

Genera Biosystems Limited
Appendix 4D
Half-year report

1. Company details

Name of entity: Genera Biosystems Limited
ABN: 69 098 663 837
Reporting period: For the half-year ended 31 December 2016
Previous period: For the half-year ended 31 December 2015

The information in this report should be read in conjunction with the most recent annual financial report, being the report for the year ended 30 June 2016

2. Results for announcement to the market

			\$
Revenues from ordinary activities	up	16.1% to	448,862
Loss from ordinary activities after tax attributable to the Owners of Genera Biosystems Limited	up	8.1% to	(1,559,206)
Loss for the half-year attributable to the Owners of Genera Biosystems Limited	up	8.1% to	(1,559,206)

Dividends

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

Comments

The loss for the Company after providing for income tax amounted to \$1,559,206 (31 December 2015: \$1,442,531).

The Company's working capital, being current assets less current liabilities in 2016 decreased to (\$5,135,452) from (\$3,919,448) at 30 June 2016.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>(4.66)</u>	<u>(3.44)</u>

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

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

Previous period

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

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

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

Not applicable.

10. Audit qualification or review

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

The financial statements were subject to a review by the Company's independent auditor and the review report is attached as part of the Half-year Financial Report.

11. Attachments

Details of attachments (if any):

The Half-year Financial Report of Genera Biosystems Limited for the half-year ended 31 December 2016 is attached.

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

Signed  _____

Date: 28 February 2017

Genera Biosystems Limited

ABN 69 098 663 837

Half-year Financial Report - 31 December 2016

Genera Biosystems Limited
Corporate directory
31 December 2016

Directors

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

Company secretary

Ms Melanie Leydin

Registered office

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

Share register

Computershare Investor Services Pty Limited
PO Box 52
MELBOURNE VIC 8060
Ph: 1300 309 739

Auditor

Grant Thornton Audit Pty Ltd
Level 30, 525 Collins Street
MELBOURNE VIC 3000

Stock exchange listing

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

Website

www.generabiosystems.com

Patent Attorneys

Davies Collison Cave
1 Nicholson Street
MELBOURNE VIC 3000

Genera Biosystems Limited

Contents

31 December 2016

Directors' report	3
Auditor's independence declaration	8
Statement of profit or loss and other comprehensive income	9
Statement of financial position	10
Statement of changes in equity	11
Statement of cash flows	12
Notes to the financial statements	13
Directors' declaration	18
Independent auditor's review report to the members of Genera Biosystems Limited	19

Genera Biosystems Limited
Directors' report
31 December 2016

The Directors present their report, together with the financial statements, on the Company for the half-year ended 31 December 2016.

Directors

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

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

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.

Review of operations

The loss for the Company after providing for income tax amounted to \$1,559,206 (31 December 2015: \$1,442,531).

Revenue

Revenue for the current period from product sales and interest increased to \$448,862 (2015: \$386,495) predominately due to increased demand for RTI-plex. Accrued R&D Tax incentive income refund of \$292,432 was accounted for as at 31 December 2016 relating to expenditure in the half year to 31 December 2016 and an additional amount of \$11,560 was recognised relating to the 30 June 2016 R&D Tax incentive refund.

Expenses

Expenses for the current year totalled \$2,312,062 (2015: \$2,137,606). Key expenditure for the period included employee benefits expense of \$598,004, which decreased by \$307,038 (2015: \$905,042), largely due to a decrease in share based payment expenditure versus the 2015 December Half Year. Finance costs increased to \$742,061 (2015: \$418,927) due to the interest accrued for the Mezzanine Loan and Convertible Notes in the 2016 financial half year.

The Company's working capital, being current assets less current liabilities in 2016 decreased to (\$5,135,452) from (\$3,919,448) at 30 June 2016.

Review of operations

Indian market

Genera has been disappointed in the performance of its Indian distributor to date. Genera's distributor has failed to establish adequate pathology supply arrangements in time for the commencement of the Indian flu season which traditionally peaks in the March quarter. Demand levels for Genera's respiratory panel could not justify full 96-well plate runs on a daily basis and Genera was not prepared to facilitate partial plate runs by discounting the price at which product was supplied.

Genera is now exploring options to better address the Indian market opportunity, which the company continues to believe to be attractive in the longer term.

