

Innovative BioMedical Devices

bioMD Limited ABN 35 088 221 078



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ANNOUNCEMENT TO THE AUSTRALIAN STOCK EXCHANGE

1 of 41 pages

28 August 2007

Company Announcements Office
Australian Stock Exchange Limited
10th Floor, 20 Bond Street
SYDNEY NSW 2000

Dear Sir/Madam,

Re: Appendix 4E - Preliminary Final Report for the year ended 30 June 2007

The Directors of bioMD Limited are pleased to announce the audited results of the Company for the year ended 30 June 2007.

Yours faithfully,

A handwritten signature in black ink, appearing to read "C. Bentley".

Caroline L Bentley
Company Secretary

Appendix 4E

Preliminary Final Report

Name of entity

bioMD Limited

ABN

36 055 221 078

Financial year ended ("current period")

30 June 2007

For announcement to the market

\$A'000's

Revenues from ordinary activities	down	30%	to	115
Loss from ordinary activities after tax	up	90%	to	(2,237)
Loss for the year attributable to members	up	88%	to	(2,089)
Dividends	Amount per security		Franked amount per security	
Final dividend proposed	NIL¢		NIL¢	
Interim dividend	NIL¢		NIL¢	
	2007		2006	
Net Tangible Asset Backing	2.77 cents		3.19 cents	

Results Commentary

RESULTS:

The operating loss after taxation of the consolidated entity for the year ended 30 June 2007 amounted to \$2.2 million, compared to the previous year's loss of \$1.2 million.

This year impairment losses amounted to \$1.3 million. (2006: \$0.1 million)

Revenues are derived from interest income on funds on deposit.

OPERATIONS:

Bioimplants

bioMD continued its strategic move into tissue engineering of bioimplants through its subsidiary company Celxcel Pty Ltd (CXC). bioMD now owns a 76.32% interest in CXC. The remaining 23.68% is held by founding shareholders of CXC.

The ADAPT™ Advanced Tissue Process (ADAPT) technology has been further developed over the past 12 months and approval has been obtained for a Phase II human clinical trial in South Africa. Early stage discussions on the commercialisation of the ADAPT technology and its associated tissue engineering know-how have commenced with global medical device companies.

Injection therapy products

Discussions have continued with interested original equipment manufacturers regarding the commercial use of the Prefilled syringe as a packaging medium for the pharmaceutical industry.

The Company has maintained its patent portfolio for the injection therapy products.

As at 30 June 2007, the Group maintained cash reserves of \$2.2 million, or 2.55 cents per share.

Annual General Meeting

The Annual General Meeting will be held at 11.00am on Tuesday 13 November, 2007 at the Terrace Room, Chifley on the Terrace Hotel, 185 St Georges Terrace, Perth WA.

Audit

The financial statements on which this report is based have been audited.



(ACN 088 221 078)

ANNUAL REPORT 30 JUNE 2007

DIRECTORS' REPORT

Your Directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of bioMD Limited ("the Company") and its controlled entity for the year ended 30 June 2007.

DIRECTORS

The following persons were Directors of the Company during the whole of the financial year and up to the date of this report:

Robert N. Scott
Michael C. Bennett
Robert E. T. Towner

PRINCIPAL ACTIVITIES

During the year, the principal activities of the consolidated entity consisted of:

- Research and development of the ADAPT process used in the production of biomaterials derived from animal tissues for use as bio-implants for human use;
- CSIRO collaboration; and
- the commercialisation and development of medical therapy products.

OPERATING RESULTS

The operating result for the period:

	CONSOLIDATED		THE COMPANY	
	2007	2006	2007	2006
	\$	\$	\$	\$
Loss before income tax	(2,797,904)	(1,177,080)	(2,010,261)	(1,045,856)
Income tax benefit	560,462	-	188,691	-
Loss for the year	(2,237,442)	(1,177,080)	(1,821,570)	(1,045,856)

DIVIDENDS

No dividend was paid during the year and the board has not recommended the payment of a dividend.

REVIEW OF OPERATIONS

Information on the operations and financial position of the Group and its business strategies and prospects is set out in the Review of Operations contained in the Annual Report.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In the opinion of the Directors, there were no significant changes in the state of affairs of the consolidated entity that occurred during the financial year, not otherwise disclosed in this report or the financial statements.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 9 August 2007, the company announced that it proposes to offer a new issue for shares and attaching options to the holders of existing listed 30 August 2007 options. The offer to be made to any option holders registered with Australian and New Zealand addresses as at the expiry date of the options. The offer will be to subscribe to 1 new share for every 10 options held plus 4 new options for every one new share subscribed at a price of 25 cents per share.

ENVIRONMENTAL REGULATIONS

The Company is not currently subject to any environmental regulations.

LIKELY DEVELOPMENTS

The likely developments in each of bioMD's research and development areas are covered in the Annual Report. Further information on likely developments in the operations of the Group and the expected results of operations have not been included in this report because the Directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

DIRECTORS' REPORT

INFORMATION ON DIRECTORS

Director	Experience	Special Responsibilities	Particulars of Directors Interest in Share and Options of the Company	
			Ordinary shares	Options over unissued ordinary shares
R N Scott FCA, MAICD	Independent non-executive chairman since 23 June 1999. Age: 60. Mr Scott has over 35 years experience in corporate structuring and taxation consulting. He is a Fellow of the Institute of Chartered Accountants in Australia and a Fellow of the Taxation Institute of Australia. <i>Other current directorships</i> Mr Scott holds several public listed company directorships including: Deputy Chairman of Amadeus Energy Limited since October 1996, Non-Executive Director of Homeloans Limited since November 2000, Non-Executive Director of Australian Renewable Fuels Limited since December 2002, and Non-Executive Director of Neptune Marine Services Ltd since May 2007. <i>Former directorships in last 3 years</i> Non-Executive Director of Evans & Tate Ltd from July 2005 to August 2007	Chairman Member of Audit Committee	275,000	1,667,500
M C Bennett	Executive director since 16 July 2003. Age: 60. Mr Bennett has over 35 years sales and marketing experience working for US and European medical device companies and has been involved in the introduction of many new medical and surgical device technologies to the Australian market. Since 1979 he owned and operated his own private surgical supply company and has exclusively represented some major overseas medical device manufacturing companies. <i>Other current directorships</i> None <i>Former directorships in last 3 years</i> None	Managing Director	8,125,938	5,653,219
R E Towner	Executive director since 16 July 2003. Age: 37. Mr Towner has spent over 10 years in financial markets as an authorised representative of Australian investment advisory firms and as a director of publicly listed and unlisted companies. <i>Other current directorships</i> Non-executive Director of Bioenergy Limited since February 2006. <i>Former directorships in last 3 years</i> Non executive chairman of Brainytoys Ltd from August 2005 to May 2006.		10,651,080	10,866,770

COMPANY SECRETARY

Mrs Caroline L Bentley has been the Company Secretary of bioMD Limited for 7 years. She has 18 years experience as a chartered accountant in public practice and commerce. She also holds the position of Company Secretary and Executive Director of Amadeus Energy Limited.

DIRECTORS' REPORT

MEETINGS OF DIRECTORS

The number of meetings of the Company's Board of Directors and of each Board committee held during the year ended 30 June 2007, and the numbers of meetings attended by each director were:

Directors	Full Meeting of Directors		Meetings of Audit Committee	
	A	B	A	B
Robert N. Scott	12	12	2	2
Michael C. Bennett	12	12	**	**
Robert E. T. Towner	12	12	**	**

A = Number of meetings attended

B = Number of meetings held during the time the director held office or was a member of the committee during the year

** = Not a member of the relevant committee

The Board meets regularly on an informal basis in addition to the above meetings.

Details of the memberships of the committee of the Board are presented in the Corporate Governance Statement.

RETIREMENT OF DIRECTORS

Mr Robert Scott is the director retiring by rotation, who being eligible, offers himself for re-election.

REMUNERATION REPORT (*Audited*)

The remuneration report is set out under the following main headings:

- A Principles used to determine the nature and amount of remuneration
- B Details of remuneration
- C Services agreements
- D Share-based compensation

The information provided under headings A-D includes remuneration disclosures that are required under Accounting Standard AASB 124 *Related Party Disclosures*. These remuneration disclosures have been transferred from the financial report and have been audited.

There were no executives other than directors of the Company during the financial year. Hence no executive disclosures are made in this report. The remuneration arrangements detailed in this report are for non-executive and executive directors.

A Principles used to determine the nature and amount of remuneration

The objective of the Company's remuneration framework is to ensure reward for performance is competitive and appropriate for the results delivered and set to attract the most qualified and experienced candidates.

Remuneration levels are competitively set to attract the most qualified and experienced directors and senior executive officers, in the context of prevailing market conditions.

The Company embodies the following principles in its remuneration framework:

- the Board seeks independent advice on remuneration policies and practices including recommendations on remuneration packages and other terms of employment for Directors; and
- In determining remuneration, advice is sought from external consultants on current market practices for similar roles, the level of responsibility, performance and potential of the director and performance of the bioMD group.

