601,194
William Tapp	2,361,790	-	-	151,515	2,513,305
Jim Kalokerinos	-	-	-	40,000	40,000
Melvyn Bridges	12,360	-	-	(12,360)	-
Sub-total Directors	4,010,993	-	-	405,291	4,416,284
Executives					
Dr Allen Bollands	30,000	-	-	-	30,000
Total	4,040,993	-	-	405,291	4,446,284

(1) Net other changes refers to: issues of new shares other than as compensation or exercise of options; sales and purchase of shares; initial and final holdings upon appointment or cessation of directorship or employment.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

20 REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by the auditor, its related practices and non-related audit firms:

Audit Services

	2012 \$	2011 \$
Audit and review of financial reports by Grant Thornton	51,000	51,000
	51,000	51,000

21 COMMITMENTS AND CONTINGENCIES

(a) Commitments

(i) Operating lease commitments

The entity has in place an operating lease for office equipment.

	2012 \$	2011 \$
Commitments in relation to operating leases are payable as follows:		
Within twelve months	2,280	77,559
Twelve months or longer and not longer than five years	3,800	6,080
Longer than five years	-	-
	6,080	83,639

These commitments are not provided for in the accounts as at reporting date.

(ii) Other expenditure commitments

During the 2012 and 2011 financial years, the Company entered into agreements with a major United Kingdom-based university for that university to conduct clinical tests on the Company's PapType and PapType SP products. The value of contractual commitments outstanding at balance date is as follows:

	2012 \$	2011 \$
Other expenditure commitments contracted for – clinical tests		
Within twelve months	36,000	76,000
Twelve months or longer and not longer than five years	-	-
Longer than five years	-	-
	36,000	76,000

These commitments are not provided for in the accounts as at reporting date.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

21 COMMITMENTS AND CONTINGENCIES (CONTINUED)

(b) Contingencies

(i) Directors' fees – contingent payment

Since 30 June 2011, the directors of the Company have agreed to forgo part of their fees until such time as the Company achieves a "monetisation event", being a commercial agreement with a third party that delivers material revenue to the Company, including, but not limited to, a licensing or sales agreement relating to the Company's products. The total amount of directors' fees forgone as at 30 June 2012 was \$ 258,000 (2011: Nil). This amount has not been provided for in the Company's accounts as at 30 June 2012 as it will become payable only in the event that a monetisation event occurs.

(ii) Former Chief Executive Officer – contingent payment

The former Chief Executive Officer, Dr Allen Bollands, ceased employment with the Company on 31 July 2011. In consideration of his contributions to the Company, the Company has agreed to pay Dr Bollands an amount of \$135,000 in the event that the Company achieves one of a number of specified commercial events. This amount has not been provided for in the Company's accounts as at 30 June 2012, as it will become payable only in the event that one of the specified events occurs.

Other than any items referred to in this note, there were no contingencies to be reported at the reporting date.

22 OPERATING SEGMENTS

Operating segments are reported in a manner consistent with the internal reporting provided to the Senior Management Executive Group and the Board of Directors (Chief Operating Decision Makers), both of which make strategic decisions for the Company.

The Company operates in one business and geographical segment being the development and commercialisation of a portfolio of molecular diagnostic test technologies in Australia.

23 EVENTS AFTER THE REPORTING PERIOD

With the exception of any matters referred to in these financial statements, or the Company Directors report accompanying these financial statements, there were no significant events arising after reporting date.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

24 STATEMENT OF CASH FLOWS INFORMATION

	Notes	2012 \$	2011 \$
(a) Reconciliation of cash			
Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:			
- Cash at Bank and on hand		1,185,891	2,745,253
- Short term deposits		152,876	-
		1,338,767	2,745,253
(b) Reconciliation of cash flows from operations with loss from ordinary activities after income tax			
Loss for the year		(2,087,566)	(2,934,769)
Reclassify interest received as investing cash flow		(62,989)	(58,536)
Non-cash items			
- Depreciation & amortisation		662,084	591,262
- Share option expense		13,086	3,271
- Loss/(gain) on disposal of fixed assets		(37,508)	145
Changes in working capital:			
- (Increase)/decrease in trade and other receivables		16,110	101,532
- (Increase)/decrease in inventories		28,536	(20,291)
- (Increase)/decrease in prepayments		41,971	88,063
- Increase/(decrease) in creditors and accruals		(34,165)	(181,757)
- Increase/(decrease) in revenue received in advance		-	(85,000)
- Increase/(decrease) in employee benefit provisions		(184,511)	125,058
- (Increase)/decrease in tax receivable		-	663,380
Cash inflows/(outflows) from operations		(1,644,952)	(1,707,642)
(c) Non-cash financing activities			
Insurance premium funding	(i)	94,982	93,926
Shares issued in return for services	(ii)	50,000	120,000
		144,982	213,926

(i) Insurance premium funding

The Company financed its annual insurance premium liability by way of a short-term finance facility, by which a third party financier funds the insurance premium, which the Company then repays by instalments.