Genera Biosystems Limited
Directors' report
31 December 2016

The company has recently been informed that the extensive cervical screening project in the Thane district is anticipated to commence in late May 2017 when 5 mobile collection community vans are made available. The program is a significant state government funded project to screen half a million women in a rural and semi-urban district of Thane near Mumbai, over a period of 5 years. The project aims to screen 100,000 women annually and will use a combination of Visual Inspection as a primary screen followed by reflex to HPV DNA testing (PapType®) and thereafter reflex again to HPV RNA testing.

Genera is planning to supply the Thane Municipal Corporation the agency responsible for funding and implementing the project sufficient PapType® tests to undertake the screening project on a US dollar FOB basis (ex Scoresby, Australia).

The program is the largest state government sponsored cervical screening program incorporating both HPV DNA and RNA testing ever undertaken within India and Genera believes that its participation in the program will benefit the future market adoption of PapType® in India.

Current Capital Raising

Immediately prior to the end of the December half an amendment to the conversion terms of the Series B notes was agreed. The amended terms provided for an extension to the Series B Notes Redemption Date to 31 March 2017 and a provision to convert all accrued interest as well as principal at a conversion price of \$0.30 per Genera Ordinary Share.

Genera has previously announced its intention to raise additional funding from prominent Australian venture funds and existing shareholders late in the current quarter with follow-on funding targeted to be sourced from a qualified strategic trade-related party.

The purpose of undertaking a material capital raising is to redeem all existing Series B Convertible Notes electing not to be converted alongside the existing \$1.0 million mezzanine loan facility. Proceeds of the capital raising will also be applied to accelerating the broadening of the AmpaSand® test menu.

Given mandate restrictions of various Australian venture funds in respect of the application of funds invested, the board is currently reviewing the sequence and quantum of new funding sought and its final decision will seek to achieve the optimal outcome for all involved stakeholders. Ideally, the financing strategy will provide a clear path to successful global commercialisation of Genera's valuable diagnostic testing platforms alongside attractive monetisation options and liquidity for all shareholders.

Pathology Supply Agreement(s) for 2017

After successful clinical validation of its PapType® HPV test the Company had expected during the December half year to be able to announce a material new supply agreement with an Australian pathology customer. Due to a number of factors this agreement looks to be deferred for up to six months.

There has been recent speculation of delays in the commissioning of the National Cancer Screening Register, with the result that the new cervical screening regime is now anticipated to commence in December 2017. Genera believes it is well positioned to offer its PapType® HPV test at this time and is confident of receiving the applicable Medicare Benefits Schedule code that will be assigned to complying HPV tests under the new regime.

The final form and scope of any supply agreements entered into in the domestic market may be largely determined by the outcome of current discussions being held with potential global IVD partners. The Board hopes successful conclusion of these discussions will provide for clear demarcation of relevant responsibilities from the partner consortia in supporting the various facets of the diagnostic testing platform provided under future supply agreements.

Genera remains confident of a substantial sales ramp of PapType® when the new screening regime is commenced and should it be successful in gaining market traction, the Company will be well-positioned to deliver its maiden operational cash flow positive result over the first full 12 month operating period.

Delivery of new ~2,000 patient PapType® clinical data in US Screening population and additional ~6,650 patient sample UK PapType® study

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

Genera received under confidentiality data from UNMHSC as well as an analysis on the data set performed by Prof. Jack Cuzick's group at the Wolfson Institute of Preventive Medicine (London, UK). The data were broadly consistent with prior data generated by PapType® in numerous other clinical studies in both referral and screening populations in the detection of CIN2+¹ and showed highly sensitive detection of CIN2+ and CIN3+ representing strong performance of PapType® in an independent clinical study.

Genera's PapType® HPV test has now been involved in a number of independent clinical studies in Australia, the UK and now the US involving in excess of 11,000 patient samples in both referral and screening populations overseen by world opinion leaders in cervical cancer screening. The performance of PapType® has been largely consistent across all studies providing confidence in PapType's robust clinical performance, reliability and reproducibility.

Genera is currently undertaking an additional significant clinical study in ~6,650 patient samples at the Wolfson Institute (UK) using the Beckman Coulter CytoFLEX™ instrument. This study is now in its final stages of completion with confidential receipt of data expected shortly. The company understands it is currently anticipated that the data from this study will be presented by Prof Cuzick at both the 2017 EUROGIN and AOGIN HPV congresses later in 2017.