In accordance with best practice corporate governance, the structure of non-executive and executive remuneration is separate and distinct. Remuneration committee responsibilities are carried out by the full Board.

Non Executive Director

Fees and payments to the non-executive director reflect the demands which are made on, and the responsibilities of the director. Non-executive directors' fees and payments are reviewed annually by the Board. The Non-Executive Chairman fees are determined based on competitive roles in the external market. The Chairman is not present at any discussions relating to the determination of his own remuneration.

The current base remuneration was last reviewed in July 2007. The Chairman currently receives a fixed fee for his services as a director.

The Company's non-executive director's remuneration package contains the following key elements:

- primary benefits – quarterly director's fees; and
- equity –share options under the bioMD Share Option Incentive Plan (as approved by shareholders at the AGM on 28 October 2004).

Non-executive director fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at \$250,000 pa and was approved by shareholders at the Annual General Meeting on 15 November 2002.

DIRECTORS' REPORT

The following director's fees have applied to the non-executive director:

Base Fees	Year ended 30 June 2007	Year ended 30 June 2006
Chairman	\$38,150	\$38,150

No retirement benefits are provided, other than compulsory superannuation.

Share options under the bioMD Share Option Incentive Plan can also be offered to the non executive director as a long term incentive.

Executive Directors

The Company's executive director's remuneration packages contain the following key elements:

- primary benefits – fees via base service agreements and a parking bay; and
- equity –share options under the bioMD Share Option Incentive Plan (as approved by shareholders at the AGM on 28 October 2004).

The combination of these components comprises the executive directors' total remuneration.

Service agreements are in place for executive directors which provides for a fixed base fee per annum. External remuneration information provides benchmark information to ensure the base pay is set to reflect the market for a comparable role. Base fees are reviewed annually to ensure the level is competitive with the market. There is no guaranteed base fee increases included in any executive director contracts. A parking bay is also provided as an additional benefit to executive directors.

The Company does not offer any variable remuneration incentive plans or bonus schemes to executive directors or any retirement benefits.

B Details of remuneration

Details of the remuneration of the directors of the consolidated entity, including their personally-related entities is set out below:

	Directors fees \$	Consulting fees \$	Salary \$	Superannuation \$	Non-monetary benefits \$	Equity options \$	Total \$	% Remuneration consisting of options for the year
2007								
R N Scott	-	-	-	38,150	-	30,660	68,810	45%
M C Bennett	-	230,000	-	-	-	30,660	260,660	12%
R E Towner	-	200,000	-	-	-	30,660	230,660	13%
Total	-	430,000	-	38,150	-	91,980	560,130	

	Directors fees \$	Consulting fees \$	Salary \$	Superannuation \$	Non-monetary benefits \$	Equity options \$	Total \$
2006							
R N Scott	17,500	-	-	20,650	-	-	38,150
M C Bennett	-	205,000	-	-	-	-	205,000
R E Towner	-	181,500	-	-	-	-	181,500
Total	17,500	386,500	-	20,650	-	-	424,650

(1) Remuneration is not linked to the performance of the Company.

(2) There are no termination or retirement benefits for non-executive directors (other than statutory superannuation).

C Services agreements

On appointment, the non-executive directors enter into a service agreement with the Company in the form of a letter of appointment. The letter outlines the Board policies and terms, including remuneration relevant to the office of director.

Remuneration and other terms of employment for the Managing Director and Executive Director are formalised in service agreements. The major provisions relating to remuneration are set out below.

DIRECTORS' REPORT

All contracts may be terminated early by either party with six months notice. Subject to termination payments as outlined below.

Michael Bennett, Managing Director

- Term of agreement – 3 years from 1 August 2006.
- Base fee of \$230,000 for the year ended 30 June 2007, to be reviewed annually.
- Payment of long service leave equal to 3 months of base fee upon completion of 7 years of continuous service.
- No superannuation payable under the agreement.
- No performance based benefits payable under the agreement.

Robert Towner, Executive Director

- Term of agreement – 3 years from 1 August 2006.
- Base fee of \$200,000 for the year ended 30 June 2007, to be reviewed annually.
- Payment of long service leave equal to 3 months of base fee upon completion of 7 years of continuous service.
- No superannuation payable under the agreement.
- No performance based benefits payable under the agreement.

Termination benefits

Post-employment benefits include accrued long service leave, which is due and payable after every seven consecutive years of service. The service agreements provide executive director's with three months of base fee in the event of redundancy. No other termination benefits are payable, unless the Company does not provide the required 6-month notice period of termination, then 3 months of base fee is payable.

An agreement is in place between the Company and Amadeus Energy Limited (Amadeus), a company in which Mr Scott is a director, whereby Amadeus provides company secretarial and administration services to the Company. The agreement has been renewed to January 2010 at a rate of \$30,000 pa, reviewed annually.

D Share-based compensation

Options

Options over shares in the Company are granted under the bioMD Employee Share Option Plan ('ESOP') which was approved by shareholders at the 2004 annual general meeting. The ESOP is designed to provide long-term incentives for directors and employees to deliver long-term shareholder returns. Participation in the ESOP is at the discretion of the Board and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits. Options granted carry no dividend or voting rights.

Details of options over ordinary shares in the Company provided as remuneration to each director is set out below. Refer to Note 26 for details of director holdings in the ordinary shares and options in the Company as at 30 June 2007.

Number of options granted during the year		
Name	2007	2006
Directors		
R N Scott	600,000	-
M C Bennett	600,000	-
R E Towner	600,000	-
	1,800,000	-
Company Secretary		-
C L Bentley	250,000	-

During the year 1.8 million options were issued to directors. (2006: Nil). The options are exercisable up to the expiry date of 16 November 2010, at an exercise price of 10 cents per option.

No options under the ESOP have been exercised during the financial year. (2006: Nil).

SHARES UNDER OPTION

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

Date options granted	Expiry date	Issue price of shares	Number under option	Value of option at grant date
30 Aug 2004	30 Aug 2007	20 cents	64,104,626	N/A
1 Feb 2006	1 Feb 2009	15 cents	300,000	8.03 cents
16 Aug 2006	16 Aug 2010	10 cents	1,250,000	2.36 cents
16 Nov 2006	16 Nov 2010	10 cents	1,800,000	5.11 cents
Total			67,454,626	

DIRECTORS' REPORT

No option holder has any right under the options to participate in any other share issue of the Company or any other entity.

The options are exercisable at any time on or before the expiry date.

3,200,000 options lapsed on 16 July 2006 with an exercise price of \$1.00 per option.

INSURANCE OF OFFICERS

During the year, bioMD Limited paid a premium of \$28,325 to insure the directors and officers of the Company and its controlled entity. No liability has arisen under these indemnities as at the date of this report.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Company, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purposes of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001.

NON-AUDIT SERVICES

The Company may decide to employ the auditor on assignments additional to their statutory audit duties, where the auditors' expertise and experience with the Company are important.

Details of the amounts paid or payable to the auditor BDO Kendalls Audit and Assurance (WA) Pty Ltd for audit and non-audit services provided during the year are set out below.

The Board of Directors has considered the position and, in accordance with the advice received from the Audit Committee, is satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services have been reviewed by the Audit Committee to ensure they do not impact on the impartiality and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

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

	2007 \$	2006 \$
Audit services		
BDO Kendalls audit and Assurance (WA) Pty Ltd (formerly Horwath Audit (WA) Pty Ltd):		
Audit and review of financial reports and other audit work under the <i>Corporations Act 2001</i>	23,050	23,880
Non-audit services		
Other Assurance Services		
Related entities of BDO Kendalls:		
AIFRS accounting services	13,600	2,678
Other Services		
Related entities of BDO Kendalls:		
Taxation compliance services, including review of company tax returns	6,210	4,300
Research and development application preparation	16,240	19,340
Total remuneration for non-audit services	36,050	26,318

DIRECTORS' REPORT

AUDITOR

BDO Kendalls Audit and Assurance (WA) Pty Ltd continues in office in accordance with section 327 of the *Corporations Act 2001*.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is attached.

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

A handwritten signature in black ink, appearing to read 'R. Scott', with a long, sweeping horizontal stroke extending to the right.

Robert N, Scott

Non-Executive Chairman
Perth, Western Australia

Dated this 28th day of August 2007



BDO Kendalls

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www.bdo.com.au

ABN 79 112 284 787

28 August 2007

The Directors
bioMD Limited
PO Box 7778
CLOISTERS SQUARE WA 6850

Dear Sirs

**DECLARATION OF INDEPENDENCE BY BDO KENDALLS TO THE DIRECTORS
OF BIOMD LIMITED**

As lead auditor of bioMD Limited for the year ended 30 June 2007, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

This declaration is in respect of bioMD Limited and the entities it controlled during the period.