(ii) Shares issued in return for services

During the years ended 30 June 2012 and 30 June 2011, the Company issued shares for the payment of management and advisory services in connection with capital raisings. Refer Note 26(a)(i) for more details.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

25 EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net loss for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of dilutive options) and the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the total operations basic and diluted earnings per share computations:

	2012 \$	2011 \$
Loss after income tax used in the calculation of basic EPS and dilutive EPS	(2,087,566)	(2,934,769)
	No.	No.
Weighted average number of ordinary shares for basic earnings per share	70,231,040	64,402,774
Weighted average number of ordinary shares for diluted earnings per share	70,231,040	64,402,774

All options to acquire ordinary shares are not considered dilutive for the year ended 30 June 2012 and the comparative period.

26 SHARE BASED PAYMENTS

(a) Description of share-based payment arrangements

(i) Shares issued to third parties in return for services

The Company may, from time to time, issue shares to third parties as consideration for goods and/or services provided to the Company by those parties. All such transactions are settled in equity.

(A) Year ended 30 June 2012

The Company issued fully paid ordinary shares for the payment of capital raising advisory services provided by a third party in connection with the Share Purchase Plan conducted by the Company during the financial year. The cost of these services, being incremental costs directly attributable to the issue of new shares, was recorded in equity as a deduction from the proceeds of the Share Purchase Plan issue. The shares vested immediately.

Details are as follows:

Date of issue	No. of shares issued	Issue price (\$)	Total value of shares issued (\$)	Determination method of fair value of goods/services received or equity instruments granted
19/06/2012	263,158	0.19	50,000	Contracted invoice value of services provided
	263,158		50,000	

(B) Year ended 30 June 2011

The Company issued fully paid ordinary shares, each of which had a bonus attaching unlisted option, for the payment of capital raising-related management and advisory services provided by a third party in connection with the rights issue conducted by the Company during the financial year. The cost of these services, being incremental costs directly attributable to the issue of new shares and options, was recorded in equity as a deduction from the proceeds of the rights issue. The shares and options vested immediately.

Details are as follows:

Date of issue	No. of shares issued*	Issue price* (\$)	Total value of shares issued (\$)	Determination method of fair value of goods/services received or equity instruments granted
16/04/2011	363,636	0.33	120,000	Contracted invoice value of services provided
	363,636		120,000	

* Each share had one bonus attaching option – the issue price relates to the combined share and attaching option.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

26 SHARE BASED PAYMENTS (CONTINUED)

(a) Description of share-based payment arrangements (continued)

(ii) Options issued to third parties in return for services

The Company may, from time to time, issue options over fully paid ordinary shares of the Company to third parties as consideration for goods and/or services provided to the Company by those parties. All such transactions are settled in equity. All options issued by the Company under these transactions are unlisted.

(A) Year ended 30 June 2012

No options issued.

(B) Year ended 30 June 2011

No options issued, except for those referred to in note 26(a)(i)(B) above.

(iii) Options issued under employee share option plan

The company may from time to time issue employees with options to acquire shares in the Company at a fixed price in accordance with the Company's Employee Share Option Plan (ESOP). Each option when exercised will then entitle the option holder to one share in Genera Biosystems Limited (ASX Code: GBI). 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. All such transactions are settled in equity. All options issued by the Company under its ESOP are unlisted.