Subject to clinical performance thresholds being met, the Company plans to use this additional data as part of its compliance package to demonstrate that PapType® is fit for purpose for laboratories undertaking testing in the National Cervical Screening Program.

Upon its receipt by Genera the data will be shared under confidentiality with prospective IVD partners so as to help facilitate informed commercial decisions.

IVD partnering

Genera is currently collaborating with two major global IVD companies, Beckman Coulter alongside another major multinational corporate. Genera was referred to the new IVD collaborator by a major Australian pathology company after it undertook an extensive independent clinical validation of Genera's PapType® HPV test against the existing gold standard HPV test.

Genera's scientific team has been closely engaged with the new IVD collaborator's development team based in the US with a view to exploring and gaining technical comfort regarding how Genera's PapType®, and other AmpaSand® MDx tests, may fit with its existing instrumentation market offering and capability as well as complementing existing consumable reagent sales in DNA and RNA extraction. Genera's PapType® and RTIplex™ assays have to date been validated using the Roche MagNA-Pure™ extraction system and Genera sees considerable ancillary benefit in the validation and adoption of a new high performance sample prep and extraction system provided by an aligned partner.

This particular potential IVD partner has a significant footprint of front-end sample preparation and extraction systems installed with pathology companies globally and may provide complementary capability and support alongside what Genera is currently pursuing with Beckman Coulter.

Genera is currently finalising the agreement of a definitive timetable for completion of initial technical studies with the new IVD company so as to provide comfort for both parties that the technical and strategic fit warrants a more formal strategic commercial relationship being entered into. To this end Genera hopes to agree and enter into a mutually acceptable term sheet by a March/April timeframe.

¹ Should squamous cervix cells be abnormal they are called cervical intraepithelial neoplasia (CIN). They are graded according to how deep the abnormal cells are within the surface of the cervix. This is detected by taking a sample of tissue biopsy from the surface of the cervix. Early changes are graded as CIN 1, and they will usually disappear without treatment. Further abnormal changes are graded as CIN 2 or CIN 3 and will require treatment. Treatment for CIN 2/3 may include cryotherapy, laser therapy, loop electrosurgical procedure (LEEP), or cone biopsy to remove or destroy the abnormal tissue.

Genera Biosystems Limited
Directors' report
31 December 2016

The board believes that the new prospective IVD partner may also provide synergies outside of instrumentation and broad distribution capabilities in traditional pathology markets – namely in point-of-care testing engineering development that may be applicable to the development of Genera's next generation QSand™ technology.

Genera has progressed its collaboration with Beckman Coulter's Automation group in Indianapolis (USA) to explore how best to provide a more automated workflow for Genera's PapType® HPV test working with the CytoFLEX™ and other instruments that may be integrated within the Beckman platform. At SLAS 2017 held early February in Washington DC Beckman Coulter unveiled a new system that demonstrated a fully integrated liquid handler and CytoFLEX™ flow cytometer. Genera is currently in the process of validating a sub-component that may be added to a customised version of this system, which if successful, would provide a highly automated workflow for pathology customers using Genera's PapType® and other AmpaSand® based tests.

Genera is cognisant of the need for a full global distribution footprint in order to maximise the value of the AmpaSand® testing platform and the board believes the current strategy has the best prospects for delivering an optimal result given current market dynamics.

Other Development initiatives

Development of the new sexually transmitted infections assay continued to move forward during the December half and Genera currently anticipates offering a Research Use Only version of the assay in early Q2 CY2017 with a submission to the TGA and ARTG listing following. The targets included in the assay have been further refined after receiving additional 'voice of customer' feedback including input from some of Australia's leading sexual health experts. Genera now believes that it has the construct of an optimal assay for comprehensive STI testing.

While Genera has additional tests at various stages of development in its R&D pipeline its current focus is to deliver an RUO release of the new sexually transmitted infections assay alongside gaining clarity of the sequence of jurisdictional product launches that may be preferred by a global IVD partner in entering into a broader distribution relationship.

Significant changes in the state of affairs

On 9 November 2016, the Company issued 1,250 Convertible Notes (convertible into a maximum of 543,478 fully paid ordinary shares) with a face value of \$100 per Note and conversion price of \$0.23 cents per note.