Yours faithfully
BDO Kendalls Audit & Assurance (WA) Pty Ltd

BDO Kendalls


Peter Toll
Director

bioMD LIMITED (ACN 088 221 078) AND CONTROLLED ENTITIES

**CONSOLIDATED INCOME STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

	Note	CONSOLIDATED 2007 \$	2006 \$	THE COMPANY 2007 \$	2006 \$
Revenue from continuing operations	3	115,308	165,309	334,125	147,282
Administrative expenses		(1,332,676)	(987,652)	(1,008,295)	(839,599)
Employee benefits expenses	4	(253,302)	(108,383)	(253,302)	(108,383)
Asset write-downs	4	(6,990)	(112,646)	(6,990)	(112,646)
Impairment	4	(1,309,280)	(122,531)	(1,068,153)	(122,531)
Depreciation expense	4	(10,964)	(11,177)	(7,646)	(9,979)
		(2,913,212)	(1,342,389)	(2,344,386)	(1,193,138)
Loss before income tax		(2,797,904)	(1,177,080)	(2,010,261)	(1,045,856)
Income tax benefit	5	560,462	-	188,691	-
Loss for the year		(2,237,442)	(1,177,080)	(1,821,570)	(1,045,856)
Loss attributable to minority interest		148,255	65,612	-	-
Loss attributable to members of the Company		(2,089,187)	(1,111,468)	(1,821,50)	(1,045,856)
Earnings per share (cents per share)	20	Cents	Cents		
Basic earnings per share		(2.79)	(1.57)		
Diluted earnings per share		(2.68)	(1.57)		

The above consolidated income statements should be read in conjunction with the accompanying notes.

bioMD LIMITED (ACN 088 221 078) AND CONTROLLED ENTITIES
**CONSOLIDATED BALANCE SHEETS
AS AT 30 JUNE 2007**

	Note	CONSOLIDATED 2007 \$	2006 \$	THE COMPANY 2007 \$	2006 \$
ASSETS					
Current Assets					
Cash and cash equivalents	22	2,146,964	2,745,262	1,336,893	2,243,936
Trade and other receivables	6	191,384	26,743	32,620	20,575
Tax receivable	5	219,635	-	188,691	-
Total Current Assets		2,557,983	2,772,005	1,558,204	2,264,511
Non-Current Assets					
Property, plant & equipment	8	25,756	37,252	11,067	19,868
Other financial assets	7	-	-	936,628	650,000
Intangible assets	9	-	1,112,854	-	116,886
Deferred tax assets	10	-	1,582	-	1,399
Total Non-Current Assets		25,756	1,151,688	947,695	788,153
TOTAL ASSETS		2,583,739	3,923,693	2,505,899	3,052,664
LIABILITIES					
Current Liabilities					
Payables	11	221,242	228,002	163,415	197,723
Borrowings	12	20,013	30,684	-	-
Total Current Liabilities		241,255	258,686	163,415	197,723
Non-Current Liabilities					
Provisions	13	3,800	-	3,800	-
Deferred tax liabilities	14	-	292,688	-	1,399
Total Non-Current Liabilities		3,800	292,688	3,800	1,399
TOTAL LIABILITIES		245,055	551,374	167,215	199,122
NET ASSETS		2,338,684	3,372,319	2,338,684	2,853,542
EQUITY					
Contributed equity	16	7,848,502	6,663,270	7,848,502	6,663,270
Reserves	17	145,570	24,090	145,570	24,090
Accumulated losses	17	(5,988,617)	(3,899,430)	(5,655,388)	(3,833,818)
Parent entity interest		2,005,455	2,787,930	2,338,684	2,853,542
Minority interest	18	333,229	584,389	-	-
TOTAL EQUITY		2,338,684	3,372,319	2,338,684	2,853,542

The above consolidated balance sheets should be read in conjunction with the accompanying notes.

bioMD LIMITED (ACN 088 221 078) AND CONTROLLED ENTITIES

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2007**

	CONSOLIDATED					
	Share Capital \$	Reserves \$	Retained Earnings \$	Total \$	Minority Interest \$	Total Equity \$
Balance at 1 July 2005	6,663,270	24,090	(2,787,962)	3,899,398	-	3,899,398
Loss for the year	-	-	(1,111,468)	(1,111,468)	(65,612)	(1,177,080)
Total recognised income and expense for the year	-	-	(1,111,468)	(1,111,468)	(65,612)	(1,177,080)
Minority interest on acquisition of subsidiary	-	-	-	-	650,000	650,000
Balance at 1 July 2006	6,663,270	24,090	(3,899,430)	2,787,930	584,388	3,372,318
Loss for the year	-	-	(2,089,187)	(2,089,187)	(148,255)	(2,237,442)
Total recognised income and expense for the year	-	-	(2,089,187)	(2,089,187)	(148,255)	(2,237,442)
Shares issued (net of transaction costs)	1,185,232	-	-	1,185,232	-	1,185,232
Staff options	-	121,480	-	121,480	-	121,480
Minority interest on additional interest in subsidiary	-	-	-	-	(102,904)	(102,904)
	1,185,232	121,480	-	1,306,712	(102,904)	1,203,808
Balance at 30 June 2007	7,848,502	145,570	(5,988,617)	2,005,455	333,229	2,338,684

	THE COMPANY			
	Share Capital \$	Reserves \$	Retained Earnings \$	Total \$
Balance at 1 July 2005	6,663,270	24,090	(2,787,962)	3,899,398
Loss for the year	-	-	(1,045,856)	(1,045,856)
Total recognised income and expense for the year	-	-	(1,045,856)	(1,045,856)
Balance at 1 July 2006	6,663,270	24,090	(3,833,818)	2,853,542
Loss for the year	-	-	(1,821,570)	(1,821,570)
Total recognised income and expense for the year	-	-	(1,821,570)	(1,821,570)
Shares issued (net of transaction costs)	1,185,232	-	-	1,185,232
Employee share options	-	121,480	-	121,480
	1,185,232	121,480	-	1,360,712
Balance at 30 June 2007	7,848,502	145,570	(5,655,388)	2,338,684

The above Consolidated Statements of Changes in Equity should be read in conjunction with the accompanying notes.

bioMD LIMITED (ACN 088 221 078) AND CONTROLLED ENTITIES
**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2007**

	Note	CONSOLIDATED		THE COMPANY	
		2007	2006	2007	2006
		\$	\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers / ATO refunds		12,000	324,571	286,420	324,571
Payment to suppliers		(1,617,802)	(1,024,558)	(1,208,430)	(892,991)
		(1,605,802)	(699,987)	(922,010)	(568,420)
Interest received		99,898	165,507	73,465	139,804
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	22	(1,505,904)	(534,480)	(848,545)	(428,616)
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for property, plant & equipment		(6,458)	(18,582)	(5,835)	-
Payments for intangible assets		(98,682)	(65,071)	(28,975)	(39,455)
Purchase of investments		-	-	(1,047,105)	(650,000)
Payments for purchase of subsidiary, net of cash acquired		-	1,388	-	-
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(105,140)	(82,265)	(1,081,915)	(689,455)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from share issues		1,050,000	-	1,050,000	-
Share issue transaction costs		(26,583)	-	(26,583)	-
Repayment of borrowings		(10,671)	-	-	-
NET CASH INFLOW FROM FINANCING ACTIVITIES		1,012,746	-	1,023,417	-
NET DECREASE IN CASH HELD		(598,298)	(616,745)	(907,043)	(1,118,071)
CASH AT BEGINNING OF THE YEAR		2,745,262	3,362,007	2,243,936	3,362,007
CASH AT THE END OF THE YEAR	22	2,146,964	2,745,262	1,336,893	2,243,936

The above Consolidated Statements of Cash Flows should be read in conjunction with the accompanying notes.

bioMD LIMITED (ACN 088 221 078) AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

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. The financial report includes separate financial statements for bioMD Limited (the 'Company') and the consolidated entity consisting of bioMD Limited and its subsidiary ('Group').

The financial report was authorised for issue in accordance with a resolution of the directors on 28 August 2007.

(a) Basis of preparation

This financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Australian Accounting Standards ('AASB'), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group interpretations and the *Corporations Act 2001*.

Compliance with AIFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the consolidated financial statements and notes of bioMD Limited comply with the International Financial Reporting Standards ('IFRS').

The parent entity financial statements and notes also comply with IFRS except that it has elected to apply the relief provided to parent entities in respect of certain disclosure requirements contained in *AASB 132: Financial Instruments – Disclosure and Presentation*.

Historical cost convention

The financial report has been prepared on a historical cost basis.

(b) Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of the subsidiary of bioMD Limited as at 30 June 2007 and the results of its subsidiary for the year then ended. bioMD Limited and its subsidiaries together are referred to in this financial report as the Group or the Consolidated Entity.

Subsidiaries are all those entities over which the Group has power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

A subsidiary is fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of a subsidiary by the Group. Inter-company balances, transactions and unrealised gains of transactions between Group companies are eliminated in full. Investments in subsidiaries are accounted for at cost in the financial statements of bioMD Limited.