(A) Year ended 30 June 2012

During the financial year, options were issued to Directors pursuant to the ESOP. Details of these issues are as follows:

Recipient Director	Jim Kalokerinos	Lou Panaccio	Lou Panaccio
Date of issue:	28/11/2011	28/11/2011	28/11/2011
No. of options issued:	300,000	300,000	1,500,000
Issue price (\$):	Nil	Nil	Nil
Exercise price (\$):	0.50	0.50	0.33
Vesting date:	28/11/2011	28/11/2011	Refer below
Expiry date:	28/11/2016	28/11/2016	8/04/2013
Fair value per option (\$):	0.0135	0.0135	0.0033
Total fair value of options issued (\$):	4,062	4,062	4,962
Determination method of fair value of goods/services received or equity instruments granted:	Fair value of options based on Option Pricing Model – refer note 26(e)		

Note: the 1,500,000 options issued to Mr Panaccio will vest immediately upon the market capitalisation of the Company, being the number of Shares on issue multiplied by the prevailing Share price, achieving a level equal to or greater than \$25 million.

(B) Year ended 30 June 2011

No options were issued.

(b) Options – number and weighted average exercise prices

	2012 No.	2012 WAEP (\$)	2011 No.	2011 WAEP (\$)
Outstanding at the beginning of the year	4,044,325	0.5068	4,419,325	0.5275
Granted during the year	2,100,000	0.3786	-	-
Cancelled during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Lapsed during the year	-	-	(375,000)	0.7500
Outstanding at the end of the year	6,144,325	0.4630	4,044,325	0.5068
Exercisable at year end	6,144,325	0.4630	4,044,325	0.5068

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

26 SHARE BASED PAYMENTS (CONTINUED)

(c) Options exercised during period

For share options exercised during the period, the weighted average share price at the date of exercise was:

	2012	2011
	\$	\$
Weighted average share price at date of exercise	N/A – no options exercised	N/A – no options exercised

(d) Options outstanding at end of the period

(i) Details of options outstanding at end of period

(A) As at 30 June 2012:

Grant Date	Expiry Date	Exercise Price \$	Number
7-Feb-08	7-Feb-13	0.400	1,100,000
7-Feb-08	7-Feb-13	0.500	330,000
25-Jun-08	25-Jun-13	0.400	563,108
25-Jun-08	25-Jun-13	0.625	563,109
29-Jan-09	28-Nov-13	0.625	563,108
10-Mar-09	1-Jan-13	0.500	200,000
12-Mar-09	12-Mar-14	0.625	175,000
10-Jul-09	10-Jul-14	0.500	300,000
10-Jul-09	10-Jul-14	0.625	250,000
28-Nov-11	28-Nov-16	0.500	300,000
28-Nov-11	28-Nov-16	0.500	300,000
28-Nov-11	8-Apr-13	0.330	1,500,000
			6,144,325

(B) As at 30 June 2011:

Grant Date	Expiry Date	Exercise Price \$	Number
7-Feb-08	7-Feb-13	0.400	1,100,000
7-Feb-08	7-Feb-13	0.500	330,000
25-Jun-08	25-Jun-13	0.400	563,108
25-Jun-08	25-Jun-13	0.625	563,109
29-Jan-09	28-Nov-13	0.625	563,108
10-Mar-09	1-Jan-13	0.500	200,000
12-Mar-09	12-Mar-14	0.625	175,000
10-Jul-09	10-Jul-14	0.500	300,000
10-Jul-09	10-Jul-14	0.625	250,000
			4,044,325

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

26 SHARE BASED PAYMENTS (CONTINUED)

(d) Options outstanding at end of the period (continued)

(ii) Range of exercise prices

	2012 Low \$	2012 High \$	2011 Low \$	2011 High \$
The range of exercise prices for share options outstanding at the end of the year is as follows:	0.330	0.625	0.400	0.625

(iii) Weighted average remaining contractual life

	2012 Years	2011 Years
The weighted average remaining contractual life for share options outstanding at the end of the year is as follows:	1.3	2.1

(e) Fair value of options

(i) Weighted average fair value

	2012 \$	2011 \$
Weighted average fair value of options granted during the year:	0.0062	N/A

(ii) Option Pricing Model

The fair value of options issued as share based payments is estimated at the date of grant using the Black-Scholes model. The methodology takes into account the possibility that the exercise date is less than the expiry date.

The following table lists the inputs to the model used for the year ended 30 June 2012.

	2012		
	Kalokerinos Issue	Panaccio Issue 1	Panaccio Issue 2
Grant date	28-Nov-11	28-Nov-11	28-Nov-11
Dividend yield (%)	0	0	0
Expected volatility (%)	51.8	51.8	58.9
Risk-free interest rate (%)	3.25	3.25	3.11
Expected life of option (years)	5	5	1.4
Option exercise price (\$)	0.50	0.50	0.33
Market closing share price on grant/modification date (\$)	0.11	0.11	0.11

There were no options issued during the year ended 30 June 2011 which required a valuation utilising the model.