On 11 November 2016, the Company issued 2,500 Convertible Notes (convertible into a maximum of 1,086,957 fully paid ordinary shares) with a face value of \$100 per Note and conversion price of \$0.23 cents per note.

On 30 December 2016, the Company announced a Variation Agreement to the Series B Convertible Notes, extending the maturity date for all Series B Convertible Notes to 31 March 2017 and amending the conversion price to \$0.30 per Ordinary Share.

Also during the financial half year, the Company raised the remaining \$450,000 outstanding on the Mezzanine Loan Facility. The original redemption date of 30 December 2016 was extended to 31 May 2017 for the total \$1,000,000 borrowed, payable with 25% interest. As part of the variation agreement, the Company has agreed to issue 4,166,667 unlisted options exercisable by 30 June 2017 at an exercise price of \$0.30 (30 cents) to the relevant financiers.

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

Matters subsequent to the end of the financial half-year

No matter or circumstance has arisen since 31 December 2016 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

Auditor's independence declaration

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

Genera Biosystems Limited
Directors' report
31 December 2016

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

On behalf of the Directors



Mr Lou Panaccio
Chairman

28 February 2017

The Rialto, Level 30
525 Collins St
Melbourne Victoria 3000

Correspondence to:
GPO Box 4736
Melbourne Victoria 3001

T +61 3 8320 2222
F +61 3 8320 2200
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 31 December 2016, 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 February 2017

Grant Thornton Audit Pty Ltd ACN 130 913 594
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton Australia Ltd is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate one another and are not liable for one another's acts or omissions. In the Australian context only, the use of the term 'Grant Thornton' may refer to Grant Thornton Australia Limited ABN 41 127 556 389 and its Australian subsidiaries and related entities. GTIL is not an Australian related entity to Grant Thornton Australia Limited.

Liability limited by a scheme approved under Professional Standards Legislation.

Genera Biosystems Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2016

	Note	31 December 2016 \$	31 December 2015 \$
Revenue		448,862	386,495
Other income	3	303,994	308,580
Expenses			
Laboratory expenses		(251,681)	(280,527)
Travel & accommodation		(20,705)	(16,995)
Employee benefits expense		(598,004)	(905,042)
Depreciation and amortisation expense		(362,980)	(300,678)
Licence and royalty expense		(82,905)	(1,333)
Professional fees		(77,071)	(98,579)
Other expenses		(127,755)	(105,874)
Finance costs		(742,061)	(418,927)
Rent expense		(48,900)	(9,651)
Loss before income tax expense		(1,559,206)	(1,442,531)
Income tax expense		-	-
Loss after income tax expense for the half-year attributable to the Owners of Genera Biosystems Limited		(1,559,206)	(1,442,531)
Other comprehensive loss for the half-year, net of tax		-	-
Total comprehensive loss for the half-year attributable to the Owners of Genera Biosystems Limited		<u>(1,559,206)</u>	<u>(1,442,531)</u>
		Cents	Cents
Basic earnings per share	11	(1.55)	(1.45)
Diluted earnings per share	11	(1.55)	(1.45)

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

Genera Biosystems Limited
Statement of financial position
As at 31 December 2016

	31 December	30 June 2016
Note	2016 \$	\$
Assets		
Current assets		
Cash and cash equivalents	518,326	65,635
Trade and other receivables	5 412,598	871,068
Inventories	8,241	8,241
Other	85,287	36,828
Total current assets	<u>1,024,452</u>	<u>981,772</u>
Non-current assets		
Property, plant and equipment	474,176	491,019
Intangibles	6 3,061,393	3,265,288
Total non-current assets	<u>3,535,569</u>	<u>3,756,307</u>
Total assets	<u>4,560,021</u>	<u>4,738,079</u>
Liabilities		
Current liabilities		
Trade and other payables	611,273	826,378
Borrowings	7 5,364,270	3,872,779
Provisions	184,361	202,063
Total current liabilities	<u>6,159,904</u>	<u>4,901,220</u>
Non-current liabilities		
Provisions	24,769	37,727
Total non-current liabilities	<u>24,769</u>	<u>37,727</u>
Total liabilities	<u>6,184,673</u>	<u>4,938,947</u>
Net liabilities	<u>(1,624,652)</u>	<u>(200,868)</u>
Equity		
Issued capital	8 26,322,747	26,277,747
Reserves	984,076	901,778
Accumulated losses	<u>(28,931,475)</u>	<u>(27,380,393)</u>
Total deficiency in equity	<u>(1,624,652)</u>	<u>(200,868)</u>