Transactions eliminated on consolidation

All intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the consolidated entity's interest in the entity with adjustments made to the 'Investment in associates' and 'Share of associates net profit' accounts.

Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Gains and losses are recognised as the contributed assets are consumed or sold by the associate or, if not consumed or sold by the associate, when the consolidated entity's interest in such entity is disposed of.

(c) Business combinations

The purchase method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, equity instruments issued or assumed at the date of exchange plus costs directly attributable to the acquisition. Transaction costs arising on the issue of equity instruments are recognized directly in equity.

bioMD LIMITED (ACN 088 221 078) AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date, irrespective of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than

the Group's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

(d) Revenue recognition

Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

Lease income

Lease income from operating leases is recognised in income on a straight-line basis over the lease term.

(e) Property, plant and equipment

Owned Assets

Items of property, plant and equipment are stated at historical cost less accumulated depreciation. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred at the date of acquisition plus costs directly attributable to the acquisition. 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 Group and the cost of the item can be reliably measured. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the reporting period in which they are incurred.

Depreciation / Amortisation

Depreciation is calculated using the straight-line method to allocate cost over the estimated useful life of an item of property, plant and equipment.

The estimated useful lives for each class of assets in the current and comparative periods are as follows:

- Plant and equipment 3 years

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each balance sheet 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 carrying amount, these are included in the income statement.

(f) Intangible assets

Intellectual property

Costs incurred on intellectual property (IP) are recognised at cost of acquisition. IP has an indefinite life and is carried at cost less any accumulated amortisation and any impairment losses.

Patents

Significant costs associated with patents are deferred and will be amortised on a straight-line basis over the period of their expected benefit. Currently the patents have an indefinite life.

Research and development

Expenditure on research activities, undertaken with the prospect of obtaining new scientific or technical knowledge and understanding, is recognised in the income statement as expenditure when it is incurred.

Expenditure on development activities, being the application of research findings or other knowledge to a plan or design for the production of new or substantially improved products or services before the start of commercial production or use, is capitalised if the product or service is technically and commercially feasible and adequate resources are available to complete the development. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overhead. Other development expenditure is recognised in the income statement as an expense as incurred. To date no development costs have been capitalised.

bioMD LIMITED (ACN 088 221 078) AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

(g) Impairment of 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 reviewed 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 they are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets other than goodwill are reviewed for possible reversal of the impairment at each reporting date.

(h) 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 national 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 difference arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply then the 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 probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax liabilities and assets are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

bioMD Limited and its Australian controlled entity has not implemented the tax consolidation legislation.

(i) Cash and cash equivalents

For cash flow statement 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 insignificant risk of changes in value and bank overdrafts.

(j) Investments and Other financial assets

The Company has no financial assets with exception of cash and cash equivalents (refer to note 1(i)), receivables and the parent company investment in a subsidiary. The parent entity investment in subsidiary is carried at cost.

(k) Payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Trade accounts payable are unsecured and are normally paid within 30 days of recognition.

(l) Borrowings

Borrowings are initially measured at the principal amount. Interest is charged as an expense as it accrues. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

bioMD LIMITED (ACN 088 221 078) AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

(m) Segment reporting

A business segment is identified for a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is identified when products or services are provided within a particular economic environment subject to risks and returns that are different from those of segments operating in other economic environments.

The Group operates in two primary business segments, located in Australia:

- the development of tissue engineering technology; and
- the development and commercialisation of medical therapy products.

(n) Earnings per share

Basic earnings per share

Basic earnings per share is determined by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share by taking into account amounts unpaid on ordinary shares and any reduction in earnings per share that will probably arise from the exercise of options outstanding during the financial year.

(o) Employee benefits

Wages, salaries, annual leave and sick leave

Liabilities for salaries and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables 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.

Long service leave

The liability for long service leave is recognised in 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 using the projected unit credit method. 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.

Retirement benefit obligations

The Group makes statutory superannuation guarantee contributions in respect of each employee to their nominated complying superannuation plan. In certain circumstances, pursuant to an employee's employment contract the Group may also make salary sacrifice superannuation contributions in addition to the statutory guarantee contribution.

Contributions to the employees' superannuation plans are recognised as an expense as they become payable.

Share based payments

Share-based compensation benefits are provided to employees via the bioMD Employee Share Option Plan (ESOP).

The fair value of options granted under the ESOP is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and recognised on that date.

The fair value is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the non-tradeable nature of the option, the share price and expected price volatility of the underlying shares, the expected yield and the risk-free interest rate for the term of the option.

(p) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement in a straight-line basis over the period of the lease.

Lease income from operating leases, where the Group is lessor is recognised in income on a straight line basis over the lease term.

bioMD LIMITED (ACN 088 221 078) AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

(q) 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.

(r) 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 with 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 balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

(s) Accounting estimates and judgements

Estimated and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

Share-based payment transactions

The cost of share based payments to employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined with assistance of an external valuer, using the Black-Scholes formula, taking into accounts the terms and conditions upon which the instruments were granted.

Impairment Testing

The directors evaluate estimates and judgements 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. Critical estimates relating to impairment testing of the assets of the group and parent entity are as follows:

- o Carrying Value of investment in Celxcel Pty Ltd and related intellectual property

The directors have conducted an impairment testing review of the carrying value of the investment in its subsidiary, Celxcel Pty Ltd and the carrying value of intellectual property.

(t) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2007 reporting periods. The Group's assessment of the impact of these new standards is set out below:

Affected Standard	Nature of Change to Accounting Policy	Application *
AASB 7: Financial Instruments: Disclosures	No impact on accounting policy, but will require significant additional disclosures in relation to financial instruments.	1 January 2007
AASB 2005-10 : Amendments to Australian Accounting Standards [AASB132, AASB101, AASB114, AASB 117, AASB133, AASB139, AASB4, AASB1023 and AASB1038]	No impact on accounting policy, affects some disclosures for the year ending 30 June 2008.	1 January 2007
AASB 8: Operating Segments	No impact on accounting policy, affects disclosures in relation to operating segments instead of business and geographical segments for the financial report ending 30 June 2010.	1 January 2009
AASB 2007- 3 : Amendments to Australian Accounting Standards arising from AASB 8 [AASB5, AASB6, AASB102, AASB 107, AASB119, AASB127, AASB134, AASB136, AASB 1023 and AASB1038]	No impact on accounting policy, affects disclosures only	1 January 2009
AASB 2007-7 : Amendments to Australian Accounting Standards [AASB1, AASB2, AASB4, AASB5, AASB107 and AASB128]	No impact on accounting policy, affects disclosures only	1 July 2007
AASB 101: Presentation of Financial Statements	No impact on accounting policy or disclosures	1 January 2007
AASB 2007- 1 : Amendments to Australian Accounting Standards arising from AASB 11	No impact on the consolidated financial report or the parent entity financial statements	1 March 2007
AASB 2007- 4 : Amendments to Australian Accounting Standards arising from ED 151 and other amendments	No impact on accounting policy or disclosures	1 July 2007
AASB Interpretation 11: Group and Treasury Share transactions	No impact on accounting policy or disclosures	1 March 2007

* Applicable to reporting periods commencing on or after the given date.

bioMD LIMITED (ACN 088 221 078) AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

2. FINANCIAL RISK MANAGERMENTS

The Group's principal financial instruments comprise cash and short-term deposits. The Group does not have any borrowings, other than loans from external shareholders of Celxcel Pty Ltd, which are payable at call and interest-free.

The main purpose of these financial instruments is to fund the Group's operations. The Group has various other financial assets and liabilities, such as trade receivables and trade payables, which arise directly from its operations.

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Group are cash flow (interest rate risk, liquidity risk, credit risk and foreign currency risk). The board reviews and agrees policies for managing each of these risks and they are summarised below.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the financial statements.

Credit risk

The Group does not have any significant concentrations of credit risk.

Liquidity risk

The Group currently does not have any major funding in place. The directors monitor the cash-burn rate of the group on an on-going basis against budget and the maturity profiles of financial assets and liabilities to manage its liquidity risk.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relate primarily to cash assets and floating interest rates. The Group does not have significant interest-bearing assets and is not materially exposed to changes in market interest rates.