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur.

Expected volatility is based on the Company's shares' historical volatility for periods representing the expected life of the options. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other features of options granted were incorporated into the measurement of fair value.

(f) Expenses arising from share based payment transactions

	2012 \$	2011 \$
Employee benefits expense – options issued and/or amortised	13,086	3,271
	13,086	3,271

DIRECTORS' DECLARATION

In the directors' opinion:

- (a) the financial statements, notes and the additional disclosures included in the directors' report designated as audited, of the Company are in accordance with the *Corporations Act 2001*, including:
- (i) giving a true and fair view of the Company's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
 - (iii) complying with International Financial Reporting Standards as disclosed in Note 1; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations, required by section 295A of the *Corporations Act 2001*, from the Executive Chairman and the Chief Financial Officer.

This declaration is made in accordance with a resolution of the directors.



Lou Panaccio
Executive Chairman

Melbourne
28 August 2012

ADDITIONAL INFORMATION

SECURITY HOLDING INFORMATION

The shareholder information set out below was applicable as at 14 September 2012.

a. Distribution

The number of holders and amount of holdings by a range of holding sizes of the ordinary shares and options are detailed below.

Holding Size	Fully paid Ordinary Shares (ASX: GBI)	Options over unissued shares
1-1,000	27	14
1,001 - 5,000	136	23
5,001 – 10,000	116	14
10,001 – 100,000	253	37
100,001 – and over	133	42
Total number of holders	665	130

b. Marketable parcels

The number of holders of ordinary shares holding less than a marketable parcel, based on the market price of \$0.17: 64.

c. Substantial Shareholders

The names of substantial holders in the Company, as disclosed in substantial holding notices as given to the Company, are:

Holder	Number of Ordinary Shares Held
NESTOR Investment Management SA on behalf of NESTOR Australien Fonds	4,516,865
JPS Distribution Pty Ltd ITF Raff Family	3,786,789
Durbin Superannuation Pty Ltd	3,618,899

d. Voting rights

The voting rights attached to each class of equity security are as follows:

- Each ordinary share holder is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.
- Option holders do not have any voting rights until the option is converted into an ordinary share.

ADDITIONAL INFORMATION (CONTINUED)

e. 20 Largest Ordinary Shareholders

Holder Name	Number of Ordinary Shares Held	% Held of Issued Capital
JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	5,222,916	6.92
DURBIN SUPERANNUATION PTY LTD <DURBIN FAMILY S FUND A/C>	4,372,586	5.79
UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	3,164,362	4.19
THE WALTER AND ELIZA HALL INSTITUTE OF MEDICAL RESEARCH LTD	2,998,513	3.97
JPS DISTRIBUTION PTY LTD <RAFF FAMILY A/C>	2,614,858	3.46
PUJURI PTY LIMITED	2,058,305	2.73
SONIC HEALTHCARE LIMITED	2,000,000	2.65
MISS ROBYN GOULD	1,878,401	2.49
GATEWAY CAPITAL LIMITED	1,776,119	2.35
QIC LIMITED	1,600,000	2.12
MR LUCIUS ORSINI	1,470,472	1.95
MR CYRUS ADAGGRA	1,347,083	1.78
FOLIGNO PTY LTD <REINHARDT SUPER FUND A/C>	1,230,628	1.63
JPS DISTRIBUTION PTY LTD <RAFF SUPER FUND A/C>	1,159,665	1.54
DAHLONEGA PTY LTD <DICKENS A/C>	1,122,054	1.49
MR RONALD MICHAEL PENKARA + MISS MEREDITH ANN NORTON <MERRON FAMILY S/F A/C>	1,098,374	1.46
MR DAVID FREDERICK OAKLEY	1,090,357	1.44
MR GEORGE GREGORY BOTICA	1,000,000	1.33
DR KARL POETTER	950,957	1.26
PERSHING AUSTRALIA NOMINEES PTY LTD <ACCORDIUS A/C>	906,074	1.20
Totals for Top 20 holders	39,061,724	51.76
Total Issued Shares	75,471,663	

f. Unquoted equity securities

	Number on Issue	Number of Holders
Options to acquire ordinary shares	13,090,212	119
Options to acquire ordinary shares, issued under the Employee Share Option Plan	5,944,325	14

g. On-market buy-back

There is no current on-market buy-back.



www.generabiosystems.com