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

Genera Biosystems Limited
Statement of changes in equity
For the half-year ended 31 December 2016

	Issued capital \$	Share Option Reserve \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2015	25,982,940	1,056,151	(24,328,881)	2,710,210
Loss after income tax expense for the half-year	-	-	(1,442,531)	(1,442,531)
Other comprehensive loss for the half-year, net of tax	-	-	-	-
Total comprehensive loss for the half-year	-	-	(1,442,531)	(1,442,531)
<i>Transactions with Owners in their capacity as Owners:</i>				
Issue of ordinary shares	29,769	(2,748)	-	27,021
Capital raising expenses	(4,963)	-	-	(4,963)
Share based payments	-	243,087	-	243,087
Lapsed ESOP Options	-	(916)	916	-
Balance at 31 December 2015	<u>26,007,746</u>	<u>1,295,574</u>	<u>(25,770,496)</u>	<u>1,532,824</u>
Balance at 1 July 2016	26,277,747	901,778	(27,380,393)	(200,868)
Loss after income tax expense for the half-year	-	-	(1,559,206)	(1,559,206)
Other comprehensive loss for the half-year, net of tax	-	-	-	-
Total comprehensive loss for the half-year	-	-	(1,559,206)	(1,559,206)
<i>Transactions with owners in their capacity as owners:</i>				
Issue of Series B Convertible Notes (Equity component)	45,000	-	-	45,000
Share based payments	-	90,422	-	90,422
Lapsed ESOP Options	-	(8,124)	8,124	-
Balance at 31 December 2016	<u>26,322,747</u>	<u>984,076</u>	<u>(28,931,475)</u>	<u>(1,624,652)</u>

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

Genera Biosystems Limited
Statement of cash flows
For the half-year ended 31 December 2016

	Note	31 December 2016 \$	31 December 2015 \$
Cash flows from operating activities			
R&D tax concession received		722,356	-
Receipts from customers		468,160	433,110
Payments to supplier and employees		(1,418,299)	(1,412,501)
Interest received		-	4,399
Interest and other finance costs paid		<u>(2,285)</u>	<u>(686)</u>
Net cash used in operating activities		<u>(230,068)</u>	<u>(975,678)</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(83,921)	(206,693)
Payments for purchase of intangibles	6	<u>(58,320)</u>	<u>(149,380)</u>
Net cash used in investing activities		<u>(142,241)</u>	<u>(356,073)</u>
Cash flows from financing activities			
Proceeds from issue of shares and options		-	11,310
Proceeds from issue of convertible notes		375,000	-
Proceeds from Mezzanine loan facility		450,000	-
Cost of Capital Raising		<u>-</u>	<u>(4,962)</u>
Net cash from financing activities		<u>825,000</u>	<u>6,348</u>
Net increase/(decrease) in cash and cash equivalents		452,691	(1,325,403)
Cash and cash equivalents at the beginning of the financial half-year		<u>65,635</u>	<u>1,486,582</u>
Cash and cash equivalents at the end of the financial half-year		<u><u>518,326</u></u>	<u><u>161,179</u></u>

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

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2016 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

Basis of preparation

The condensed financial statements have been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. The same accounting policies and methods of computation are followed in the half-year financial report as compared with the Company's most recent annual financial report, for the financial year ended 30 June 2016.

New or amended Accounting Standards and Interpretations adopted

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

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

Going concern

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. The Company has experienced operating losses of \$1,559,206 during the half year ended 31 December 2016 and cash reserves were \$518,326 as at 31 December 2016.

Series B Convertible Notes, with a face value of \$2,875,000 at 31 December 2016 (totalling \$4,030,665 including interest payable in the event of redemption at 31 December 2016), can be early converted to Ordinary Shares at the election of holders at \$0.30 per Ordinary Share under the Variation Agreement dated 29 December 2016. Under the Variation Agreement dated 29 December 2016, these notes now mature on 31 March 2017 and are redeemable if unconverted by holders at that time. Depending upon the timing and outcome of current discussions being held with both prospective trade partners and financial investors regarding a material cash investment in Genera, the Company may elect to request, via an Amended Variation Agreement, a further extension to a mutually acceptable date beyond the current maturity date of 31 March 2017. The Company raised an additional \$375,000 during the period through the issue of 3,750 Convertible Notes with a face value of \$100 per note.