	Note	CONSOLIDATED		THE COMPANY	
		2007	2006	2007	2006
		\$	\$	\$	\$

3. REVENUE FROM CONTINUING OPERATIONS

Revenue from continuing operations

Interest from other parties	103,308	162,309	78,125	144,282
Administration services income	-	-	244,000	-
Sub-lease rental income	12,000	3,000	12,000	3,000
Total revenue	115,308	165,309	334,125	147,282

4. EXPENSES

Loss before income tax includes the following specific expenses:

Consultancy costs	675,598	511,060	516,140	396,930
Rental expense relating to operating leases	26,010	28,378	26,010	28,378
Depreciation				
Plant & equipment	8 10,964	11,177	7,646	9,979
Research and development	233,222	240,644	210,610	232,750
Write-down of plant & equipment	6,990	112,646	6,990	112,646
Impairment of assets:				
Intangibles - patents	173,190	122,531	145,861	122,531
Intangibles – intellectual property	1,136,090	-	-	-
Investment in subsidiary	7 -	-	922,292	-
	1,309,280	122,531	1,068,153	122,531
Employee benefits expense				
Wages and salaries	48,828	48,256	48,828	48,256
Leave provisions	18,214	2,681	18,214	2,681
Other benefits	64,780	57,446	64,780	57,446
Share bases payments – equity settled	28 121,480	-	121,480	-
	253,302	108,383	253,302	108,383

bioMD LIMITED (ACN 088 221 078) AND CONTROLLED ENTITIES

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

	Note	CONSOLIDATED		THE COMPANY	
		2007	2006	2007	2006
		\$	\$	\$	\$
5. INCOME TAX EXPENSE / (BENEFIT)					
(a) Income tax expense / (benefit)					
Current tax		-	-	-	-
Deferred tax		(340,827)	-	-	-
Adjustments for current tax of prior periods		(219,635)	-	(188,691)	-
		(560,462)	-	(188,691)	-
Deferred income tax (revenue)/expense included in income tax expense comprises:					
Decrease/ (increase) in deferred tax assets		1,582	(31,115)	1,399	31,298
(Decrease)/Increase in deferred tax liabilities		(342,409)	31,115	(1,399)	(31,298)
		(340,827)	-	-	-
(b) Numerical reconciliation of income tax benefit to prima facie tax payable					
Loss from continuing operations before income tax expense		(2,797,904)	(1,177,080)	(2,010,261)	(1,045,856)
Tax at the Australian tax rate of 30% (2006:30%)		(839,371)	(353,124)	(603,078)	(313,757)
Tax effect of amounts that are not deductible/ (taxable) in calculating taxable income:					
Share based employee payments		36,444	-	36,444	-
Sundry non-assessable/deductible items		-	(73,098)	-	(67,893)
Sundry non-deductible items		636	1,906	596	1,869
		(802,291)	(424,316)	(566,038)	(379,781)
Under / (over) provision in prior years		-	-	-	-
Income tax benefit not recognised		461,464	424,316	566,038	379,781
R and D tax rebate		(219,635)	-	(188,691)	-
Income tax expense / (benefit)		(560,462)	-	(188,691)	-
(c) Tax losses					
Unused tax losses for which no deferred tax assets has been recognised		4,024,443	3,101,335	3,301,698	2,963,562
Potential tax benefit at 30%		1,207,333	930,400	990,509	889,069

All unused tax losses were incurred by Australian entities.

bioMD LIMITED (ACN 088 221 078) AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	Note	CONSOLIDATED		THE COMPANY	
		2007	2006	2007	2006
		\$	\$	\$	\$
5. INCOME TAX EXPENSE / (BENEFIT) continued					
(d) Unrecognised temporary differences					
Deferred tax assets and liabilities not recognised relate to the following:					
Deferred tax assets					
Tax losses		1,207,333	930,401	990,509	889,069
Other temporary differences		1,045,474	480,712	531,189	477,326
Deferred tax liabilities					
Other temporary differences		(419,515)	(1,582)	(416,911)	(1,399)
Net deferred tax assets		1,833,292	1,409,531	1,140,787	1,364,997

No franking account credits are available.

(e) Tax consolidation legislation

bioMD Limited and its Australian controlled entity have not implemented the tax consolidation legislation.

6. TRADE AND OTHER RECEIVABLES

Trade receivables	27,009	-	27,009	-
Accrued Interest	8,680	5,270	-	4,660
Prepayments	136,000	-	-	-
Other receivables	19,695	21,473	5,611	15,915
	191,384	26,743	32,620	20,575

Other receivables arise from GST refunds expected from the ATO for June 2007.

7. OTHER FINANCIAL ASSETS

Shares in subsidiary – at cost	15	-	-	1,858,920	650,000
Provision for impairment		-	-	(922,292)	-
		-	-	936,628	-

The shares in subsidiary are carried at cost.

For further information in relation to the subsidiary – refer to Note 15.

8. PROPERTY, PLANT & EQUIPMENT

Plant & equipment				
At cost	61,870	62,402	42,665	43,820
Accumulated depreciation	(36,114)	(25,150)	(31,598)	(23,952)
Net book amount	25,756	37,252	11,067	19,868
Reconciliation				
Opening net book amount	37,252	142,493	19,868	142,493
Additions	6,458	18,582	5,835	-
Disposals	-	-	-	-
Asset write-down	(6,990)	(112,646)	(6,990)	(112,646)
Depreciation charge	(10,964)	(11,177)	(7,646)	(9,979)
Closing net book amount	25,756	37,252	11,067	19,868

Plant and equipment is comprised of office and laboratory equipment.

The asset write-down relates to items of equipment no longer used in the usual operating activities of the Group.

bioMD LIMITED (ACN 088 221 078) AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	CONSOLIDATED		THE COMPANY	
	2007	2006	2007	2006
	\$	\$	\$	\$
9. INTANGIBLE ASSETS				
Intellectual Property	-	970,353	-	-
Patents	-	142,501	-	116,886
	-	1,112,854	-	116,886
Intellectual Property				
Opening net book value	970,353	-	-	-
Additions - acquisition	165,737	970,353	-	-
Impairment charge	(1,136,090)	-	-	-
Closing net book value	-	970,353	-	-
Patent costs				
Opening net book value	142,501	199,961	116,886	199,961
Additions - acquisitions	30,689	65,071	28,975	39,456
Impairment charge	(173,190)	(122,531)	(145,861)	(122,531)
Closing net book value	-	142,501	-	116,886

All intangible assets have been assessed to have an indefinite useful life, as the assets are at a point too early to determine the length of their useful life reliably. The recovery of patents remains dependent upon future successful commercial application of the entity's intellectual property. The recoverable amount of each cash-generating unit is determined based on fair value less costs to sell.

As at 30 June 2007, the carrying value of intellectual property (IP) and patents have been reviewed against the entity's business plan. The fair value of the intangible assets cannot be determined, as the Group is at a point too soon to determine the future sales to be generated by the technology. No third party contracts have been signed to date. This does not in anyway, reflect the Director's opinion as to the future potential of the Adapt technology.

10. DEFERRED TAX ASSETS

The balance comprises temporary differences attributable to:

Amounts recognised in profit and loss

Employee benefits	-	1,004	-	1,004
Accrued expenses	-	1,759	-	709
Tax losses *	-	319,975	-	278,643
Plant and equipment	-	68,535	-	68,535
Intangibles	-	32,487	-	30,151
Derecognition to the extent of the deferred tax liability	-	(424,316)	-	(379,781)
<i>Amounts recognised in equity</i>				
Share issue costs	-	(30,559)	-	(30,559)
	-	(31,115)	-	(31,298)

Movements:

Opening balance at 1 July	1,582	32,697	1,399	32,697
Credited/ (charged) to income statement	(1,582)	(31,115)	(1,399)	(31,298)
Credited/ (charged) to equity	-	-	-	-
Closing balance 30 June	-	1,582	-	1,399

* The deferred tax asset attributable to tax losses does not exceed taxable amounts arising from the reversal of existing assessable temporary differences.

bioMD LIMITED (ACN 088 221 078) AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	CONSOLIDATED		THE COMPANY	
	2007	2006	2007	2006
	\$	\$	\$	\$

11. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

Trade payables	86,917	208,461	31,090	181,680
Accruals	112,000	11,630	110,000	8,132
Employee benefits	22,325	7,911	22,325	7,911
	221,242	228,002	163,415	197,723

12. CURRENT LIABILITIES - BORROWINGS

Loans payable (unsecured)	20,013	30,684	-	-
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The loans are interest-free and repayable at call to third-party shareholders in Celxcel Pty Ltd.

13. NON CURRENT LIABILITIES - PROVISIONS

Long service leave provision	3,800	-	3,800	-
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14. NON-CURRENT LIABILITIES DEFERRED TAX LIABILITIES

The balance comprises temporary differences attributable to:

Accrued interest receivable	-	1,582	-	1,399
Depreciable assets	-	-	-	-
Acquisition of subsidiary	-	291,106	-	-
	-	292,688	-	1,399

Movements:

Opening balance at 1 July	292,688	32,697	1,399	32,697
Charged/ (credited) to income statement	(342,409)	(31,115)	(1,399)	(31,298)
Credited/ (charged) to equity	-	-	-	-
Purchase of subsidiary	49,721	291,106	-	-
Prior period adjustment - intangible assets	-	-	-	-
Closing balance 30 June	-	292,688	-	1,399

15. SUBSIDIARIES

The consolidated financial statement incorporate the assets, liabilities and results of the following subsidiary in accordance with the accounting policy described at Note 1 (a).