The Company additionally has raised \$1,000,000 under a Mezzanine Debt facility. \$550,000 of this was raised in the 2016 financial year, with the remaining \$450,000 raised during the half-year to December 2016. Including interest payable, the total amount repayable to lenders is \$1,250,000. In accordance with the Agreement to Variation of Existing Mezzanine Debt Facility dated 30 December 2016, these funds are repayable on 31 May 2017. Lenders will also be issued a total of 4.167 million \$0.30 call options expiring 30 June 2017, which is an extension from the initial date of 30 December 2016.

The Directors are of the opinion that the existing cash reserves, further revenues and additional capital to be raised within the next 12 months will provide the Company with adequate funds to ensure its continued viability and operate as a going concern.

Note 1. Significant accounting policies (continued)

The Genera Board continues to believe that the opportunities for the Company are substantial. Specifically, the Board considers the Ampasand platform technology and associated product suite to have significant commercial potential with a robust intellectual property position encompassing a range of granted patents both in the US and other jurisdictions. The Board is committed to the process of crystallising value for shareholders through an appropriately structured commercialisation process that may in due course lead to a monetisation event.

The Board is confident, given current circumstances, that existing cash reserves will provide Genera adequate time to undertake the formal commercialisation process and also to raise further capital to enable the Company to conclude a significant commercial agreement or achieve a monetisation event.

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

In light of the matters referred to above, the Directors are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recognised in the financial report as at 31 December 2016. 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.

Note 2. Operating segments

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

Note 3. Other income

	31 December 2016	31 December 2015
	\$	\$
R&D tax incentive income	303,994	308,580

Note 4. Reclassification of expenses

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.

Note 5. Current assets - trade and other receivables

	31 December 2016	30 June 2016
	\$	\$
Trade receivables	96,800	116,160
R&D tax incentive receivable	292,434	741,129
GST receivable	23,364	13,779
	<u>412,598</u>	<u>871,068</u>

During the half-year ended 31 December 2016, the Company accounted for the estimated and expected R&D refund for the six month period to 31 December amounting to approximately \$292k.

Genera Biosystems Limited
Notes to the financial statements
31 December 2016

Note 6. Non-current assets - intangibles

	31 December 2016	30 June 2016
	\$	\$
Development - at cost	3,143,360	3,143,360
Less: Accumulated amortisation	<u>(1,927,716)</u>	<u>(1,796,741)</u>
	<u>1,215,644</u>	<u>1,346,619</u>
Patents and trademarks - at cost	3,582,253	3,523,933
Less: Accumulated amortisation	<u>(1,871,046)</u>	<u>(1,756,058)</u>
	<u>1,711,207</u>	<u>1,767,875</u>
Software - at cost	390,021	390,021
Less: Accumulated amortisation	<u>(255,479)</u>	<u>(239,227)</u>
	<u>134,542</u>	<u>150,794</u>
	<u><u>3,061,393</u></u>	<u><u>3,265,288</u></u>

Note 7. Current liabilities - borrowings

	31 December 2016	30 June 2016
	\$	\$
Convertible Note Debt	2,529,576	2,156,972
Accrued Interest Thereon	1,501,089	1,088,589
Insurance Funding	83,606	41,173
Mezzanine loan facility	<u>1,249,999</u>	<u>586,045</u>
	<u><u>5,364,270</u></u>	<u><u>3,872,779</u></u>

(a) Series B Convertible Notes

During the December 2016 half year, the Company placed 3,750 Series B Convertible Notes at an issue price of A\$100.00 per note. During the 2015 financial year, the Company successfully placed 25,000 Series B Convertible Notes at an issue price of A\$100.00 per note ('Notes') with sophisticated investors and professional investors. The notes have an extended maturity date of 31 March 2017 under a Variation Agreement, and accrue interest at a rate of 30% per annum in the event of redemption. They can be early converted to shares at the election of the note holder at a revised conversion price of \$0.30 per share rather than \$0.23 per Ordinary Share under the original agreement.