	Country of Incorporation	Class of Shares	Equity Holding	
			% 2007	% 2006
Celxcel Pty Ltd	Australia	Ordinary	76.32	50

The proportion of ownership interest is equal to the proportion of voting power held.

During the current year, additional holdings were acquired in Celxcel Pty Ltd as follows:

Date	%	\$
10 July 2006	21.5%	308,920
3 May 2007	4.82%	900,000

bioMD LIMITED (ACN 088 221 078) AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

16. CONTRIBUTED EQUITY

	2007 Shares	2006 Shares	2007 \$	2006 \$
(a) Share capital				
Issues and paid-up ordinary shares	84,308,356	70,866,251	7,848,502	6,663,270
(b) Movements in ordinary share capital:				
Opening balance	70,866,251	70,866,251	6,663,270	6,663,270
10 July 2006 - issue of shares for 21.5% purchase of additional interest in Celxcel Pty Ltd	2,942,105	-	161,815	-
7 May 2007 - Share Purchase Plan	6,725,000	-	672,500	-
12 June 2007 - Share Placement	3,775,000	-	377,500	-
Less transaction costs arising from share issues	-	-	(26,583)	-
Closing Balance	84,308,356	70,866,251	7,848,502	6,663,270

On 28 March 2007 the Company invited its shareholders to subscribe to its Share Purchase Plan ("SPP"), whereby eligible shareholders could subscribe for either \$2,500 or \$5,000 worth of bioMD shares, representing either 25,000 or 50,000 ordinary shares. The SPP sought to raise \$1 million. Shareholders subscribed for 6.725 million shares.

On 12 June 2007 a private placement was made which raised a further \$377,500.

The purpose of the Share Purchase Plan and the placement were used for funding the development of the Adapt advanced tissue process and for general working capital purposes.

(c) Ordinary Shares

Ordinary shares entitle the holder to participate in dividends and the proceeds of winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(d) Shares Under Options

Information in relation to the bioMD Employee Share Option Plan, including details of options issued, exercised or lapsed during the financial year is set out in Note 28.

	CONSOLIDATED		THE COMPANY	
	2007 \$	2006 \$	2007 \$	2006 \$

17. RESERVES AND ACCUMULATED LOSSES

(a) Reserves

Share-based payments reserve	145,570	24,090	145,570	24,090
Movements:				
Share based payments reserve:				
Balance 1 July	24,090	24,090	24,090	24,090
Option expense	121,480	-	121,480	-
Balance 30 June	145,570	24,090	145,570	24,090

(b) Accumulated losses

Movements in accumulated losses were as follows:

Balance 1 July	3,899,430	2,787,962	3,833,818	2,787,962
Net loss attributable to members of the Company	2,089,187	1,111,468	1,821,570	1,045,856
Balance 30 June	5,988,617	3,899,430	5,655,388	3,833,818

bioMD LIMITED (ACN 088 221 078) AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	CONSOLIDATED		THE COMPANY	
	2007	2006	2007	2006
	\$	\$	\$	\$

17. RESERVES AND ACCUMULATED LOSSES continued

(c) Nature and purpose of reserves

The share-based payments reserve is used to recognise the fair value of options issued to employees.

18. MINORITY INTEREST

Interest in:

Share Capital	584,389	650,000	-	-
Accumulated losses	(251,160)	(65,611)	-	-
	333,229	584,389	-	-

19. REMUNERATION OF AUDITORS

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

Audit services

BDO Kendalls Audit and Assurance (WA) Pty Ltd
(formerly Horwath Audit (WA) Pty Ltd)

Audit and review of financial reports and other
audit work under the Corporations Act 2001

23,050	23,880	15,547	20,380
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Non-audit services

Taxation services

Related entities to BDO Kendalls

Tax compliance services, including review of company
income tax returns

22,450	23,640	13,850	23,300
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Audit-related services

AIFRS accounting services

13,600	2,678	13,600	2,678
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Total remuneration for non-audit services

36,050	26,318	27,450	25,978
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It is the Group's policy to employ BDO Kendalls on assignments additional to their statutory audit duties where BDO's expertise and experience with the Group are important. These assignments are principally tax advice and accounting services under AIFRS.

20. EARNINGS PER SHARE

(a) Basic earning per share

The calculation of basic earnings per share at 30 June 2007 was based on the consolidated loss attributable to ordinary shareholders of \$2,089,187 (2006:\$1,111,468).

(b) Diluted earning per share

The calculation of diluted earnings per share at 30 June 2007 was based on the consolidated loss attributable to ordinary shareholders of \$2,089,187 (2006:\$1,111,468).

(c) Weighted average number of shares used as the denominator

	2007 Number	2006 Number
Weighted average number of ordinary shares used in the calculation of basic earnings per share		
Basic earnings per share	74,960,559	70,866,215
Adjustment for calculation of diluted earnings per share:		
Options	3,050,000	-
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	78,010,559	70,866,215

bioMD LIMITED (ACN 088 221 078) AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	CONSOLIDATED		THE COMPANY	
	2007	2006	2007	2006
	\$	\$	\$	\$

20. EARNINGS PER SHARE (continued)

(d) Information concerning classification of securities

Options:

Options granted under the bioMD ESOP are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The options have not been used in the determination of basic earnings per share. Details relating to options are set out in Note 28.

21. COMMITMENTS

Total expenditure commitments at balance date
not provided for in the financial statements

Lease commitments

Within one year	26,985	12,805	26,985	12,805
Later than one year but no later than five years	42,297	-	42,297	-
	69,282	12,805	69,282	12,805

Operating Lease:

The Company leases office space under an operating lease expiring in November 2009.

The lease has escalation clauses and renewal rights.

On renewal, the terms of the lease was renegotiated.

Other commitments - CSIRO

Within one year	117,000	105,000	117,000	105,000
Later than one year but no later than five years	-	105,000	-	105,000
	117,000	210,000	117,000	210,000

The Company is party to a research agreement with CSIRO.

22. RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

(a) Reconciliation to cash at the end of the year

Cash at bank and in hand	1,446,964	1,029,577	1,336,893	978,251
Deposits at call	700,000	1,715,685	-	1,265,685
	2,146,964	2,745,262	1,336,893	2,243,936

(b) Cash at bank and on hand

These are interest bearing accounts held at bank with average interest rates in the range of 3.30% to 5.25% (2006: nil).

(c) Deposits at call

The deposits bear floating interest rates at 6.2% (2006: 5.1% to 5.6%).

The deposits have an average maturity of 90 days.

bioMD LIMITED (ACN 088 221 078) AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	CONSOLIDATED		THE COMPANY	
	2007	2006	2007	2006
	\$	\$	\$	\$
22. RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES (continued)				
(d) Reconciliation of loss after income tax to net cash outflow from operating activities				
Loss for the year	(2,237,442)	(1,177,080)	(1,821,570)	(1,045,856)
Depreciation expense	10,964	11,177	7,646	9,979
Asset write-down	6,990	112,646	6,990	112,646
Impairment charge	1,309,280	122,531	1,068,153	122,531
Accrued interest	7,478	3,917	4,661	4,478
Income tax benefit	(560,462)	-	(188,691)	-
Non-cash employee benefits expense - share based payments	121,480	-	121,480	-
(Increase)/decrease in receivables	(161,231)	188,524	(16,706)	194,082
Increase/(decrease) in creditors	(21,173)	201,124	(48,720)	170,843
Increase/(decrease) in other provisions	18,212	2,681	18,212	2,681
Net cash outflow from operating activities	(1,505,904)	(534,480)	(848,545)	(428,616)
(e) Non-cash investing and financing activities				
Acquisition of additional interest in subsidiary	161,815	-	161,815	-

On 10 July 2006, an additional 21.5% was acquired in Celxcel Pty Ltd for a combination of cash plus the issue of 2,942,105 ordinary shares in bioMD Limited, valued at 5.5 cents per share for a total of \$161,815.

23. SEGMENT REPORTING

(a) Description of segments

Business Segments

The Group operates in two primary business segments:

- the development of bio-implants; and
- the development and commercialisation of medical therapy products.

Geographical Segments

The Group operates are in one geographical area - Australia.