These notes have a mixture of debt and equity features and as such a component of this funding has been recognised in Issued Capital. The notes are not listed on the ASX. The Notes are secured by a general security deed over all the assets and undertakings of the Company. The Note conversion terms shall be adjusted for any bonus issues or capital reconstructions. Noteholders are not entitled to vote in respect of the Notes until converted into Shares.

(b) Mezzanine Loan Facility

During the 2016 financial year, the Company began raising an additional \$1,000,000 under a mezzanine debt facility. Under the terms of this facility \$550,000 was provided during the 2016 financial year and the \$450,000 balance of the facility was received in the December 2016 half year. Funds raised will require repayment with 25% of interest redeemable on 31 May 2017 and the Company received shareholder approval at the Company's AGM in November for the issuance of call options under the terms of the facility. These options have a \$0.30 exercise price and the expiry date has been extended to 30 June 2017.

Genera Biosystems Limited
Notes to the financial statements
31 December 2016

Note 8. Equity - Issued capital

	31 December 2016 Shares	30 June 2016 Shares	31 December 2016 \$	30 June 2016 \$
Ordinary shares - fully paid	<u>100,619,572</u>	<u>100,619,572</u>	<u>26,322,747</u>	<u>26,277,747</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2016	100,619,572		26,277,747
Equity component of Series B Convertible Notes	30 September 2016	<u>-</u>	-	<u>45,000</u>
Balance	31 December 2016	<u>100,619,572</u>		<u>26,322,747</u>

Ordinary shares

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

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

Share buy-back

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

Note 9. Contingent liabilities

For the period 30 June 2011 to 15 August 2013, certain directors of the Company 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 31 December 2016 was \$350,000 (30 June 2016: \$350,000). This amount has not been provided for in the Company's accounts as at 31 December 2016 as it will become payable only in the event that a monetisation event occurs.

Note 10. Events after the reporting period

No matter or circumstance has arisen since 31 December 2016 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

Genera Biosystems Limited
Notes to the financial statements
31 December 2016

Note 11. Earnings per share

	31 December 2016	31 December 2015
	\$	\$
Loss after income tax attributable to the Owners of Genera Biosystems Limited	<u>(1,559,206)</u>	<u>(1,442,531)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>100,619,572</u>	<u>99,550,200</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>100,619,572</u>	<u>99,550,200</u>
	Cents	Cents
Basic earnings per share	(1.55)	(1.45)
Diluted earnings per share	(1.55)	(1.45)

Genera Biosystems Limited
Directors' declaration
31 December 2016

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Company's financial position as at 31 December 2016 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the Directors



Mr Lou Panaccio
Chairman

28 February 2017

The Rialto, Level 30
525 Collins St
Melbourne Victoria 3000

Correspondence to:
GPO Box 4736
Melbourne Victoria 3001

T +61 3 8320 2222
F +61 3 8320 2200
E info.vic@au.gt.com
W www.grantthornton.com.au

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

We have reviewed the accompanying half-year financial report of Genera Biosystems Limited ("Company"), which comprises the statement of financial position as at 31 December 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies, other explanatory information and the directors' declaration.

Directors' responsibility for the half-year financial report

The directors of Genera Biosystems Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such controls as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Genera Biosystems Limited financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Genera Biosystems Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

Grant Thornton Audit Pty Ltd ACN 130 913 594
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton Australia Ltd is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate one another and are not liable for one another's acts or omissions. In the Australian context only, the use of the term 'Grant Thornton' may refer to Grant Thornton Australia Limited ABN 41 127 556 389 and its Australian subsidiaries and related entities. GTIL is not an Australian related entity to Grant Thornton Australia Limited.

Liability limited by a scheme approved under Professional Standards Legislation.

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

Independence

In conducting our review, we complied with the independence requirements of the Corporations Act 2001.

Conclusion

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

- a giving a true and fair view of the Company's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Material Uncertainty Regarding Going Concern

Without qualifying our opinion, we draw attention to Note 1 in the financial report which indicates that Company incurred a net loss of \$1,559,206 for the half-year ended 31 December 2016 and, as of that date, the consolidated entity and cash outflows from operating and investing activities equates to \$372,309. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



M.A. Cunningham
Partner - Audit & Assurance

Melbourne, 28 February 2017