(b) Primary reporting format - Business Segments

2007	Medical therapy products \$	Bio-implants \$	Eliminations \$	Consolidated \$
Segment revenue				
Total segment revenue	334,125	25,183	(244,000)	115,308
Segment result				
Segment loss after income tax	1,821,571	542,901	(127,030)	2,237,442
Segment assets and liabilities				
Segment assets	2,505,899	1,014,469	(936,629)	2,583,739
Segment liabilities	167,215	77,840	-	245,055
Other information				
Acquisition of non-current assets	5,835	623	-	6,458
Depreciation	7,646	3,318	-	10,964
Asset write-down	6,990	-	-	6,990
Impairment of intangibles	1,068,153	27,328	213,799	1,309,280

bioMD LIMITED (ACN 088 221 078) AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

23. SEGMENT REPORTING (continued)

2006	Medical therapy products \$	Bio-implants \$	Eliminations \$	Consolidated \$
Segment revenue				
Total segment revenue	147,283	18,026	-	165,309
Segment result				
Segment loss after income tax	1,045,856	139,933	(8,709)	1,177,080
Segment assets and liabilities				
Segment assets	3,052,663	550,677	320,353	3,923,693
Segment liabilities	199,120	61,148	291,106	551,374
Other information				
Acquisition of non-current assets	-	18,582	-	18,582
Depreciation	9,979	1,198	-	11,177
Asset write-down	112,646	-	-	112,646
Impairment of intangibles	122,531	-	-	122,531

(c) Notes to and forming part of segment information

(i) Accounting Policies

Segment information is prepared in conformity with the accounting policies as disclosed in Note 1 and Accounting Standard AASB 114 Segment Reporting.

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment assets include all assets used by the segment and consist primarily of operating cash, receivables, property, plant and equipment and other intangible assets. Segment liabilities consist primarily of creditors, employee benefits and borrowings. Segment assets and liabilities do not include income taxes.

(ii) Inter-segment transfers

Segment revenues, expenses and results include transfers between segments. Such transfers are priced on an 'arms-length' basis and are eliminated on consolidation.

24. BUSINESS COMBINATION

For the year ended 30 June 2006:

(a) Summary of acquisition

2006: On 1 November 2005 the parent entity acquired 50% of the issued capital of Celxcel Pty Ltd.

The acquired business contributed a net loss of \$131,224 to the Group for the period from 1 November 2005 to 30 June 2006.

If the acquisition occurred on 1 July 2005, the consolidated loss for the year would have been \$139,933.

The acquired entity is involved in the development of bio-implants for human use.

Details of the fair value of the assets and liabilities acquired are as follows:

	\$
Purchase consideration:	650,000
Fair value of net identifiable assets acquired	<u>650,000</u>

No additional payments were made in the year ended 30 June 2006.

A provision of \$291,106 was created for the deferred tax liability on the purchase.

bioMD LIMITED (ACN 088 221 078) AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

24. BUSINESS COMBINATION (continued)

(b) Assets and liabilities acquired

The assets and liabilities arising from the acquisition are as follows:

	Acquiree's carrying amount	Fair Value
	\$	\$
Cash	-	651,388
Receivables	-	49
Intangible asset: Intellectual property	-	970,353
Non current borrowings	-	(30,684)
Deferred tax liability	-	(291,106)
Net assets	-	1,300,000
Minority interests	-	650,000
Net identifiable assets acquired	-	650,000
	2007	2006
	\$	\$
Outflow of cash to acquire subsidiary, net of cash acquired:		
Cash consideration	-	650,000
Less:		
Cash balance acquired	-	651,388
Inflow of cash	-	1,388

25. FINANCIAL INSTRUMENTS

The consolidated entity's principle financial instruments consist of cash and deposits with banks, accounts receivable, trade payables and loans payable. The main purpose of these non-derivative financial instruments is to finance the entity's operations.

(a) Interest rate risk

The following table details the consolidated entity's exposure to interest rate risk at the reporting date.

	Average interest rate %	Variable interest rate \$	Fixed interest rate \$	Non- interest bearing \$	TOTAL \$
2007					
Financial Assets					
Cash	4.18	1,446,964	-	-	1,446,964
Deposits	6.20	700,000	-	-	700,000
Receivables	-	-	-	182,704	182,704
		2,146,964	-	182,704	2,329,668
Financial Liabilities					
Payables	-	-	-	198,917	198,917
Loans	-	-	-	20,013	20,013
Employee benefit provisions	-	-	-	26,125	26,125
		-	-	245,055	245,055

bioMD LIMITED (ACN 088 221 078) AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

25. FINANCIAL INSTRUMENTS (continued)

	Average interest rate %	Variable interest rate \$	Fixed interest rate \$	Non- interest bearing \$	TOTAL \$
2006					
Financial Assets					
Cash	-	1,029,577	-	-	1,029,577
Deposits	5.43	1,715,685	-	-	1,715,685
Receivables	-	-	-	21,473	21,473
		2,745,262	-	21,473	2,766,735
Financial Liabilities					
Payables	-	-	-	220,091	220,091
Loans	-	-	-	30,684	30,684
Employee benefit provisions	-	-	-	7,911	7,911
	-	-	-	258,686	258,686

(b) Credit risk

The consolidated entity does not have any significant credit risk exposure to any party.

(c) Fair value

The directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their respective fair values.

(d) Financial Instruments

The consolidated entity does not participate in any derivative financial instruments, forward exchange contracts, interest rate swaps or any other financial instruments.

(e) Liquidity risk

Prudent risk management implies maintaining sufficient cash and the availability of funding through adequate amount of committed credit facilities. The directors monitor the cash-burn rate of the group on an on-going basis.

26. KEY MANAGEMENT PERSONNEL

(a) Directors

The following persons were Directors of bioMD Limited during the financial year:

Chairman – non executive

Robert N. Scott

Executive directors

Michael C. Bennett

Robert E. T. Towner

(b) Executives

There are no other key management personnel in the consolidated entity, apart from the three directors listed above.

(c) Directors' remuneration

Full details of director's remuneration are set out in the Remuneration Report contained in the Directors Report. The Company has taken advantage of the relief provided by Corporations Regulations 2M.6.04 and has transferred the detailed remuneration disclosures to the directors' report.

bioMD LIMITED (ACN 088 221 078) AND CONTROLLED ENTITIES

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

26. KEY MANAGEMENT PERSONNEL (continued)

Key management personnel compensation

	CONSOLIDATED		THE COMPANY	
	2007	2006	2007	2006
	\$	\$	\$	\$
Short-term employee benefits	430,000	404,000	430,000	404,000
Post employment benefits	38,150	20,650	38,150	20,650
Long-term benefits	-	-	-	-
Share-based payments	91,980	-	91,980	-
	560,130	424,650	560,130	424,650

(d) Directors' holdings of shares and share options

The interests of Directors of the Company and their Director-related entities in shares and share options of the Company at year-end are set out below:

Options	Expiry date	Exercise Price \$	Held at 1 July 2006	Purchased / Issued	Exercised	Lapsed	Held at 30 June 2007
2007							
R. N. Scott	30 August 2007	0.20	157,500	910,000	-	-	1,067,500
	16 November 2009	0.10	-	600,000	-	-	600,000
M. C. Bennett	16 July 2006	1.00	600,000	-	-	(600,000)	-
	30 August 2007	0.20	5,023,344	29,875	-	-	5,053,219
	16 November 2009	0.10	-	600,000	-	-	600,000
R. E. T. Towner	16 July 2006	1.00	600,000	-	-	(600,000)	-
	30 August 2007	0.20	10,266,770	-	-	-	10,266,770
	16 November 2009	0.10	-	600,000	-	-	600,000

Shares	Held at 1 July 2006	Issued	Purchased	Sold/ Transferred	Held at 30 June 2007
2007					
R. N. Scott	175,000	-	100,000	-	275,000
M. C. Bennett	8,025,938	-	100,000	-	8,125,938
R. E. T. Towner	9,062,130	-	1,588,950	-	10,651,080

Options	Expiry date	Exercise Price \$	Held at 1 July 2005	Purchased	Exercised	Lapsed	Held at 30 June 2006
2006							
R. N. Scott	30 August 2007	0.20	157,500	-	-	-	157,500
M. C. Bennett	16 July 2006	1.00	600,000	-	-	-	600,000
	30 May 2006	2.00	75,000	-	-	(75,000)	-
	30 August 2007	0.20	5,023,344	-	-	-	5,023,344
R. E. T. Towner	16 July 2006	1.00	600,000	-	-	-	600,000
	30 May 2006	2.00	75,000	-	-	(75,000)	-
	30 August 2007	0.20	7,200,000	3,066,770	-	-	10,266,770

bioMD LIMITED (ACN 088 221 078) AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

26. KEY MANAGEMENT PERSONNEL (continued)

Shares	Held at 1 July 2005	Issued	Purchased	Sold/ Transferred	Held at 30 June 2006
2006					
R. N. Scott	175,000	-	-	-	175,000
M. C. Bennett	8,025,938	-	-	-	8,025,938
R. E. T. Towner	8,225,000	-	837,130	-	9,062,130

27. RELATED PARTY TRANSACTIONS

(a) Parent Entity

The ultimate parent entity within the Group is bioMD Limited.

(b) Subsidiary

Interest in subsidiary is set out in Note 15.

(c) Directors and Specified Executives

Disclosures relating to directors and specified executives are set out in Note 26.

(d) Transactions with related parties

The following transactions occurred with related parties:

Directors' transactions with the Company Management Services

Omnimed Pty Ltd, a company in which Mr M Bennett has an interest, has an agreement with the Company to provide management consulting services for a period of three years, commencing on 1 July 2003, renewed on 1 August 2006.

Mandolin Pty Ltd, a company in which Mr R Towner has an interest, has an agreement with the Company to provide management consulting services for a period of three years, commencing on 1 July 2003, renewed on 1 August 2006.

Amadeus Energy Ltd, a company in which Mr R Scott is a director, has an agreement with the Company to provide company secretarial and administration services commencing on 1 December 2003, renewed on 27 November 2006 and also a sub-lease for office space for a period of 3 years, renewed on 27 November 2006. As at 30 June 2007 bioMD owes Amadeus Energy Ltd a balance of \$6,954.

	CONSOLIDATED	
	2007	2006
	\$	\$
Total paid to Director-related entities during the financial year are set out below:		
Omnimed Pty Ltd	230,000	205,000
Mandolin Pty Ltd	200,000	181,500
Amadeus Energy Ltd	27,500	24,000

	CONSOLIDATED		THE COMPANY	
	2007	2006	2007	2006
	\$	\$	\$	\$

28. EMPLOYEE BENEFITS

Employee benefits and related on-costs liabilities

Included in current payables	22,325	7,911	22,325	7,911
Included in non-current provisions	3,800	-	3,800	-
Aggregate employee entitlement and related on-costs liabilities	26,125	7,911	26,125	7,911

bioMD LIMITED (ACN 088 221 078) AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

28. EMPLOYEE BENEFITS (continued)

	CONSOLIDATED		THE COMPANY	
	2007	2006	2007	2006
	Number	Number	Number	Number
Employee numbers	1	1	1	1

Employee Share Option Plan

The establishment of the bioMD Employee Share Option Plan (ESOP) was approved by the shareholders at the general meeting held on 28 October 2004. Eligible Employees (as defined in the Plan and which includes directors, employees and consultants) are able to participate in the Plan.

The essential features of the ESOP include:

- the options are to be issued to selected Eligible Employees for free;
- the allotment of options to Eligible Employees is at the discretion of the Board of Directors;
- the shares allotted to Eligible Employees on the exercise of the options are to be issued at an exercise price determined by the Board in its absolute discretion, which price shall not be less than the minimum exercise price permitted by the Listing Rules;
- the options expire 4 years after the date on which they are granted;
- the options are unlisted and not transferable unless the Directors in their absolute discretion agree to a transfer;
- the options carry no dividend rights or voting rights.

The Company has a total of 3,350,000 staff options over ordinary shares in the Company as at 30 June 2007. (2006: 300,000)

During the current financial year 3,050,000 options were issued to employees and directors. (2006: nil options were issued).

Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	CONSOLIDATED		THE COMPANY	
	2007	2006	2007	2006
	\$	\$	\$	\$
Options issued under employee option plan	121,480	-	121,480	-

Consolidated and parent entity: bioMD Limited Share Option Plan

Grant Date	Expiry date	Exercise Price (cents)	Opening balance	Granted	Exercised	Expired	Closing balance
2007:							
16 Aug 2006	16 Aug 2009	10	-	1,250,000	-	-	1,250,000
16 Nov 2006	16 Nov 2009	10	-	1,800,000	-	-	1,800,000
Weighted average ex price			-	10 c	-	-	10 c
2006:							
1 Feb 2005	1 Feb 2009	15	300,000	-	-	-	300,000
Weighted average ex price			15 c	-	-	-	15 c

bioMD LIMITED (ACN 088 221 078) AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

28. EMPLOYEE BENEFITS (continued)

Fair value of options granted

The assessed fair value at grant date of options granted during the year ended 30 June 2007 was 4.64 cents per option (2006: Nil). The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the option term, the share price at grant date and expected price volatility of the underlying share and the risk-free interest rate for the term of the option.

The model inputs for options granted during the year ended 30 June 2007 included:

- options granted for no consideration, have a four year life and exercisable at any time prior to expiry date
- exercise price: \$0.10
- grant date: 16 August / 16 November 2006
- expiry date: 16 August / 16 November 2009
- share price at grant date: 9.45 cents
- expected price volatility of the company's shares: 90%
- expected dividend yield: 0% (based on historic volatility)
- risk-free interest rate: 5.9625%

29. SUBSEQUENT EVENTS

On 9 August 2007, the company announced that it proposes to offer a new issue for shares and attaching options to the holders of existing listed 30 August 2007 options. The offer to be made to any option holders registered with Australian and New Zealand addresses as at the expiry date of the options. The offer will be to subscribe to 1 new share for every 10 options held plus 4 new options for every one new share subscribed at a price of 25 cents per share.

30. DIVIDENDS

No dividends have been declared or paid during the period.

**bioMD LIMITED (ACN 088 221 078)
AND CONTROLLED ENTITIES**

DIRECTORS' DECLARATION

In the Directors' opinion:

- (a) the financial report and the additional disclosures included in the Director's Report in the Remuneration Report designated as audited, of the Company and the consolidated entity are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Company and the consolidated entity's financial position as at 30 June 2007 and of their performance, as represented by the results of their operations and cash flows, for the year ended on that date; and
- (b) there are reasonable grounds to believe that bioMD Limited will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations by the managing director and chief financial officer required by section 295A of the *Corporations Act 2001*.

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



ROBERT N SCOTT
Non-Executive Chairman

Perth, Western Australia

Dated this 28th day of August 2007

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF BIOMD LIMITED

Scope

The Financial Report and Directors' Responsibility

The financial report comprises the balance sheet, income statement, cash flow statement, statement of changes in equity, accompanying notes to the financial statements, and the directors' declaration for both bioMD Limited (the company) and the consolidated entity, for the year ended 30 June 2007. The consolidated entity comprises both the company and the entities it controlled during that year.

As permitted by the Corporations Regulations 2001, the company has disclosed information about the compensation of key management personnel ("compensation disclosures"), as required by Accounting Standard AASB 124 *Related Party Disclosures*, under the heading "Remuneration Report" of the directors' report and not in the financial report.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The directors are also responsible for the preparation and presentation of the compensation disclosures contained in the directors' report in accordance with the Corporations Regulations 2001.

Audit Approach

We have conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement and that the compensation disclosures in the directors' report comply with Accounting Standard AASB 124. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows and whether the compensation disclosures in the directors' report comply with Accounting Standard AASB 124.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report and the compensation disclosures in the directors' report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

The independence declaration given to the directors in accordance with section 307C would be in the same terms if it had been given at the date of this report.

Auditor's Opinion

In our opinion:

1. The financial reports of bioMD Limited and are in accordance with the Corporations Act 2001, including:
 - (a) giving a true and fair view of the company's and the group's financial position as at 30 June 2007 and of its performance for the year ended on that date; and
 - (b) complying with Accounting Standards in Australia including the Australian Accounting Interpretations and the Corporations Regulations 2001.
2. The remuneration disclosures that are contained in the directors' report comply with Accounting Standard AASB 124 and the Corporations Regulations 2001.

Dated at Perth on this the 28th day of August 2007.

BDO Kendalls Audit & Assurance (WA) Pty Ltd



Peter Toll
Director

SHAREHOLDER DETAILS

The number of shares held by the substantial shareholders as at 23 August 2007:

Name	No. ordinary shares held	% of issued capital held
Mandolin Pty Ltd	10,690,000	12.68
Victoria Park Investments Pty Ltd	10,457,500	12.40
Parerg Pty Ltd	8,050,000	9.55

Voting rights

The shares carry the right to one vote for each share held.

Distribution of shareholders

Number of ordinary shareholders: 901

Number of ordinary shares	No. of shareholders
1 - 1,000	153
1,001 - 5,000	156
5,001 - 10,000	140
10,001 - 100,000	361
100,001 and over	<u>91</u>
Total	901

Twenty Largest Shareholders

Name	No. ordinary shares held	% of issued capital held
Mandolin Pty Ltd	10,690,000	12.68
Victoria Park Investments Pty Ltd	10,457,500	12.40
Parerg Pty Ltd	8,050,000	9.55
J Towner Marybrook Investment A/c	2,821,127	3.35
Torwood Resources Limited	2,538,000	3.01
Spinifex Holdings Pty Ltd	1,535,120	1.82
F and A Popovsky	1,500,000	1.78
Idobee Superannuation Fund Pty Ltd	1,300,000	1.54
I Neethling	1,300,000	1.54
J O'Shea	1,300,000	1.54
Amadeus Energy Limited	1,149,750	1.36
T. Hooker & Associates Pty Ltd	1,121,132	1.33
Carter Capital Limited	1,100,000	1.30
Ord Western Biomedical S/F A/c	1,050,000	1.25
Jaldara Star Pty Ltd	903,873	1.07
Patria Pty Ltd	800,000	0.95
M Grove	701,453	0.83
Samyue Super Fund A/c	700,000	0.83
Pateman Super Fund A/c	605,000	0.72
Gengos Super Fund A/c	600,597	0.71

The 20 largest shareholders hold 59.56% of the Company's issued capital.